REPORT OF

THE GOVERNOR'S TASK FORCE ON WELFARE MANAGEMENT

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GOVERNOR'S TASK FORCE ON WELFARE MANAGEMENT

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SUMMARY

This preliminary report of the Governor's Task Force on Welfare Management proposes recommendations in five areas relating to the administration of public welfare programs in New Jersey: 1) the process by which the initial and continuing eligibility of welfare applicants and recipients is determined; 2) eligibility requirements for public welfare; 3) living standards for welfare recipients; 4) administrative separation of the provision of social services from the payment of financial assistance; and 5) State and local administrative roles.

Eligibility Determination The Task Force found that, as it is currently conducted, eligibility determination in New Jersey's public welfare programs is expensive and wasteful to administer, as well as demeaning to the welfare applicant. It recommends that the State Division of Public Welfare immediately begin testing of the simplified method of eligibility determination, as required by the federal government. Provided that such testing is successful, the simplified method should be fully implemented in the State.

The simplified method of eligibility determination would have the local welfare agency fully investigate only a limited random sample of initial applications for public assistance as well as subsequent redeterminations of eligibility. This would contrast with the present method, according to which every application and subsequent redeter-

mination of eligibility receives a full investigation by the local welfare agency. Evidence from other states indicates that approximately $8 million in public welfare administrative costs in New Jersey could have been saved in calendar year 1968 through implementation of the simplified method, and that potential savings would now be even greater. Moreover, such evidence indicates that utilization of the method could enhance the sense of responsibility of welfare recipients without increasing current low rates of ineligibility for assistance among those now on the rolls. In order to minimize the possibility of erroneous payments under this new method, the Task Force also recommends that a number of specific additional safeguards be built into the simplified method as it would be tested and implemented in New Jersey.

Eligibility Requirements The Task Force concluded that eligibility requirements for public welfare should be substantially simplified in order to promote administrative simplicity, dignify the relationship between client and agency, and assist the client in maintaining a modicum of economic security.

Eligibility requirements such as those concerned with cash and liquid assets, personal property, real estate, life insurance, automobiles, and income of relatives may incur administrative costs in their enforcement that are greater than increased assistance payments that would be made in their absence. Simplification of these requirements would help to reduce these administrative costs and also minimize the intrusion of local welfare agencies into sensitive areas of family relations and personal rights.

Many of these requirements seem to be implicitly based on the mistaken assumption that most welfare recipients fall into a pattern of chronic dependency; the requirements therefore force the client to exhaust all resources before he can receive assistance. Alteration of the requirements to permit recipients to retain a small cushion of resources would assist many recipients to regain self-sufficiency more rapidly than is now possible.

<u>Living Standards for Welfare Recipients</u> In the view of the Task Force, New Jersey has been one of a small group of states that has maintained a level of cash assistance for welfare recipients which approximates a minimum decent standard of living for the needy. However, because the current State Division of Public Welfare standard for recipients does not include amounts for routine transportation costs or school expenses, the Task Force recommends that grants be adjusted upward slightly to permit such expenditures. The Task Force further recommends that basic lump-sum assistance grants should include an amount for shelter costs which varies only according to family size, rather than providing families with "as-paid" grants for their actual shelter costs as is now the case. In addition, the present definition of emergencies justifying special circumstance grants should be slightly

broadened.

Separation of Services At the level of client-agency contact, public welfare is presently administered on a non-specialized basis: both relief payments and rehabilitative services are provided to a recipient by a single "Caseworker I." Although tasks involving relief payments are largely clerical in nature, tasks involving rehabilitative services are essentially professional in the kinds of skills which they require. Thus, public welfare caseworkers are frequently overqualified for the assistance payments function and underqualified for the social service function of their assignments.

Due to limitations of time, the Task Force makes no specific recommendations in this area, but it believes that an administrative separation of the function of disbursing payments from the function of providing services would allow for more specialized and efficient use of personnel. Properly carried out, this should lower costs, raise the quality of services, and improve staff morale. It would also resolve many of the conflicts and ambiguities in the present relationship between the welfare client and his caseworker. These conflicts and ambiguities stem from the obligation of the caseworker to investigate the client's financial circumstances objectively while at the same time establishing a relationship of trust with the client as a means of providing effective social services.

State and Local Administrative Roles The Task Force believes that the performance of the present structure of assistance programs in this State should be evaluated on the basis of three criteria relating to equity, effectiveness, and efficiency: 1) The equity of the distribution of fiscal burden among the citizens of the State; 2) The capacity of the administrative structure to implement State policy and foster the rapid adoption of innovative ideas at the local level; and 3) The extent to which the system can eliminate duplication of effort, utilize modern management techniques, and take advantage of economies of scale.

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 calendar year 1968, 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 ten times as much per $100 of assessed valuation.

The diffusion of administrative responsibilities among State, county, and municipal agencies hampers the effective implementation of federal and State policies.

The present system prevents the State from concentrating administrative resources according to numbers of recipients rather than geographic areas and permits a certain amount of duplication and inefficiency that could be eliminated in a statewide system utilizing modern management techniques.

On the basis of these considerations, the Task Force recommends a complete State assumption of the administrative functions and non-federal costs of public welfare in New Jersey. This reorganization should be preceded by a period of careful planning. Advisory committees should be established within each of the local service areas of the new statewide public welfare program in order to retain local initiative and assess agency performance at the neighborhood or community level.

RECOMMENDATIONS OF

GOVERNOR'S TASK FORCE ON WELFARE MANAGEMENT

Recommendation One:

To facilitate experimentation with investigation of assistance applications on a sample basis only, there must be an immediate determination as to whether a statutory barrier does exist. If such a barrier exists, it should be promptly removed. This objective should be attained in the following manner:

A. The Governor or the Commissioner of Institutions and Agencies should request a ruling from the Attorney General as to whether the statutory requirements of "investigation" of every application would be met by consistency verification of all applications and full investigation of only a statistically valid random sample of applications for assistance.

B. If the Attorney General rules that such procedures would not satisfy presently applicable statutory requirements, the Legislature should forthwith modify the restricting statutes. The Legislature should specify instead that the Commissioner of Institutions and Agencies shall be given the administrative authority to devise suitable means for investigating the eligibility of applicants for and recipients of public welfare.

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Recommendation Two:

The Division of Public Welfare should proceed forthwith to test and develop the simplified method of eligibility determination, including full investigation of a limited random sample of cases, in all federally-assisted categories of public assistance. The simplified method should be fully implemented on a statewide basis as soon as a satisfactory procedure has been developed. When fully implemented, this procedure should make maximum use of electronic data processing equipment and welfare aides in order to minimize administrative costs without compromising protection against erroneous payments.

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Recommendation Three:

Clear responsibility should be placed on the client to give a factually correct account of his situation. The welfare agency must be prepared to give assistance to the client, where needed, in filling out the application form or obtaining the necessary information.

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Recommendation Four:

Guidelines should be developed according to which full investigations are made of those cases which eligibility workers have reason to believe warrant such investigations. These investigations would be in addition to those which are made of the random samples of applications and redeterminations of eligibility.

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Recommendation Five:

Computerized verifications of internal consistency should be made of all applications for public assistance.

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Recommendation Six:

There should be provision for sample validation of all continuing cases in addition to sample validation of initial determinations and redeterminations of eligibility.

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Recommendation Seven:

The size of the validation sample should be large enough to detect ineligibility trends within the major subgroups of the public welfare programs as well as within the total public welfare caseload for the entire state.

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Recommendation Eight:

Provision should be made for progressive graduated shifts to larger validation samples if increases in the ineligibility rate are detected.

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Recommendation Nine:

Cash and liquid assets should be counted as resources for current support only when their value clearly exceeds an amount desirable for protection of the family. Applicants for welfare assistance should therefore be allowed to retain a reserve of cash and liquid assets, which should be disregarded when resources for current support are evaluated. This reserve should be set, after study of recipient needs, at a level which allows recipients to retain a cushion of resources sufficient to cope with emergencies and other necessities unrecognized by welfare budgets.

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Recommendation Ten:

Automobiles and personal effects should normally be disregarded as potential resources for current support, and their existence should normally not be considered in determining eligibility or size of grant.

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Recommendation Eleven:

The State should recommend to the federal government that life insurance should be considered separately from cash and liquid assets in evaluating resources for current support. Other than group or term insurance, which should be disregarded entirely, clients should be permitted to retain a specified amount of insurance protection (based on the face value of the policy). Although the subject merits further study at both federal and State levels, a fair amount of protection should be allowed for clients without requiring complex and expensive administrative procedures to encumber the determination of eligibility.

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Recommendation Twelve:

Current State law and policy requiring OAA and DA applicants, and in some cases AFDC applicants, to sign an "Agreement to Reimburse" should be repealed.

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Recommendation Thirteen:

A. The statutory specification of relatives legally obligated to support those in financial need should be limited to parents of minor children and to spouses.

B. The current practice, according to which welfare clients are sometimes required, either directly or indirectly, to initiate legal support proceedings against spouses or the fathers of their children should be halted.

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Recommendation Fourteen:

Basic grants should be adjusted to recognize and permit expenditures for school expenses and routine public transportation.

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Recommendation Fifteen:

Basic assistance grants should include shelter costs, adjusted only for variations in family size. For a given family size, shelter costs included in the budget would be set at the 85th percentile of such expenditures currently paid by welfare families of that size, and would be periodically adjusted, as are non-shelter budget components, to reflect changes in the consumer price index.

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Recommendation Sixteen:

The definition of special circumstances justifying supplements to the basic grant should be broadened to provide assistance for clothing, home furnishings, and/or other essentials when an emergency need exists because of the depletion of resources prior to application or the destruction or failure of assets.

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Recommendation Seventeen:

The State should assume the entire non-federal share of the assistance and administrative costs of the present categorical and General Assistance programs.

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Recommendation Eighteen:

Legal responsibility and authority for the administration of public welfare in New Jersey (including the provision of both money payments and social services), both categorical and general, should be shifted to the State government. Assumption of the administration of public welfare by the State should occur in conjunction with the organizational separation of the function of service provision from the function of monetary payments, as discussed above. The State should administer public welfare through a system of local offices convenient to recipients and potential recipients.

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Recommendation Nineteen:

State assumption of administration as well as organizational restructuring should be preceded by a planning period adequate to minimize disruptive effects on clients and employees (at least 18 months) and provide for a carefully planned initiation of the new administrative structure.

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Recommendation Twenty:

Advisory committees should be established within each of the local service areas of the new public welfare program. Such committees should make recommendations relating to the money payment and social service components of the public welfare program. 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.

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PREFACE

In his Seventh Annual Message to the Legislature, on January 14, 1969, Governor Richard J. Hughes enunciated his concern over growing dissatisfaction with the welfare system and announced his intention to appoint this Task Force. The Governor stated:

"... the welfare burden continues to grow heavier, and strong remedial action is essential. I have long held the view that payment of welfare costs should be a federal responsibility, but federal assumption of the full welfare burden is not now in prospect. What is clear is that the present welfare system satisfies no one -- neither taxpayers nor recipients. Indeed, it is a system that cries out for change.

"To determine what constructive change is possible in the public assistance program, I shall shortly appoint a distinguished Task Force on Welfare Management. I shall instruct this body to examine modifications in the present welfare system now being tested in various parts of the country and to recommend any possible improvements in the management and administration of our present welfare system. I shall consider their mission a crucially important one for the people of this State."

Since our appointment in October of 1969, we have met regularly, have studied analyses and research reports on the components of the welfare system, and have discussed various welfare issues with experts in the field and with each other. We have been most ably assisted in our work by the efforts of a small but highly dedicated and talented staff which has been functioning since last July. We have also initiated a major interview survey of 600 welfare recipients in representative sections of the State in order to find out about their needs, their past employment, migration patterns, and experiences on welfare, and to assess their attitudes toward jobs, family planning, and the various social services provided to them by welfare agencies. The results of this survey will be analyzed by the Task Force staff and released in February, 1970.

Through this activity we have come to certain conclusions which are detailed in this report. These recommendations relate to the structure of the public welfare system, which we believe is, at present, unnecessarily costly, confusing, inequitable, and inefficient. This is not to suggest that the people working in New Jersey's present structure of public welfare are themselves inefficient or unjust. On the contrary, we found that, no matter how efficient and determined its personnel might be, no significant gains in equity or efficiency can be made in the welfare system without major alterations in its structure.

During the period in which this Task Force has been functioning, we have studied the following areas: the process by which eligibility is determined; eligibility requirements; living standards and budgeting for welfare clients; administrative separation of the payment of financial assistance to recipients from the provision of social services; and State and local administrative roles. Some of the recommendations we are making would require far-reaching and fundamental changes. We believe that their implementation is essential and urgent, but such changes must be preceded by a period of careful planning. Other changes are also important, but they would have less of an impact on the system and accordingly could safely be put into effect without substantial delay.

In respectfully submitting this preliminary report, we have fulfilled only a fraction of the Governor's mandate. There are many issues -- including those related to the separation of social services from money payments, employment and training programs, day care facilities, family planning programs, recipient housing, the reasons for increases in the AFDC rolls and the potential impact of the President's new welfare proposals -- which are crucial and need initial investigation or further analysis. They were not explored by the Task Force due to the limited amount of time available to us, but we believe that such areas should be thoroughly and sensitively examined. Our first recommendation, therefore, would be that a new Task Force, or Commission, be appointed and funded to take up these issues where we left off and likewise to consider such other matters pertaining to public welfare as a mandate from the new Governor may direct.

We wish to express our appreciation for the trust and confidence that was placed in us. We hope that this preliminary report will help to bring about changes in accordance with its recommendations and will help to stimulate an even more thorough examination of the public welfare system in New Jersey.

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INTRODUCTION

No major program administered by a governmental agency is so maligned and misunderstood as public welfare. Whether justified or not, a continuous and persistent stream of criticism of public assistance in this country comes from widely disparate but vocal sources: recipients and taxpayers, administrators and political leaders, liberals and conservatives. This criticism tends to be diffused rather than focused on any particular aspect of the welfare system. But there are enough anomalies and contradictions embodied in the program so that its critics never lack for objects. Among these, one might list the following examples:

-- Public welfare is intended to provide support for people in times of financial emergency, yet it has been widely criticized for increasing the time of financial need.

-- There have been uninterrupted increases in the rolls, yet many poor persons in need have been denied entry because of arbitrary restrictions on eligibility.

-- Taxpayers complain of widespread fraud in the welfare system, yet federal officials complain that eligibility determination entails excessive red tape and inordinate administrative expense, and that fraud is in fact extremely rare.

-- Recipients complain of meager grants at the same time that some political leaders deplore the high cost of welfare programs.

-- Most taxpayers view welfare payments as a privilege which can be revoked with minimal cause; recipient organizations view welfare as a legal obligation of the

State which can be revoked only by due process with full regard for the recipient's constitutional rights.

-- Many people think of welfare assistance as a semi-permanent alternative to employment, but many AFDC mothers stay on the rolls only for a short time and strongly demand improved employment training and day-care facilities to allow them to work.

-- Many recipients would like monetary assistance without counselling, while most social workers advocate an expansion of social services for recipients; caseworkers are overqualified for the clerical tasks which they spend the bulk of their time performing, yet most are underqualified for the delivery of sensitive social services; recipients complain of paternalistic intervention while caseworkers deplore their lack of influence over recipients' behavior.

-- Many people see in the high birth rate among the poor a major obstacle to reducing the size of the poverty population, but many welfare recipients say they desire to limit family size even more strictly than middle-class families.

-- Housing costs in the welfare programs are high, yet more than 40% of AFDC recipients live in dilapidated housing and one-third live in crowded quarters.

-- The administration of public welfare programs is divided among four levels of government, an arrangement which engenders considerable fiscal inequities and permits neither adequate central control over policy nor innovation and flexibility at the local level.

Such contradictions are sufficient in themselves to evoke substantial criticism, but the sheer size of the welfare system also makes it an inviting target. All public assistance programs in this country absorb over $10 billion in federal, state, county, and municipal expenditures. In New Jersey alone $194 million (including federal funds) was spent for public assistance -- excluding Medical Assistance for the Aged -- in the last fiscal year. Because the benefits from these expensive and growing programs directly affect only a minority of citizens, very little public support is ever generated for this role of government. Moreover, many recipients have been ashamed to receive aid; it was not until recently that recipient groups began to organize well enough to press for larger benefits and more dignified treatment.

Certain of the contradictions cited above are probably inevitable, for consideration of welfare policies immediately involves one in a tangle of questions relating to individual rights, family life, sexual morality, race, taxes, and governmental priorities. Policies which flow from underlying assumptions about such delicate questions are seldom clear; they reflect a long history of conflicts, resolutions, re-considerations, and uneasy compromises. Because the structure is never completely torn away to permit a fresh start, the accumulated artifacts of old ideas and old decisions remain firmly rooted in the statutes and regulations. Within the welfare system, moreover, the overwhelming bulk and complexity of regulations and procedures tend to shelter these contradictions, and allow the perpetuation of a highly misleading group of myths. There is an alarming paucity of serious and useful research relating to welfare in this country, in large part because the intricacy and lack of uniformity in the regulations, and the severe shortcomings in available data, have made clear, objective analysis difficult.

The diffusion of administrative responsibility for welfare programs has also spared many of these contradictions from serious challenge and allowed them unwarranted longevity. Education is administered by local districts under loose State supervision; major highways are constructed by States with federal support and supervision; national defense is provided almost solely by the federal government. But public assistance is the responsibility of four separate levels of government working with or against each other as the politics of the occasion demand. Initiation of substantial reforms under such a system is exceptionally difficult; ascription of responsibility for performance is virtually impossible.

The size of the welfare system, the tangle of contradictions, and the diffusion of responsibility for its administration together may seem to invite the abandonment of the old structure and the proposal of a completely new alternative system to take its place. On the national level, just such a conclusion was reached by the President's Commission on Income Maintenance Programs, which recently recommended "... the creation of a universal income supplement program financed and administered by the federal government, making cash payments to all members of the population with income needs." Desirable as a completely new alternative might be, the narrow federal framework of public welfare precludes individual states from drastically restructuring even their own welfare systems unless action is first taken at the federal level. Even in the absence of far-reaching national change, however, less drastic changes must be made within the existing system to improve its efficiency, minimize its intrusion into the lives of recipients, and assist its recipients more effectively to regain economic independence. This Task Force believes that important modifications can be made in accordance with those goals and has made certain initial recommendations which are set forth in this report. Much more intensive, objective, and sustained study is needed, however, for the present system is rapidly losing the confidence of those who pay for it, those who administer it, and those who are served by it.

PUBLIC WELFARE IN NEW JERSEY

There are five public assistance programs in New Jersey through which needy persons can obtain financial support for food, shelter, and other necessities. Four of the programs are county administered with the federal and State governments making a financial contribution. These are the so-called "categorical" programs, which provide assistance under the following titles:

1. OLD AGE ASSISTANCE (OAA) provides aid to more than 15,000 needy persons over the age of 65, at a total cost of $15.2 million[1] in fiscal 1969.

2. AID TO THE BLIND (AB) provides aid to more than 900 needy persons who meet the legal definition of blindness, at a total cost of $1.2 million in 1969.

3. DISABILITY ASSISTANCE (DA), also known as Aid to the Permanently and Totally Disabled (APTD), provides aid to 12,000 needy persons who are permanently and totally disabled according to legal definition, at a total cost of $17 million in fiscal 1969.

4. AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) provides aid to 266,000 persons in 63,500 needy families with dependent children and is by far the largest and most controversial program. It cost $144.5 million in fiscal 1969, or approximately three-fourths of the total public welfare expenditures in the State.

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1. The source of statistics on categorical assistance caseloads for this section is New Jersey Division of Public Welfare, Public Welfare Statistics for the Month of August, 1969. The source of statistics on public welfare expenditures for fiscal year 1969 is New Jersey Division of Public Welfare, Public Welfare Statistics for the Month of June, 1969.

a. AFDC-regular segment provides aid to 217,000 persons in families with dependent children in cases of parental death, disability, or continued absence from the home.

b. AFDC-U (unemployed, underemployed) segments provide aid to families with dependent children in which the primary breadwinner does not generate an adequate income.

(1) AFDC-U (unemployed father segment) provides aid to 21,000 persons in needy families with dependent children in which the father is unemployed (according to federal definition).

(2) AFDC-U (underemployed parent segment) provides aid to 28,000 persons in needy families with dependent children in which there is insufficient income (the "working poor"), as defined by current public welfare standards of living. The federal government does not presently provide any reimbursement for the cost of this segment.

The fifth program, GENERAL ASSISTANCE (GA), is a residual classification through which aid is provided to 7,000 needy persons who do not fit into one of the other four categories at a cost of $15.9 million in fiscal 1969. In New Jersey this residual classification includes (by process of elimination) needy single persons and married couples between the ages of 18 and 65 who do not have minor children. Because of implementation of presumptive eligibility and AFDC-U, GA in 1969 declined to only 20% of its former level one year previously.

These programs provide a variety of services to recipients as well as monetary payments. Caseworkers employed by the welfare agencies prepare a social study for each member of the recipient's family in which all needs are identified. A service plan is then drawn up according to which needed services are to be provided. Services include casework counselling, referral to other governmental agencies, day care, family planning, employment training, and health care, among others. Since January 1, 1970, all payments for health care of welfare recipients in New Jersey have been channelled through the new State Medicaid program.

Administrative Structure of Public Welfare Programs in New Jersey

Responsibility for financing, administering, and regulating the five public assistance programs in New Jersey is divided among four levels of government. The general apportionment of financial responsibility for the various programs is illustrated by the following chart:[2]

Type of Program	Purpose of Expenditure	Contribution (% of total)			
		Federal	State	County	Municipal
Categorical (OAA, AB, DA, AFDC)	Benefit Payments	50	37 1/2	12 1/2	0
	County Administrative Costs	50	0	50	0
	Costs of Social Services	75	0	25	0
General Assistance	Benefit Payments	0	75	0	25
	Administration and Services	0	0	0	100

2. This chart ignores many of the finer details of public welfare finance, but it illustrates the general matching formulas which are currently effective.

The federal government establishes the preponderance of basic policy for the four categorical programs (OAA, AB, DA, AFDC). It heretofore contributed to the cost of those programs in New Jersey according to a complex formula that ranged from a 33% subsidy for AFDC to a 64% subsidy for OAA. With the implementation of Medicaid on January 1, 1970, New Jersey was able to take advantage of an optional federal matching formula for welfare under which the federal government will provide a 50% subsidy for assistance payments in categorical programs (except for the AFDC-Underemployed parent segment). Utilization of this new formula will bring into the State an estimated $16.8 million in additional federal funds in the first six months of 1970 alone. The federal government provides 50% of the administrative costs of the categorical programs and 75% of the costs of certain services to recipients. Federal funds can be withdrawn if a State refuses to comply with federal statutes and accompanying regulations of the Department of Health, Education, and Welfare.

The State government supervises the administration of the categorical programs at the county level and contributes 75% of the cost of assistance payments not covered by federal contributions. The State makes no contribution toward the cost of administration or services. The Division of Public Welfare, which is part of the State Department of

Institutions and Agencies, supervises the implementation of federal policies in New Jersey and supplements them with regulations of its own. The Legislature and Governor set limits on the basic levels of grants through their control over funds and legally define the categories of assistance -- although the federal statutes and regulations allow little leeway for states to vary categorical definitions. The State also loosely supervises the General Assistance program and contributes 75% of its assistance payments.

The twenty-one counties administer the four categorical programs and contribute 25% of the non-federal assistance costs and 100% of non-federal administrative and services costs. With their actions regulated almost completely by the State and federal governments, however, there is little room for development of affirmative welfare policies at the county level. Accordingly, the county is generally limited to carrying out State and federal regulations while trying to adapt them within very narrow limits to local conditions.

Municipalities administer the General Assistance program and contribute 25% of its assistance payments and 100% of its administrative and service costs. The program is carried out under State supervision, but this is generally fairly loose as there are too many municipalities to permit close control.

The President's Proposals for Welfare Reform

The present structure of the welfare system could be significantly altered by recent proposals of President Nixon for national welfare reform. The Task Force has studied and discussed detailed analyses prepared by its staff on the potential impact on New Jersey of these proposals. The broad principles of the President's plan, as submitted to Congress (H.R. 14173, S. 2986), can be outlined as follows:

-- Nation-wide minimum support levels for recipients in federally-assisted welfare programs would be established;

-- Welfare benefits would be extended to unemployed and underemployed families on a nation-wide basis;

-- A stringent work requirement would be instituted along with new work incentive schedules for the proposed Family Assistance program;

-- New administrative options for channelling payments to needy families would be provided;

-- Old Age Assistance, Aid to the Blind, and Disability Assistance would be consolidated into a single program.

There are elements in these principles which could be far-reaching in their impact on the administration of public welfare in New Jersey. At this time, however, the intentions of Congress regarding these proposals are unknown. In addition, even if the President's plan were passed without change by the Senate and House of Representatives, it presently lacks specificity in a number of areas which are crucial to making a determination of the plan's ultimate consequences for this State. Therefore, although we do believe that these proposals will affect New Jersey less than most States, their final analysis must await development of the proposals in greater detail by the White House as well as their further consideration by Congress.

Who Receives AFDC in New Jersey

Although the statutory and administrative structures of welfare seem intricate and complicated, the most fundamental complexities of the "welfare problem" relate to the people most directly affected by welfare programs -- the poor and potential poor. No small group of citizens like this Task Force can ever be in a position to grasp completely the nature of the personal decisions and situations which have led to the current welfare crisis. However, our discussions have repeatedly made us aware of how closely proposals for changes in welfare are tied to particular views of the "facts" about the background and actions of welfare recipients. We commissioned the statewide survey of AFDC recipients partly to expand data relating to those "facts." Even as we await the results of that survey, however, we can present a brief though incomplete profile of welfare recipients based upon statewide surveys of AFDC cases conducted in 1967 and 1969 and scattered additional sources.

Receipt of Welfare

-- 65% of the AFDC recipient families in New Jersey are receiving welfare for the first time, while the remaining 35% have received welfare before. This proportion represents a decrease from 1967, when 75% were receiving welfare for the first time. At that time, the national percentage for "repeaters" was 42%.

-- Half the families who went off welfare in 1969 were on for less than one year.

-- For those still receiving welfare, a fourth began receiving assistance less than a year before, a half had been receiving assistance for less than 28 months; only 3.7% of those still on the rolls had started receiving assistance more than 10 years ago.

-- The average AFDC mother currently receiving assistance has spent 1/8 of her life on welfare.

Income and Employment

-- 87% of the mothers receiving AFDC have at one time been employed at some gainful work.

-- Of those mothers on AFDC, 11% to 12% still work (6% full time). An additional 40% receive other income such as Social Security and support payments. In total over half of the mothers receive welfare as a supplement to other sources of income.

-- The average total monthly non-welfare income for AFDC families is $72, most of which decreases the size of welfare payments. But half of the families have outside income of less than $40 a month.

Social Background

-- The age of the average welfare mother is 32.

-- 60% of present AFDC families are black, a decline from 66% in 1967.

-- The average welfare mother has spent more than half her life in New Jersey. One-Third of AFDC mothers were born in New Jersey. An additional one-third had been living in New Jersey before 1959.

-- Of those AFDC mothers who were not born in New Jersey, the South contributed the largest share, 36% of all recipients; New York State was next with 8% of all recipients, and Puerto Rico followed with 6%.

Family and Home Life

-- 76% of the children supported by AFDC payments are 12 years of age or under.

-- 6% of the fathers of AFDC-regular families are home but incapacitated; 5% of the fathers are dead.

-- In more than 60% of the families receiving AFDC all of the children have the same father and mother.

-- 52% of families on AFDC are receiving assistance because of marital breakups, 31% because of the birth of illegitimate children.

-- 12% of the AFDC mothers received AFDC as a child.

-- Only 2.5% of welfare recipients own their own homes.

-- The average welfare family in New Jersey has four people in it and lives in three rooms.

Information about the characteristics of welfare recipients provides only a static picture of the situation. The dynamic factors behind the rapid growth in the AFDC rolls are not as easy to identify. Utilizing some of the most sophisticated techniques used in the study of social problems, the Task Force staff has sought, on the basis of past information and federal surveys, to determine the causes of the length of stay on welfare for current recipients. They found that the commonly proposed factors -- induding family structure, race, education, geographical region, residence in New Jersey and receipt of welfare as a child -- altogether could help to explain less than 25% of the total variation in the length of stay of all recipients. Nor can these factors explain any more successfully why less than half of those eligibile for welfare payments actually have applied. There is, as yet, a vast area of ignorance about the dynamics of welfare applications and case closings. Hopefully, the survey initiated by the Task Force, as well as future research by the State, will help to clarify the factors contributing to the rise in the welfare rolls.

ELIGIBILITY DETERMINATION

As it is currently conducted, eligibility determination in New Jersey's public welfare programs is expensive and wasteful to administer, as well as demeaning to the welfare applicant. Under the present system of "presumptive eligibility" (instituted in January, 1969), applicants for public assistance in New Jersey have to file five-page affidavits detailing their circumstances relevant to requirements for eligibility. If the information in the affidavit indicates that an applicant meets all eligibility criteria, he is given assistance immediately. However, the public welfare agency is still required to make a full investigation of each application soon after assistance is granted. In addition, full investigations are repeated at least once every year in the adult categories (Old Age Assistance, Disability Assistance, and Aid to the Blind), every six months in the regular segment of Aid to Families with Dependent Children (AFDC), and every three months in the unemployed and under-employed segments of AFDC.

The institution of presumptive eligibility represents an improvement over the previous system under which full investigations of applications had to be conducted before any assistance could be awarded. County welfare agencies now respond to needs immediately; applicants are no longer referred to municipal welfare rolls until the completion of a full investigation, which usually took at least 30 days under the old arrangement. There has been no evidence that presumptive eligibility has resulted in any increase in abuses in the welfare programs. The State Division of

Public Welfare's quality control unit independently investigates a random sample of county agency determinations and redeterminations of client eligibility across the State. The quality control unit indicates that there has been no increase in the rate of families receiving assistance who are not legally eligible and that there has been a slight <u>decrease</u> in the number of underpayments and overpayments made to recipients.

<u>The Simplified Method of Eligibility Determination</u>

Current regulations of the United States Department of Health, Education and Welfare require states to have begun testing of a simplified method of eligibility determination in all federally-assisted categories of public assistance (OAA, DA, AB, and AFDC).[3] Under the proposed simplified method, applicants would file an affidavit similar to that currently used (under presumptive eligibility) and assistance would be given immediately if the information in the affidavit indicated that the applicant was eligible to receive payments. However, in order to monitor the incidence of fraud under the simplified method, the local agency would investigate a limited random sample (perhaps 5%, 10%, or 15% according to appropriate statistical criteria) of the determinations of initial and continuing eligibility of welfare clients. Even with traditional methods of full investigation of every case at the time of both initial application and subsequent periodic redeterminations of eligibility, it is not possible to detect every occurrence of fraud and administrative error.

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3. II C.F.R. 45-pt. 205.

With the simplified method, the object of investigations would shift from an unrealistic and costly effort to eliminate all erroneous payments to an effort to ensure that the rate of erroneous payments is maintained at minimal levels. Investigations of a statistically valid random sample of cases would not permit administrators to detect all cases of ineligibility, but it would permit them to determine, within a narrow range, the proportion of cases receiving payment which are ineligible at any given time. If that proportion became unacceptably large, immediate changes in procedures could then be instituted to reduce ineligibility to lower levels. Evidence from other states which have tested this method indicates that implementation of a well-designed simplified method of eligibility determination can yield substantial savings in administrative costs and enhance the dignity of the applicant without increasing the incidence of fraud.

A change to the simplified method of eligibility determination could yield substantial savings in administrative costs because procedures presently mandated for investigating applicants are time-consuming and wasteful of the resources of skilled personnel. Full investigation requires the collection of collateral documentary evidence (rent receipts, pay stubs, support orders, etc.), a visit to the home of the applicant, contact with any legally responsible relatives, evaluation of the cash value of any life insurance, etc. This full investigation is made of every application, and is made by caseworkers with college degrees, even though most of the functions are really clerical in nature and hardly require the skills of a college graduate.

In calendar year 1968, expenditures by the federal, State, and county governments in New Jersey amounted to $21.7 million solely for administration, services, and training for the categorical (federally-assisted) welfare programs. Regrettably, no information has been developed by the State Division of Public Welfare to indicate that proportion of this expenditure which is spent for eligibility determination and related functions, but common estimates of the proportion of total caseworker time spent in determining and redetermining eligibility of welfare clients range from 60% to 90%. If it is assumed, then, that roughly 75% of the $21.7 million is spent for functions related to eligibility determination, such expenditures would have amounted to more than $16 million in calendar year 1968.

The federal Department of Health, Education, and Welfare has summarized available data on possible reductions in the cost of eligibility determination resulting from implementation of the simplified method as follows:[4]

> Cost comparisons as yet are available from only three states. Two have not progressed far enough to eliminate the personal interviews. Nevertheless, all three show substantial reductions in costs.

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4. HEW, SRS, Assistance Payments Administration, The Simplified Method in Public Assistance Programs (process duplicated, December, 1968) p.6.

One state not only requires interviews but has not yet simplified its policies. In the county selected for study, however, the unit cost of eligibility determination has decreased from $48.80 to $34.90.

In another State, a large city calculates 50% cost reductions in OAA--from $20 to $10. These reductions include savings in both time and salaries. Although annual home visits are still required, case aides can handle a much larger number of simplified eligibility determinations. Case aide salaries average $1,000 less annually than those of social workers who did the same work. When new machine processes relieve aides of routine clerical work and eligibility and services are finally separated, costs are expected to decrease to about $5 per case.

The third state has personal interviews only if the applicant needs help to fill out the application form. On a statewide basis, the unit cost has been reduced from $22.30 to $6.30 -- a 75% decrease -- while ineligibility has decreased from 2.5% to 1.0% and incorrect payments from 28.3% to 13.0%.

The most complete study which has been made in this country of the possible savings derivable from implementation of the simplified method was carried out by Planning Research Corporation (a management consulting firm) under contract to the California State Assembly. After making a step-by-step analysis of eligibility determination procedures, PRC "conservatively" estimated that implementation of the simplified method in California would reduce initial eligibility determination costs by about 50%.[5]

Given the approximately $16 million spent on eligibility-related

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5. California Welfare: A Legislative Program for Reform (Sacramento, 1969), pp. 88-90.

functions in New Jersey in calendar year 1968, a reduction of one-half stemming from implementation of the simplified method would have saved roughly $8 million in federal, state and county funds. This amount would now be greater since total expenditures for categorical assistance are about 50% higher this year due to the addition of the AFDC-U segments, increases in grant levels, and the normal increases in the rolls. Administrative costs have likely increased in approximately the same proportion so that savings from the institution of the simplified method would be so much the greater.

Savings in administrative costs would be greatest if maximum use were made of electronic data processing equipment and of specially trained welfare aides (who are paid considerably less than caseworkers) in carrying out functions related to eligibility determination. An integrated state-wide computer system, with remote consoles utilized to connect each local office with the central data processing facility, would relieve trained personnel from a substantial amount of routine clerical work. This type of system would be most feasibly implemented in conjunction with a simplified method since the most complicated eligibility requirements and procedures would be eliminated.

Implementation of the simplified method would also enhance the dignity of the client. Presumptive eligibility represents an improvement over the old system of eligibility insofar as it implies trust of an applicant for at least a short period of time pending full investigation of his status.

But the requirement of a full investigation of each application strongly implies to the welfare client that he cannot be trusted to give accurate information. This implied mistrust does not encourage the client to give precise, accurate information since he knows that his responses will be validated later in greater detail. It also adds to the tendency to demean the client since it indicates that society does not expect much of him; such low expectations in turn are too frequently translated into a feeling that he should not expect much of himself. A sense of dignity and worth is a prerequisite for continued efforts of clients to restore themselves to economic independence. By giving clear notice that the client himself is responsible for providing accurate information regarding his status, the simplified method helps the recipient to maintain his sense of responsibility for his circumstances and his self-respect.

Controls Over Ineligibility

The primary objection to the use of a simplified method is the fear that it might invite fraudulent use of public assistance. The need to safeguard public funds as well as the public reputation of the welfare system requires that the proportion of welfare payments erroneously made to ineligible persons, or to eligible persons for excessive amounts, be held to the minimum level which is administratively practical.

Available evidence indicates that the incidence of fraud in the public welfare system in New Jersey has been quite low. A statewide random sample survey of AFDC cases sponsored by the Department of Health, Education, and Welfare in 1963 showed that every family member was eligible in 97.7% of the cases. The remaining 2.3% of cases included persons ineligible for the following reasons:

.5%	Errors in agency practice (inadequate determination of initial or continuing eligibility)
1.5%	Change not reported by client
	.3% No evidence of intent to conceal or misrepresent facts
	1.2% Appears to have intentionally concealed or misrepresented facts
.3%	Other reasons
2.3%	

The same survey also indicated that 12.5% of eligible families were receiving overpayments while 19.8% of eligible families were receiving underpayments.

At the time of that survey, redetermination of eligibility of AFDC families in New Jersey was required only once per year. Shortly thereafter, a new ruling was issued which required redetermination every six months. Results of independent validations in the past three years by the State's quality control unit indicate that the percentage of legally ineligible welfare clients who are receiving assistance has declined to a negligible level and that instances of overpayment and underpayment have also decreased. Since a system with no erroneous payments is impossible to devise or administer, the present ineligibility rate is probably about the lowest which is administratively reasonable.

Evidence from other states which have experimented with the simplified method has shown that, after initial procedural flaws have been shaken out, most of them have experienced slight decreases in the ineligibility rate. This decrease has been ascribed to a number of factors:

1. The development of a simplified application form which incorporates all eligibility requirements makes the required information clearer to respondents and agency personnel as well;
2. The development of a simplified form often leads agencies to simplify some of their more complex and less essential eligibility requirements (e.g. lien laws and regulations concerning assets) which can be sources of confusion and error;
3. Requiring information in written form demands precise answers; and
4. The placement of clear responsibility onthe client for the accuracy of his answers also encourages precise responses.

However, such evidence is still sufficiently limited to justify caution in implementing the simplified method too rapidly. The design of the application forms and the construction of methods for validation must be carefully planned and tested in each State before implementation is carried forward. Careful pre-testing in New Jersey should include an attempt 1) to measure the expected savings in administrative costs, 2) to develop a process of eligibility determination which would infringe least on the self-respect of the client, and 3) to determine precautions which would ensure that no significant increase in the ineligibility rate would result.

The third determination is particularly important since New Jersey's ineligibility rate is low relative to other states. As stipulated by the federal government, the simplified method incorporates a number of safeguards to minimize ineligibility and fraud. Independent investigation of statistically valid random samples of initial determinations and redeterminations of eligibility enables the state agency to keep an accurate check on the ineligibility rate, within close limits of statistical error. Whenever the ineligibility rate exceeds 3% due to incorrect responses relating to any specific eligibility factor, the state agency has to expand investigation of that factor to 100% of the cases. Also, where evidence is found that fraud has been practiced to obtain assistance, the federal government requires that the case be referred to the appropriate law enforcement official.

Still other safeguards have been developed which can be incorporated into the eligibility determination process to minimize the error rate.

These will be discussed in detail below.

Although many fears have been voiced regarding the potential for fraud perceived to be inherent in the simplified method, it should be noted that random sample investigation conforms closely to accepted modern business practice for minimizing fraud. Credit organizations, banks, insurance companies, and the Internal Revenue Service, among other agencies, all use random sample investigations rather than full investigations of every case in order to minimize fraud without subjecting themselves to exorbitant administrative costs.

<u>Implementation of the Simplified Method in New Jersey</u>

At this time, 22 states have implemented the simplified method in some phase of their welfare operations. Forty-eight states have substantially completed testing of the simplified method in the adult categories (OAA, AB and DA); New Jersey is one of only two states which has not met the HEW schedule for such testing, and is thereby risking a citation for non-conformity with federal regulations and subsequent withholding of federal funds. The Task Force has been informed that the Division of Public Welfare is designing forms in preparation for testing a simplified method. Officials of the Division, however, presently feel that they are prohibited from either testing or implementing the simplified method by a statute [N.J.S.A. 44:7-18] which they believe requires a complete investigation of each welfare application.[6]

Recommendation One:

To facilitate experimentation with investigation of assistance applications on a sample basis only, there must be an immediate determination as to whether a statutory barrier does exist. If such a barrier exists, it should be promptly removed. This objective should be attained in the following manner:

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6. The text of the statute, insofar as relevant, is as follows:

"When the county welfare board receives an application for old age assistance, an investigation and record shall promptly be made of the circumstances of the applicant. The object of such investigation shall be to ascertain the facts supporting the application and such other information as may be required by the rules of the State division. When immediate need is apparent and the applicant provides evidence of eligibility by a written statement signed and verified under oath, the director of welfare shall issue a grant of old age assistance effective as of the date of application and pending completion of such investigation. Upon the completion of such investigation the county welfare board shall decide whether the applicant is eligible for and should receive or continue to receive old age assistance, the amount of assistance, the manner of paying or providing it, and, as appropriate, the date on which the assistance shall begin; provided, however, that if the completed investigation shows the applicant to have been ineligible for reasons other than need, the county welfare board shall not be obligated, in the absence of fraud or misrepresentation, to take action for the recovery of any assistance granted pending completion of such investigation. It shall notify the applicant of its decision in writing." (P.L. 1938, c. 361, p. 910.12, as amended P.L. 1968, c. 139, sec. 1). This section is also applicable to the other federally-assisted programs; N.J.S.A. 44:7-39 (DA), 44:7-44 (AB), 44:10-2 (AFDC). Somewhat similar requirements exist for municipal assistance, N.J.S.A. 44.8-119 through 123. The amendment in 1968 was felt necessary to allow for grants on a presumptive eligibility basis.

A. The Governor or the Commissioner of Institutions and Agencies should request a ruling from the Attorney General as to whether the statutory requirements of "investigation" of every application would be met by consistency verification of all applications and full investigation of only a statistically valid random sample of applications for assistance.

B. If the Attorney General rules that such procedures would not satisfy presently applicable statutory requirements, the Legislature should forthwith modify the restricting statutes. The Legislature should specify instead that the Commissioner of Institutions and Agencies shall be given the administrative authority to devise suitable means for investigating the eligibility of applicants for and recipients of public welfare.

In the view of the Task Force, implementation of a carefully structured simplified method could result in major savings in administrative costs and significant enhancement of the dignity of the client while maintaining current low rates of ineligibility. These potential advantages justify a speedy test and (provided that the test is successful) rapid implementation of the simplified method in New Jersey.

Recommendation Two:

The Division of Public Welfare should proceed forthwith to test and develop the simplified method of eligibility determination, including full investigation of a limited random sample of cases, in all federally-assisted categories of public assistance. The simplified method should be fully implemented on a statewide basis as soon as a satisfactory procedure has been developed. When fully implemented, this procedure should make maximum use of electronic data processing equipment and welfare aides in order to minimize administrative costs without compromising protection against erroneous payments.

Additional Safeguards

Additional safeguards can also be instituted to minimize possible errors and abuses. An essential factor in the simplified method is the reliance on the applicant or recipient for accurate information. There is reason to believe that correct and complete responses can be obtained if and when clients understand what is expected of them. The primary safeguard, then, is to require clients to give the agency the most accurate information of which they are capable, clearly indicating that legal penalties are imposed for obtaining assistance through fraudulent means. Of course, the agency must provide help where it is needed to fill out the form accurately and to obtain collateral information from other sources.

Recommendation Three:

> Clear responsibility should be placed on the client to give a factually correct account of his situation. The welfare agency must be prepared to give assistance to the client, where needed, in filling out the application form or obtaining the necessary information.

Guidelines can and should also be developed according to which full investigations will be made in those cases where welfare agency personnel have reason to believe that a client has given incorrect information. These investigations would be conducted in addition to the investigations which are included in the random sample. A demonstration project testing the simplified method in Minnesota had such independent verifications made whenever interviewers had an intuitive impression that the information given by the applicants was incorrect. The criteria used by the Minnesota workers for requesting such special investigations can be summed up as follows:

1) The applicant appears confused or uncertain;
2) The overall picture of the applicant's age, residence, financial situation, etc., seems to be inconsistent;
3) The applicant is unable to give answers due to ignorance or emotional or physical reasons;
4) The interviewer believes that the applicant is not telling the complete truth;
5) The applicant's statements about his financial situation or other matters is very close to the limits set by the law.

About one out of ten of the eligibility items processed by the Minnesota welfare office interviewers were validated independently on the basis of these intuitive impressions; these investigations were in addition to those which were made of random samples of applications and subsequent re-determinations of eligibility. The findings revealed that one-half of the information verified on the basis of recommendations by the welfare office interviewers was found to disqualify the applicants. The findings from the random sample validations further revealed that a large part of the total error rate encountered in that test of the simplified method was attributable to the small proportion of applicants who had been identified by the welfare office interviewers on the basis of their intuitive impressions.

Recommendation Four:

Guidelines should be developed according to which full investigations are made of those cases which eligibility workers have reason to believe warrant such investigations. These investigations would be in addition to those which are made of the random samples of applications and redeterminations of eligibility.

The Internal Revenue Service subjects income tax returns to a computerized scrutiny for internal inconsistencies. These include arithmetical errors, discrepancies between answers which should be the same, highly improbable answers, etc. Provided that maximum use were made of computers in the processing of welfare applications and payments (as recommended earlier), computers could check for internal inconsistencies according to procedures similar to those of IRS. This would provide another means of pinpointing possibly fraudulent applications. It should also have a strong deterrent effect on potential cheaters.

Recommendation Five:

Computerized verifications of internal consistency should be made of all applications for public assistance.

Under the present system of eligibility determination, complete investigations of the status of recipients are undertaken only at "decision points": initial application for assistance, and periodic redetermination of eligibility every three, six, or twelve months, depending on the program. Investigation is also made, of course, if evidence of a possible change in status is reported to the county agency; it is understood that the client has a clear responsibility to notify the welfare office of any change in his circumstances which might alter his eligibility for assistance. Under the simplified method, investigations would be made of random samples of cases at those decision points. That is, separate samples would be drawn of all applications within a given time period, and similarly for all redeterminations of eligibility. However, unlike the present system, a check could be made of the ongoing eligibility of ALL cases at any given time by drawing <u>an additional</u> sample of ALL cases for investigation, irrespective of how long they have been receiving assistance. By this method, it would be possible to determine the rate of ineligibility of all cases at any given time, not just the rate of ineligibility of initial determinations and subsequent redeterminations of eligibility.

<u>Recommendation Six</u>:

> There should be provision for sample validation of all continuing cases in addition to sample validation of initial determinations and redeterminations of eligibility.

Under the simplified method, the size of the validation samples would be set according to statistical principles governing the size of random samples which will yield results within certain limits of error. The size of such samples would depend upon the tolerance of error permitted and the number of subgroups into which the total group would be divided. There would have to be separate subsamples for each of the categories of of assistance. There should be subsamples for major geographic subdivisions of the State; other subsamples could be drawn according to various social and economic factors. The addition of each subsample within which statistically valid results are deemed necessary would expand the size of the total sample. Such additional categories should be limited to those within which unusual ineligibility trends might be expected.

Recommendation Seven:

> The size of the validation sample should be large enough to detect ineligibility trends within the major subgroups of the public welfare programs as well as within the total public welfare caseload for the entire state.

If an upward trend in the ineligibility rate were detected within a subgroup of the caseload, or for a particular eligibility requirement (such as the limitation on cash and liquid assets) that trend should obviously not be ignored. If such a rate reached a certain level deemed to be totally unacceptable (now set at 3% by federal regulations), an investigation of 100% of cases within such a subgroup or relating to that particular eligibility requirement should be instituted. Before the ineligibility rate reaches that level, however, progressively larger samples should be validated in order to reduce the limits of statistical error of the sample and also to pinpoint the cause of the increasing rate.

Recommendation Eight:

Provision should be made for progressive graduated shifts to larger validation samples if increases in the ineligibility rate are detected.

ELIGIBILITY REQUIREMENTS

Present law and regulations require that the county welfare agency investigate the entire financial condition of persons applying for categorical assistance. This investigation is intended not simply to discover and record the current income of applicants, but to assess other possible resources which can be exploited to provide monetary support. The value of present assets must be determined; the possibility of future accumulation of assets must be foreseen; and identification must be made of certain "legally responsible" relatives able to provide support for the applicant.

While not questioning the necessity of maintaining eligibility requirements relating to resources other than the current income of clients, the Task Force believes that eligibility requirements other than current income should be simplified in order to promote administrative simplicity, dignify the relationship between client and agency, and assist the client in maintaining a modicum of economic security. Particularly in the context of implementation of the simplified method of eligibility determination, simplification of these other requirements would help to reduce the substantial administrative costs which are presently incurred in tracking down the rare case of valuable but hidden resources which many of the regulations are designed to discover. Certain existing laws, regulations, and practices intrude into sensitive areas of family relations and personal rights and changes should be made to minimize such intervention by the welfare system. Many of the laws, regulations, and practices also seem to be implicitly based on the mistaken assumption that most welfare recipients fall into a pattern of chronic dependency. They therefore force the client to exhaust all resources, a practice which greatly hinders the restoration of his economic independence. Since the receipt of AFDC especially is generally a temporary phenomenon, the regulations should be altered to permit families to retain a cushion of resources with which they can help themselves to regain self-sufficiency as rapidly as possible.

In discussing eligibility requirements, current income standards will be considered in a separate section since they properly warrant a more detailed analysis. The remaining financial eligibility criteria may be classified according to the nature of the resource in question:

1) Present assets: cash, liquid assets, personal property, real estate, automobiles, life insurance policies.

2) Future assets: future earnings, inheritances, other governmental benefits or insurance benefits, legal damage awards.

3) Relatives' income and assets.

Because of their complexity and their general unfamiliarity to the public, the details of the eligibility requirements concerning these resources will be presented here. The issues they raise call for policy choices which can affect the administrative cost of assistance programs, the financial security and human dignity of clients, and the harmony between written policy and administrative practice.

Present Tangible Assets

a) Cash and Liquid Assets. Present regulations do not allow applicants to retain any cash savings or other liquid assets such as savings bonds or savings accounts. The applicant with $100 in a savings account, for instance, will find that $100 counted as a resource available to meet his first month's budgeted needs; it is therefore deducted from the full budget when the size of the grant is being determined. Any such assets must be disposed of and used to support the family. The requirement that all assets be disposed of is entirely a matter of state agency policy, and is not imposed by State or federal statute or by federal regulation.

b) Personal Property. The State Categorical Assistance Budget Manual's treatment of personal effects such as jewelry, furniture or clothing is uniform for all categories of assistance. This property is considered a "potential resource"; the Manual states that:[7]

> (a) All personal property must be evaluated to determine whether it is a potential resource that shall be liquidated.
> (b) Household furnishings and personal clothing which are used and useful to the client and family budget unit are regarded as essential for adequate living and shall not be considered as a potential resource for liquidation. Household furnishings and personal clothing which are in storage are presumed to be not used and useful and shall be considered as a potential resource for liquidation. In unusual situations,

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7. Categorical Assistance Budget Manual, 407.4

however, where there may be an item or items of exceptional value, not regularly used and not essential to the client's health and welfare, the client shall be informed that such personal effects shall be considered as a potential resource for liquidation.

Whenever a person ceases to make use of or is unable to make use of any personal property which was not considered as a potential resource because of such use, it shall then be considered as a potential resource for liquidation.

c) Automobiles. State regulations specify that automobiles are to be considered as resources for liquidation, unless

(1) they are deemed essential for employment or health; or

(2) no other means of transportation is available; or

(3) they are considered vital incentives to self-help; or

(4) the value of the automobile is less than $500.

d) Life Insurance Policies. Present State regulations regard life insurance policies as potential resources for support except under any of the following circumstances:

(1) the policy is a group or term policy;

(2) the policy's face value is less than $1,000;

(3) the client has a reduced life expectancy, is receiving or is likely to receive disability benefits under his policy and is therefore likely to receive welfare assistance for less than six months;

(4) the policy is a small family policy (under certain

circumstances).

Under any other conditions, any policy of face value exceeding $1,000 must be evaluated for cash surrender value within thirty days after receipt of assistance, and then must be redeemed and the amount of its proceeds deducted from succeeding welfare grants.

e) Real Estate. Categorical assistance recipients are clearly allowed to own their homes; the value of their homes is not considered in determining eligibility. Ownership of other real estate, however, disqualifies clients from continued assistance. Any real estate other than the client's home must be sold within six months of receipt of assistance for any offer which meets the appraised value thereof. The proceeds from such a sale must be deducted from succeeding welfare grants.

In calculating the grants of recipients who own their own homes, local agencies provide for the "costs of homeownership," which generally include mortgage and tax payments. No provision is made for costs of routine home maintenance, though grants can be made for emergency repairs under certain conditions.

Homeowners applying for OAA or DA are required by state law to sign an "Agreement to Reimburse," which pledges any property, real or personal, as a guaranty for reimbursement of any assistance granted. This agreement must be signed before payment can be made and is recorded by the agency as a lien on the client's property. In effect, the client signs over his property to the agency as collateral. The agency may take title upon the client's death in order to recover its grants, or it may seek a court judgment executing the lien to protect its interest under three conditions:

1) If the recipient, while living, is guilty of fraud or is "uncooperative";
2) If property is discovered after the client's death which otherwise might not accrue to the welfare agency;
3) If the client's heirs are dissipating their inherited property or allowing it to accumulate tax obligations so as to diminish the value of the property.

<u>Future Assets</u>

Treatment of future assets of AFDC families follows the concept of the welfare grant as a loan which will be collected if the opportunity arises. Whenever a client can expect to receive an asset in the future, State policy requires him to sign an agreement to reimburse the agency and pursue whatever steps he can to collect the asset, or risk termination of assistance. The "future assets" in question are usually expected as the outcome of pending claims for social security payments, veteran's benefits, workmen's compensation, temporary disability benefits, or legal suits or claims arising from contracts, inheritances, or damages suffered in accidents.

Support from Relatives.

Underlying the system which now provides categorical assistance is the notion that the relatives of poor people should be required to contribute to their support before society assumes any responsibility to assist them. The specific conditions which must be met before assistance is granted are laid out in federal and State legislation and regulations. The effect of these requirements is to define who is responsible for supporting welfare clients, the extent to which they are responsible, and the manner in which clients must avail themselves of that support.

The identification of legally responsible relatives is largely left up to the State. New Jersey specifies as "chargeable" relatives the grandparents, parents and children of clients, as well as stepfathers of minor children otherwise "likely to become a public charge." If the responsible relative is more than 55 years old, however, he can only be required to contribute to the support of his spouse and to the support of his minor children.

Just as the welfare agency determines the ability of applicants to support themselves, it also determines the extent to which legally responsible relatives are capable of providing support. In accordance with Federal regulations regarding relatives other than parents whom the State may decide to consider responsible, New Jersey has established an objective scale which specifies contributions expected according to the financial capacities of relatives. The identification of responsible relatives, however, is left entirely up to the State.

The amount which a legally responsible relative (LRR) is expected to contribute to support an assistance recipient varies according to his income, the size of his own family unit dependent on him, and his relationship to the clients to whose support he is required to contribute. For instance, a man with an income of $400 per month, living alone but the father of several AFDC children living elsewhere, must contribute $39 per month toward his children's support. If that man were instead the grandfather of those AFDC children, he would only be required to contribute $18 per month. If he were their father but also supported a second wife living with him, his monthly contribution would be but $10. In fact, there are two separate scales to be used in determining financial capacity; the more demanding one is applied, generally speaking, to LRR's most closely related to their client relatives. New Jersey regulations also allow the expected contribution to be adjusted upward if the liquid assets of the LRR exceed a given limit which varies according to his own family's size.

The procedures for collecting support from legally responsible relatives are specified by State agency regulations and federal statute, and must be followed if eligibility for assistance is to be maintained. In cases where the LRR voluntarily steps forward and provides information regarding his income, he can simply be requested to make payments.

Special requirements, however, apply to cases where a father has deserted his family, or more generally, where voluntary compliance is not forthcoming. When a father has deserted his family and his wife applies for AFDC, the welfare agency is required by federal statute to file notice of the desertion with the appropriate law enforcement officials (the NOLEO amendment). The agency and the client are expected to cooperate with the law enforcement officials in action against the husband for support. In cases where a child is illegitimate, the client is instructed to begin filiation proceedings to determine paternity, and claim support unless paternity is voluntarily admitted. It is within the power of the welfare agency to initiate court proceedings for support, but the common practice in New Jersey is to assign this task to the client. Although failure to initiate court proceedings cannot be used as grounds for ineligibility, the client's "failure to cooperate" with the agency or the law enforcement officials in their legal pursuit of the husband can be so used.

Once these required legal proceedings are initiated, the next step in collecting support from a recalcitrant relative is the request for a court investigation of the LRR's ability to support and an order to pay support. If the court orders payments equal to the welfare agency's appraisal of budgeted needs, then the welfare grant can be terminated. In any case, State regulations recommend that support payments be made through the probation office, with the county welfare board the beneficiary of the order. If that procedure is followed, prompt notice can be taken of non-payments, and welfare grants can be adjusted accordingly. In some cases, however, judges have refused to implement this suggestion, and the client whose relative fails to pay support must often wait several weeks and endure considerable red tape before the welfare grant is adjusted. It should be noted that a similar burden is placed on clients whose relative, living in the same household, has been counted as a source of support for purposes of eligibility determination. Federal and State regulations require the relative's income to be counted only if it is actually available, but the burden of proving the <u>lack</u> of receipt of support by positive and affirmative evidence is on the client.

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After reviewing the current set of eligibility requirements, the Task Force has concluded that in the interests of administrative efficiency, the self-respect of clients, and the economic security of clients, substantial simplification is in order.

<u>Administrative Efficiency</u>

The multiplicity of eligibility requirements other than current income undoubtedly lowers the expense of welfare <u>benefits</u> to government agencies; clients and their relatives probably make larger contributions to client support than would be made without the requirements, and certain persons are denied assistance or are discouraged from applying who would otherwise be eligible. The Task Force believes, however, that certain of these laws, regulations, and practices would prove on investigation to be so costly and time-consuming to administer that they are not justified by the increased contributions which they yield from clients and their relatives.

One example of such a requirement is that relating to personal property. All welfare clients are poor. Most are poor before they apply and will be poor even after they leave the rolls. Frequently, clients who apply for public assistance do so only after exhausting all personal resources. In almost all cases, there are no personal effects of substantial value which can be sold to produce enough revenue to alter significantly the circumstances of the client and his family. The regulation requiring evaluation of all personal property is intended to insure that clients with, for example, valuable jewelry or fur coats liquidate those possessions before receiving public assistance. Clients toward whom this rule is directed are quite exceptional. Nevertheless a full investigation must be made of every case, at great cost, in order to ferret out those very few.

Similarly, few clients have life insurance policies with a large cash surrender value. Under current regulations, however, all life insurance policies (with certain exceptions) must be evaluated for cash surrender value in order to determine whether they should be redeemed. Whereas the face value of a policy is readily known and simply demonstrable by the client, evaluation of the cash surrender value by the agency is a tedious and expensive administrative process requiring the assistance of the issuing insurance company or other expert consultants.

All legally responsible relatives must also be contacted so that the agency can ascertain their potential for the support of the client. With the exception of spouses, and parents of minor children, however, the support obtained from such sources tends to be minimal simply because relatives of poor persons are usually poor and often have family units of their own to support.

A simple cost-benefit analysis may show that the enforcement of current policies does not make good financial sense. The cost of enforcement quite likely exceeds the amount of the reductions in public payments to clients. In calendar year 1968, welfare agencies in New Jersey collected $2.3 million in reimbursements from the following sources (which are not separated in the Division of Public Welfare data): relatives' support payments, recipient reimbursements, executions of liens, and recovery of overpayments. This represented little more than 1% of the state's total assistance expenditures. It is difficult to estimate the administrative cost of collecting this sum. (In California, it was recently estimated that 6.4% of the cost of AFDC eligibility determination was spent for specialized property investigation alone.) The administrative cost could, however, be substantially reduced if the regulations were simplified and made more flexible, thus making investigation less time-consuming. Costs could be reduced even further if the simplified method were adopted and case-by-case investigation on a general basis were no longer deemed to be necessary.

Dignity of Client-Agency Relations

The Task Force also believes that certain requirements and practices are unnecessarily coercive; they interject the county agency into matters which threaten relationships of clients to other family members and threaten the personal security and autonomy of the client. In some cases, they may even violate his legal rights. This interference is self-defeating insofar as it tends to demoralize the client and decrease the sense of worth and individual dignity which are prerequisites to regaining his independence.

Perhaps the best example of this kind of situation is the disparity between law and practice in obtaining support orders from absent fathers. The common practice of advising female citizens to take court action against absent husbands as a prerequisite to eligibility, although such court action falls within the powers of the agency, is of questionable wisdom. Urging mothers to take action against separated husbands in many cases fosters unnecessary bitterness between the spouses. When the client is forced by the welfare agency to take an adversary position against the father of her children or to assist in pursuit of him, chances for reconciliation or marriage (in the case of paternity proceedings) are likely to be damaged. In such cases, the value of support payments obtained through coercive means might be outweighed by the reduction in benefits that could accrue from a successful marital relationship.

Obtaining support from legally responsible relatives such as grandparents, or children of elderly clients, causes the local agency to intervene in private and sensitive areas of family relationships. In addition, there may be a legal question raised by the State's definition of legally responsible relatives. The definition includes relatives who, if poor people were not involved, would not be required by law to provide support. This disparity in treatment has been successfully challenged in several other states as a denial of equal protection. In New Jersey, this question arises particularly with regard to step-fathers, who can in no other situation be compelled to support their step-children.

The Agreement to Reimburse in the OAA and DA programs, through which a lien is attached to homes and personal property, does not usually directly deprive in a material way those who become recipients because they usually do not regain economic independence in their lifetimes. Forcing clients to sign such an agreement, however, is often a serious emotional blow because clients feel that they no longer have control over their own property and will never again be able to attain self-sufficiency. Requiring such an agreement also deters many elderly or disabled persons from seeking assistance. Reluctance to sign away the rights to property one has struggled to acquire may force many people to live unnecessarily under deprived conditions, rather than live in the fear of having their home "sold out from under them."

The legal soundness of the Agreement to Reimburse as it is used in the AFDC program is sometimes questionable. In cases where children are to be the beneficiaries of an award, the parent is required by State regulations to pledge the children's future assets. The parent, even as trustee for his children, may have no legal right to sign away their future assets, and yet, if he refuses to do so, the entire family can be declared ineligible. As one judge has commented, a child, upon reaching maturity, should not receive a bundle of court orders showing that all of his property has been used for his support. The legality of such treatment of the assets of children is particularly questionable when they consist of compensation for damages or injury suffered in accidents. In that case, as a general matter, whatever part of the compensation is not required to pay accident-connected expenses is legally viewed, not as a contribution to the support of the child, but rather as something to compensate the child -- as the accident victim -- for whatever pain, suffering and impairment he may anticipate and/or have endured because of it. A somewhat similar problem occurs with adults or children entitled to workmen's compensation awards.

Clients' Economic Security

Many eligibility requirements appear to be based on the erroneous view that the welfare rolls consist of chronically dependent clients who receive assistance for long periods of time and have little chance to regain economic independence. Although this conception may be reasonably accurate in the case of the adult categories of assistance (OAA, DA, AB), it is highly misleading when applied to AFDC and AFDC-U. To the extent that the concept underlies regulations which require clients to exhaust their resources in order to receive public assistance, it may prolong the stay on the rolls of many families.

The most recent available statistics on length of stay in the AFDC program (1967) indicate that half of the families had received assistance continuously for 28 months or less. More than one-fourth of recipients had received assistance continuously for less than one year. A similar proportion had been receiving assistance for five years or more, but fewer than one recipient in twenty-five (3.7%) had received assistance continuously for more than ten years. Equivalent information is not available for New Jersey's AFDC-U segments which were inaugurated only in 1969, but national figures indicate that half of those families remain on the rolls for nine months or less.

This evidence indicates that welfare recipients in the family programs do not seem to be permanent failures in need of life-long support: "welfare" is not a "way of life" for the typical client. Most recipients come onto the rolls to survive economic hardship of a temporary nature; the experience of economic independence is not foreign to them. The true role of the welfare system for many recipients might well be characterized as long-term unemployment compensation, or early social security benefits. And yet, neither unemployment compensation nor social security benefit programs, properly speaking, require a state of impoverishment or complete financial insecurity as eligibility conditions. To facilitate the return of welfare recipients to independence, it would be wise to allow the retention of a certain financial cushion, as do the assistance programs aimed at the population with a "normal" work history. This approach, it should be noted, is considered quite proper also in the treatment of bankruptcy cases; people given the extraordinary privilege of debt dismissal are allowed to retain a certain amount of their property. The retention of property or other resources is a guarantee that emergencies can be met; the welfare recipient, unlike the bankruptcy claimant or the social security or unemployment compensation recipient, is not allowed this financial leeway.

Welfare clients are clearly denied this leeway by the current New Jersey requirement that the client apply all cash and liquid assets to his support. Any personal property of substantial value must also be liquidated and applied to his immediate support. This policy makes it impossible for welfare clients to maintain a financial cushion with which they can meet emergency needs or satisfy demands for necessities which are not currently recognized in welfare budgets (such as routine transportation costs and school expenses.) Welfare clients, in their efforts to meet their own needs, often go into debt and seriously deplete their resources before requesting assistance. Demanding complete exhaustion of resources places them in no position to withstand, on their own, an emergency which arises while they are receiving welfare grants. Emergencies must then be met by a request for additional help, a move which does little to foster a spirit of independence. The only other alternative is to make credit arrangements, which for a welfare client can lead to an extremely expensive and long-term debt. Allowing greater retention of resources would place greater emphasis on the client's best interests over the long term, not simply on the restriction of the "welfare" he receives. Allowance for such a cushion is provided for in the federal regulations which stipulate that a state can permit a client to retain up to $2,000 in net worth, in addition to his home and automobile. According to federal policy, the cash surrender value of a client's life insurance policy is included in this maximum sum.

In this context, treatment of life insurance is questionable. Provision for the future well-being of one's family is a goal which can hardly be deemed a luxury. Present regulations are obviously an attempt to limit short-term welfare expenditures. It is likely, however, that if a client dies, his family will be able to live on his insurance benefits for longer than they can on the policy's cash value while he lives. The choice is one between the short-term protection of the welfare agency and long-term protection of the client and his family.

Finally, the classification of automobiles may reflect an unrealistic assessment of the necessities of modern life. A 1969 California legislative study of welfare concluded, for instance, that automobiles are no longer a luxury, and recommended that they be totally excluded from consideration in eligibility determination. The Task Force believes that automobiles are often necessary in the absence of a good system of public transportation and can be useful in helping to restore families to economic independence. Whereas the current presumption is that cars must be justified as needed, the reverse presumption is more realistic: only in a few cases are cars owned simply "for show."

Accordingly, it is the conclusion of the Task Force that eligibility requirements should be simplified as follows in order to promote administrative efficiency, dignify the relationship between client and agency, and assist the client in maintaining a modicum of economic security.

Recommendation Nine:

Cash and liquid assets should be counted as resources for current support only when their value clearly exceeds an amount desirable for protection of the family. Applicants for welfare assistance should therefore be allowed to retain a reserve of cash and liquid assets, which should be disregarded when resources for current support are evaluated. This reserve should be set, after study of recipient needs, at a level which allows recipients to retain a cushion of resources sufficient to cope with emergencies and other necessities unrecognized by welfare budgets.

Recommendation Ten:

Automobiles and personal effects should normally be disregarded as potential resources for current support, and their existence should normally not be considered in determining eligibility or size of grant.

Recommendation Eleven:

The State should recommend to the federal government that life insurance should be considered separately from cash and liquid assets in evaluating resources for current support. Other than group or term insurance, which should be disregarded entirely, clients should be permitted to retain a specified amount of insurance protection (based on the face value of the policy). Although the subject merits further study at both federal and State levels, a fair amount of protection should be allowed for clients without requiring complex and expensive administrative procedures to encumber the determination of eligibility.

Recommendation Twelve:

Current State law and policy requiring OAA and DA applicants, and in some cases AFDC applicants, to sign an "Agreement to Reimburse" should be repealed.

Recommendation Thirteen:

A. The statutory specification of relatives legally obligated to support those in financial need should be limited to parents of minor children and to spouses.

B. The current practice, according to which welfare clients are sometimes required, either directly or indirectly, to initiate legal support proceedings against spouses or the fathers of their children should be halted.

LIVING STANDARDS FOR WELFARE RECIPIENTS

New Jersey has been one of a small group of states that has maintained a level of cash assistance for welfare recipients which approximates a minimum decent standard of living for the needy. The stated purpose of public assistance grants is to provide for "the essentials for an adequate minimum standard of living." Regrettably, most states have fallen far short of that goal because their legislatures and governors have imposed fiscal restraints sharply curtailing the amount of public funds which could be spent on public assistance. Thus, welfare departments in such states have proceeded to construct cost standards for adequate minimum standards of living for welfare recipients while paying only an arbitrary proportion of those standards, based on the availability of appropriated funds.

Even the ideal standards have been less than generous in most states; in 1968, only six states had standards equal to or higher than the official poverty line of $3,553 for an urban family of four. Moreover, only twenty-four states paid recipients 100% of their own usually inadequate minimum standards. New Jersey has always been in the group of states paying 100% of the minimum standard, and its AFDC standard is currently the highest in the nation (excepting Alaska's, which is inflated by the artificially high cost of living in that state). This level of performance has evidently been made possible by New Jersey's wealth and relatively low proportion of poor persons, as well as efforts of public welfare administrators to maintain adequate levels of assistance. It is reflected in the State's average payments for AFDC, which are also the highest in the nation at $66.40 per person per month as of June, 1969. (Average payments are lower than standards because many recipients have at least some outside income.) As evidenced by these figures, expenditures for welfare in New Jersey have not to this point been arbitrarily restricted by legislative or gubernatorial fiat; rather appropriations have been made as necessary to meet the needs of the actual number of recipients.

How Grants Are Calculated

In earlier years in New Jersey, the goal of welfare budgeting policy, to provide individuals with an adequate minimum standard of support, was carried out by constructing the standard in such detail that it could be applied to a wide variety of different cases in a wide variety of different combinations. Minimum family needs were broken down into components representing food, shelter, utilities, clothing, personal incidentals, household furnishings, household operations, etc. Tables were drawn up for each of these components which varied according to family size, age of each child, sex of each child, etc. When a family was deemed eligible for public assistance, the caseworker formed a budget by working through the amount indicated under each component according to the particular circumstances of each family and combining these amounts to arrive at the final total. Needless to say, it was necessary to adjust this budget as circumstances of the family -- such as age of the children -- changed.

Although this method can effectively adapt grants to individual needs on a highly flexible basis, it is apparent that the demands on caseworker time and the potential for erroneous calculations cancelled out many of the advantages inherent in the concept. Through the years, components were gradually combined and distinctions between variations in individual circumstances were gradually eliminated in order to simplify the budgeting system. Prior to March, 1969, however, the statewide standard was still constructed according to a building block approach, even under the more simplified system. The basic standard was broken into components such as food, clothing, personal needs, etc. Home economists in the State Division of Public Welfare then constructed minimum standards for each of those areas. In the area of clothing, for example, a list of basic needs for a given family was developed and the individual items were priced in New Jersey stores in order to determine the overall cost of that component to New Jersey welfare recipients. All components were then added together to obtain the basic standard, which varied according to family size, age of children, and rental payments, since actual rent is paid to welfare recipients, provided that it is reasonable. (It should be noted that the client was under no pressure, either direct or indirect, to spend the grant in the same way that it was constructed.)

As of March 1, 1969, the Division of Public Welfare introduced a new approach which carries forward the trend toward simplification and utilizes a new method of calculating statewide budget standards. Under this new approach, a lump-sum standard is developed which includes food, utilities, home furnishings, household operations, clothing, and personal care. This lump-sum excludes rent (or costs of homeownership) and varies only according to family size and age category (pre-school, pre-teen school age, teenage) of the eldest child. However, the lump-sum standard is no longer constructed according to the building block method. Rather, it is developed by comparison with overall standards for families of given sizes published by other agencies, primarily the U. S. Bureau of Labor Statistics' (BLS) low income family budgets for the New York City and Philadelphia metropolitan areas. Thus, the new budget standard is not designed to be adapted to all variations in family circumstances; rather it is intended to set an income floor below which families in this State are not allowed to fall.

Is the Existing Standard Adequate?

It is not possible to determine categorically whether existing grants are adequate, for families vary so much in their material needs and abilities to spend wisely that no single objective statewide standard can pretend to meet the needs of all cases. Moreover, since the standard is no longer constructed by adding together various components, it is not possible to try to separate those out and attempt to measure their adequacy on a component-by-component basis; it is only possible to examine the techniques by which the standard is developed and compare it with other indices of adequate levels of support.

In evaluating the current standard of $4160 for a "statistical" family of four, the Division of Public Welfare points out that this level is equivalent to the take-home wages of a family head earning $2.50 per hour. (Hereafter, unless indicated otherwise, all references to the budget standard will be in terms of the "statistical" family of a man, wife, teenage child, and younger child; $100 rent is assumed.) This is computed as follows:

WAGE EARNER		AFDC RECIPIENT	
$5200	Annual Salary	$ 247	Monthly lump-sum allowance
-700	Income and social security taxes	100	Allowance for rent (assumed)
$4500	Annual take-home pay	$ 347	
		X 12	
-400	Medical expenses	$4164	Annual allowance (medical expenses paid by direct payments to providers of care, not included in allowance)
$4100	Disposable income net of medical expenses		

The AFDC standard is also comparable to the minimum necessary budget for a family of four as determined by BLS for the New York City and Philadelphia metropolitan areas -- if certain components are subtracted from the BLS budget which are not included in the welfare allowance. The BLS low-income budget for an urban family of four is designed to represent the minimum level necessary for the "maintenance of health and social well-being, the nurture of children, and participation in community activities." It is broken down into a number of specific categories, including food, housing, transportation, clothing, personal care, medical care, and other family consumption (these are further divided into a number of subcategories). The food and housing components are based on minimum standards of nutrition and health. The remaining components are based on surveys of actual consumer expenditures of low-income families.

Within most categories, the budget for the New York City metropolitan area runs slightly higher than the budget for the Philadelphia metropolitan area. In comparing the BLS budgets with the AFDC standard, then, the Division of Public Welfare gives the New York City budget 75% of the weight of the two budgets in combining them to obtain a composite figure. Accordingly, the BLS composite low-income annual budget for a family of four for Spring 1967 (the latest figure available) for those components covered in New Jersey's welfare standard would be as follows:[8]

Food (at home)	1516	
Home Furnishings	141	
Household operations	147	(This is calculated independently from New Jersey Public Utilities Commission data by the Division of Public Welfare)
Clothing	564	
Personal care	165	
	2533	
Utilities	+300	
	2833	÷ 12 = 236.08

8. See Appendix I for full comparison of the New Jersey Welfare Standard and the BLS low-income family budget.

The monthly figure of $236 is very close to the AFDC monthly allowance of $232 (plus shelter costs) for a family of four that was in effect at that time. For those categories covered by the welfare standard, then, the minimum necessary family budget as determined by BLS is almost exactly equivalent to the monthly welfare allowance.

Because of its comprehensiveness and careful grounding in extensive research, the Division of Public Welfare's reliance on the BLS low-income budget -- supplemented by comparison with other standards -- is a sound technique for developing a standard of assistance for welfare families in New Jersey. There are a number of components, however, which are included in the BLS budget but left out of the welfare standard. Certain of these components are not included because they are calculated separately: occupational costs are left out because they are calculated only for employed clients; medical care is not included because payment for health care for clients is made through the Medicaid program. Other components are omitted because they are not deemed to be appropriate expenditures for welfare recipients: life insurance, gifts, contributions, food away from home, alcohol, tobacco, reading, recreation, and a miscellaneous category are all left out on this basis.

Two other components of the BLS budget, transportation and school expenses, are also not included in the welfare standard. The lack of an allowance for school expenses, which amounted to $47 annually for a family of four in the Spring, 1967 BLS budget is important to families with school children, who must purchase various school supplies so that the children can participate in public education along with their peers. Transportation, which amounts to $112 annually in the BLS budget for non-automobile owners, is not generally included and is given only on a special circumstance basis. However, the criteria for special circumstance grants for transportation bar their use for routine trips. Thus, if recipients wish to use public transportation to visit the welfare office, or to shop in less expensive downtown stores, or to go to a hospital or clinic, they must pay for it out of other parts of their budgets. Accordingly, the majority of the members of the Task Force concluded that provision for these two components should be made in constructing the welfare standard:

> Recommendation Fourteen:
>
> Basic grants should be adjusted to recognize and permit expenditures for school expenses and routine public transportation.

The annual cost of including these two items in the basic grants, based on the latest count of recipients, is estimated to be $8 million for the transportation component and $3 million for the school expenses component. Fifty percent of these expenditures would be reimbursed by the federal government, in accordance with the current matching formula for welfare payments.

Shelter Costs.

As noted previously, shelter costs are not included in the welfare standard. Rather, they are calculated on an "as-paid" basis subject only to the limitation that they do not exceed "reasonable" levels (as determined by local maxima for rentals set by the County Welfare Boards). This approach does help to ensure that grants for individuals will be adequate to permit the occupancy of decent housing. However, it is deficient in a number of other respects:

1) It limits the control of the client over his own welfare grant. He cannot sacrifice expenditures in other areas for better housing, and vice-versa;

2) The client has no incentive to bargain with the landlord to obtain a lower rent;

3) It leads to inequities among recipients based on different levels of awareness of the open-ended nature of the shelter grant and different levels of willingness to press for a larger grant for better housing;

4) It leads to inequities between recipients and non-recipients: some families are denied eligibility for assistance because they pay low shelter costs, even though their gross income may be less than that of a comparable family on welfare occupying more expensive housing;

5) It complicates the determination of eligibility and the calculation of welfare grants; and

6) It discourages home maintenance by homeowning recipients because the shelter costs paid to homeowners do not provide for routine home maintenance.

Because of these shortcomings in the "as-paid" method of budgeting for housing expenditures, the Task Force believes that a component for shelter costs should be built into the lump-sum grant and should vary only according to family size. The transition to such a system should be made in such a way that those now receiving relatively high grants for housing are not unduly penalized. One way of doing this would be to make a survey of current expenditures for housing by welfare families and set the housing component of the grant at the 85th percentile of expenditures by families of a given size. This would slightly penalize fifteen percent of those on the rolls. Hopefully, it would permit the upgrading of housing conditions among the majority of recipients. These conditions were demonstrated to be inadequate by a special housing survey by the Division of Public Welfare in 1968 which showed that 48% of all AFDC recipients in private rental housing lived in dilapidated buildings.

After the initial level of the housing component is established, it would be adjusted periodically according to increases in the housing component of the consumer price index, as is the rest of the welfare grant.

<u>Recommendation Fifteen:</u>

Basic assistance grants should include shelter costs, adjusted only for variations in family size. For a given family size, shelter costs included in the budget would be set at the 85th percentile of such expenditures currently paid by welfare families of that size, and would be periodically adjusted, as are non-shelter budget components, to reflect changes in the consumer price index.

Special Circumstance Grants

A natural corollary of movement toward the lump-sum approach of establishing basic standards has been the gradual curtailment of special circumstance grants in favor of slightly larger basic budgets. The traditional approach to budgeting for welfare recipients described earlier varied so much with individual needs that the entire budget could be characterized as responsive to special circumstances. For example, home furnishings, major items of clothing, and many other necessities were provided on an "as-needed" basis outside of the basic grant structure. As the State moved from a highly variable standard toward a basic income floor, however, the list of needs for which special circumstance grants were given was gradually limited. The basic grant was adjusted upward slightly to compensate for these limitations, but the basic nature of the standard shifted from an attempt to meet deficiencies in individual family budgets to an effort to place a basic lump-sum floor under income which would have to be budgeted and spent just like income of any wage earner.

There are more than philosophical reasons for implementing this approach. High administrative costs accompany provision for a wide range of special circumstance grants. Also, special circumstance grants are not equitable in their impact on recipients. Caseworkers vary widely in the extent to which they notify clients that special circumstance grants are available just as clients vary widely in their awareness of the existence of these grants. Thus, only a minority of recipients regularly took advantage of grants which applied to their respective situations; those who obtained grants as they needed them received far more adequate benefits than those who did not. When the State implemented its new lump-sum budgeting method in March 1969, it abolished many special circumstance grants for furniture and clothing. To compensate for this limitation, it added about $3 monthly to the allowance for a family of four over and above the amount that was added to adjust for inflation. This was obviously not adequate compensation for those recipients who had regularly claimed supplementary special grants under the old system. But such claims had been sufficiently infrequent that the addition of $3 monthly to the grants of all recipients cost the State far more than all of the special circumstance grants for clothing and furniture had previously cost.

Several problems do arise from the lump-sum approach from the standpoint of recipients. First, even though adequate allowances for major items such as furnishings may be included in the standard, these may be spread out over such a long period of time that the recipients may find it impossible to get together enough cash at any one time for a major purchase. They may accordingly be made unduly susceptible to costly time payment plans. Second, even for items of lesser cost, demands on clients' budgets for predictably recurring items such as school clothing and fuel may vary seasonally. Thus, it may be very difficult for recipients to meet the need from their existing resources at times of peak demand, e.g. the beginning of the school year (for clothing), and the middle of the winter (for fuel). Third, many recipients come onto the rolls with their financial resources depleted from various crises. They immediately need large items such as furniture and clothes which would take years to buy through the process of accumulating small monthly allotments. Finally, in curtailing special circumstance grants, adequate provision for dealing with family emergencies and near-emergencies may be eliminated or sharply curtailed.

The Task Force is particularly concerned about the last two difficulties in the present system of special circumstance grants. Although special circumstance grants should not be relied on for routine or even predictably recurring seasonal expenditures, there should be adequate provision for special grants to meet emergency needs beyond the control of clients. The State Categorical Assistance Budget Manual (308.14) does permit special grants for shelter, food, emergency clothing and/or minimum essential house furnishings necessary for health and safety when 1) there has been a substantial loss due to fire, flood, or other similar natural disaster, or 2) the client is in a state of homelessness due to an emergency situation over which he has had no control. There are no conditions, however, under which special grants can be made to families whose resources have been exhausted prior to application, or whose assets (particularly major appliances and household furnishings) are destroyed or fail much earlier than could be expected from normal usage. Because allowances for clothing and household goods are made in small monthly allotments, families must budget for a long time in order to be able to purchase major items. If they have no assets to begin with, or are suddenly faced with an unexpected loss, purchase of such major items will be impossible, particularly in light of the usual absence of satisfactory credit arrangements available to poor persons. The Task Force recommends, therefore, that the definition of special circumstance grants be broadened to accomodate such emergency situations.

Recommendation Sixteen:

The definition of special circumstances justifying supplements to the basic grant should be broadened to provide assistance for clothing, home furnishings, and/or other essentials when an emergency need exists because of the depletion of resources prior to application or the destruction or failure of assets.

SEPARATION OF SERVICES

With the enactment of a series of amendments to the Social Security Act beginning in 1956, the social service component of public welfare programs has become a major part of the public's effort to alleviate economic dependency. "Rehabilitation" has taken its place along side monetary "relief" as a goal of the welfare system. The Task Force strongly reaffirms the importance of providing effective social services as well as adequate money payments to the poor, but it questions the wisdom of providing both forms of assistance through a single administrative structure, as is now the case. Although detailed recommendations for a new administrative arrangement will require further study and deliberation, the Task Force does wish to present the considerations which have led it to a search for an alternative to the present pattern.

The Dual Role of the Caseworker and Administrative Efficiency

At the level of client-agency contact, public welfare is administered on a non-specialized basis; both relief payments and rehabilitative services are provided to a recipient by a single "Caseworker I." These two functions obviously involve quite different kinds of tasks. Disbursing monetary payments requires that initial eligibility be determined, magnitude of grant be established, and continuing eligibility be verified. These tasks are to a large extent clerical in nature; they involve forms, regulations, and investigations. The function of rehabilitation, on the other hand, requires the diagnosis of needs, personal skills and strengths;

knowledge of effective remedies; and provision of a range of social services. These tasks are essentially professional in nature; they involve counselling, referral, and, on occasion, skilled psychotherapy. It should be apparent that putting responsibility for both of these highly dissimilar functions in the hands of the same generalist caseworkers can endanger the efficiency and effectiveness of their execution. A major consequence of the dual role of the caseworker is inefficient use of personnel by welfare agencies, because workers are inappropriately prepared for either role, and because functional conflicts cause high staff turnover.

Caseworkers are frequently overqualified for their assistance payments function and underqualified for the social service function. Following federal requirements, New Jersey now requires a bachelor's degree for caseworker recruitment, but no particular field of study is specified. The essentially clerical tasks involved in computing budgets and grants clearly do not require the skills of a college graduate, but sensitive and understanding casework clearly demands more than a B.S. in chemistry and a few weeks of training in bare fundamentals.

With the routine functions of benefit computation and eligibility determination carried out by college graduates, administrative costs are doubtless higher than they would be if these tasks were assigned to a special clerical staff backed up by appropriate resources for machine computation. In Fiscal 1968, expenditures in this State for administration, services, and staff training averaged approximately $275 for every categorical welfare case. The national ratio of the cost of administration and services to the cost of benefits is roughly .20; that is, for every $5 expended for benefits, $1 is expended for administration. In New Jersey, the ratio is lower (about .10), partly due to higher levels of benefits. This compares, however, with a ratio of about .05 for health insurance such as Blue Cross, and even less for Social Security. Much of the high cost of welfare administration can be ascribed to the expensive process of eligibility determination as well as the provision of a range of ancillary services to recipients. But it is likely that the use of college-trained staff for routine tasks related to monetary payments is a significant factor in this high cost.

The use of college-trained caseworkers for essentially clerical tasks is also an important factor in excessive turnover of personnel in this category. High turnover, of course, raises administrative costs and hinders development of an experienced staff. At the end of fiscal year 1968, 47.4% of all caseworkers in New Jersey had been hired within the previous twelve months; 29% had resigned during that same period. Even these statistics represent an improvement over the previous year, when the accession rate for caseworkers was 59.2% and the separation rate was 38.5%. These figures can be regarded as a symptom of a structural problem in welfare administration. They also indicate that there are serious difficulties in providing any services which depend on a stable relationship between the caseworker and recipient.

The Dual Role of the Caseworker and the Caseworker-Recipient Relationship

The placement of responsibility for providing both services and payments to a given recipient in the hands of a single caseworker is not only administratively inefficient, but it also introduces certain strains into the caseworker-recipient relationship.

First, just as caseworkers tend to be overqualified for disbursing payments, they tend to be underqualified to administer the skilled and sensitive social services which they are supposed to offer to each recipient. Professional social work degrees are rare among staff members who have contact with recipients on a routine basis. Nor are in-service training programs of sufficient intensity or duration to fill this gap. Generalized counselling and referral can be offered by caseworkers even within those limitations, but intensive casework (in the professional sense) would seem to require a relationship of a stability and a quality precluded by the rapid turnover and inadequate skills of welfare caseworkers.

Second, social services with a strong counselling component are jeopardized in many cases by the conflict between the investigative aspect of the caseworker role and the necessity for establishing a relationship of trust as a prerequisite for successful counselling. The obligation of the caseworker to persistently investigate all aspects of the recipient's financial situation can engender sufficient hostility to undermine any possibility for a successful counselling relationship. Surveys of AFDC recipients in other states have concluded that substantial proportions of clients are humiliated by eligibility investigations to an extent which has negative effects on service aspects of the client-agency relationship.

Third, the assignment of responsibility for relief and rehabilitative aspects of public welfare to the same staff member can in some cases lead the recipient to perceive the offer of certain services as manipulative in intent. The caseworker has the power of the purse: a client may fear to refuse to follow his suggestions, even if unsound, in the belief that his grant will be reduced or terminated. Since many services offered depend on truly voluntary participation for success, the perception of a veiled threat -- even though the perception is inaccurate -- can defeat the rehabilitation effort. Furthermore, when social services are accepted under these circumstances, the attendant investigation of personal matters can be felt as an unwarranted intrusion into private life, rather than an understanding and sympathetic response to expressed needs.

In searching for administrative alternatives to resolve some of the role conflicts inherent in the present arrangement, the Task Force has centered its attention on the possibility of structurally separating the two functions of disbursing payments and providing services. A trend in this direction is apparent in other states, and such a plan has been successfully implemented in Monmouth County. Under such a plan, personnel in one administrative unit of a local welfare office would have responsibility for determining eligibility and distributing checks while the personnel of a separate unit would make available the entire range of special services provided by the agency. This would contrast with the present organization, through which unspecialized caseworkers make payments and provide services. This alteration of administrative structure is being encouraged by the federal government, not only by admonishment in HEW's regulatory guidelines,[9] but also in a funding arrangement which will reimburse at a progressively lower rate those states which fail to administratively separate service personnel from assistance payments personnel. The social work profession also advocates this approach.

Because the Task Force recognizes that any administrative change must be well-planned, it believes that further study should be given to this concept in order to formulate detailed plans. The overall advantages of separation, however, seem to be clear. Separation of the service function would allow a more specialized and efficient use of personnel. Welfare aides, including specially trained former recipients, could be used for the clerical tasks associated with the payments function (ex-

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9. II C.F.R. 45 - pt. 220.3.

tensive use of computers for these tasks is also a possibility), while better-trained staff members would focus on services. This should lower costs, raise the quality of services, and improve staff morale (thereby reducing turnover). Service unit workers would gain more readily the trust and confidence of recipients since they would not be involved in the investigation of financial status. Conversely, investigators from the assistance unit could objectively probe the financial status of recipients without fear of damaging a future therapeutic relationship. Services would be accepted by recipients on a truly voluntary basis, and there would be less likelihood that the recipient would look on the offer of sensitive services as an implied threat to cut off assistance payments if he did not accept. Thus, while the Task Force is not prepared -- due to limitations of time -- to offer specific recommendations in this area, it has concluded that a system with separate administration of payments and services would represent a significant improvement over the present arrangement.

DISTRIBUTION OF ADMINISTRATIVE RESPONSIBILITIES: STATE AND LOCAL ROLES

The provision of monetary aid and social services under the categorical assistance programs of the Social Security Act (OAA, DA, AB, and AFDC) is the responsibility of state governments. Thirty-three states and territories administer these programs directly through the state government; the rest, including New Jersey, have chosen to delegate this responsibility to the counties as political subdivisions of the state. In addition, administrative responsibility for assisting persons not eligible for categorical aid has been allowed to remain in the hands of municipal agencies in New Jersey through the General Assistance program.

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 burden of the cost of administration, including services, but only 25% of the non-federal cost of financial assistance. Municipalities providing General Assistance receive 75% of their assistance costs from the state.

The performance of the present structure of assistance programs in this State can be evaluated on the basis of three criteria relating to equity, effectiveness, and efficiency. The important criteria are: 1) The equity of the distribution of fiscal burden among the citizens of the state; 2) The capacity of the administrative structure to implement

State policy and foster the rapid adoption of innovative ideas at the local level; and 3) The extent to which the system can eliminate duplication of effort, utilize modern management techniques, and take advantage of economies of scale. On the basis of all three criteria the Task Force recommends State assumption of total non-federal responsibility for all public welfare programs in New Jersey.

Although categorical assistance is clearly a state responsibility, a large portion of the fiscal burden it imposes is now shifted to the counties. The result of this shift of responsibility, along 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 is indicated by figures on total assistance expenditures for calendar year 1968. On a statewide basis, the cost of all categorical assistance programs amounted to $25.04 per New Jersey inhabitant. This average cost, however, was distributed very unevenly. In Essex County, total expenditures averaged $62.62 per inhabitant, and in Atlantic County, $51.31. At the other end of the scale, expenditures in Morris, Bergen, and Burlington Counties averaged under $10.00 per inhabitant. These averages, of course, include the contributions of state and federal monies, 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 1968, Essex County was forced to raise from its taxpayers \$19.20 per inhabitant for categorical assistance programs, and Atlantic County raised \$15.18 per inhabitant. The three lowest-cost counties, on the other hand, needed to raise less than \$2.60 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 Table 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 \$100 of assessed valuation. When county assistance costs per inhabitant are compared to per capita income, these same seven counties rank highest in per-inhabitant contribution per \$1,000 of per capita income. The counties which rank lowest in 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 burden are the least equipped for meeting the costs of public assistance.

It is clear from this statistical evidence that, since poverty is indeed a statewide problem demanding statewide solutions, 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.

Recommendation Seventeen:

The State should assume the entire non-federal share of the assistance and administrative costs of the present categorical and General Assistance programs.

The estimated cost of a complete State assumption of the costs of the categorical welfare programs would be approximately $59 million in fiscal 1971. This estimate includes the projected county shares of benefit payments, administrative costs, and services to recipients. Similarly, the estimated cost of a complete State assumption of the costs of General Assistance (including administrative costs as well as benefit payments) in fiscal 1971 would be approximately $7 million. Needless to say, even though the State would have to raise about $66 million in new revenues to implement this recommendation, the counties and municipalities would be relieved of expenditures of the same amount.

Administrative Capacities

The effectiveness of an administrative structure can be judged by its ability to establish and implement general policies and procedures, while still preserving and encouraging sources of initiative within the agency.

Implementation of new policies throughout New Jersey's county welfare agencies today depends to a great extent on the nature of the new policy and the persuasiveness of State officials. Policy in the form of administrative regulations, originating either at the State or federal level, can be presented with the force of law and is generally acted upon by county agencies. In a system with only loose supervision of administrative procedures, however, efforts by State officials to win acceptance of innovative management techniques or simplified procedures, if not within the domain of the State agency as set out in law, would often meet with greater resistance. It is sometimes argued that direct state responsibility for local administration would stifle local initiative, but the Task Force believes it would be more likely to promote wider use of proven administrative practices at the local level. Furthermore, direct state responsibility could help reduce variations in practices concerning eligibility determination, special grant allowances, and provision of discretionary services.

The importance of maintaining sources of independent initiative should certainly not be denied. Responsibility and freedom to develop and experiment with new methods at the local level is one way of guaranteeing that the administration of assistance will not stagnate. Another is to institute local advisory committees including among others, clients, public officials, professional groups, and members representing the general public interest, to assess agency performance at the neighborhood or community level and recommend alterations in current policy. It is not clear, however, that continued reliance on semi-autonomous county and municipal agencies assures effective local initiative. Given the extent to which federal and state regulations now limit the sphere of decision at the county level, the "independence" of county agencies might now be best described as "selective implementation" -- the opportunity to choose the policies enunciated from above which are to be most carefully executed. Intelligent and innovative proposals could be at least as easily made within a statewide welfare agency. Furthermore, assuming that such an agency were receptive to new ideas and energetic in promoting wider use of them, local initiative in a state agency would more likely have "spill-over" effects on practices in local administrative units throughout the State.

Administrative Efficiency

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 early 1969, for instance, there was an average of only one General Assistance case per month. Only 204 AFDC families were receiving aid in April, and only 25 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; because of the recent shift of the largest proportion of GA cases to AFDC-U segments, many municipalities operate assistance programs for a mere handful of recipients. State assumption of both categorical and GA programs would allow administrative consolidation. It can be argued, of course, that simple geographic distribution of administrative agencies according to county and municipal boundaries prevents isolation from clients and prospective clients. This arrangement, however, prevents concentration 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 --

perhaps even including mailed affidavits.

Independent county and municipal administrative structures also hinder the use of certain managerial practices. The rapid expansion of the assistance rolls has not been accompanied by the kind of renovation of administrative techniques required to assure efficient handling of cases and to minimize administrative costs. As the assistance programs grow, potential economies of scale become available. Techniques such as computerized case records and computer job banks for manpower programs, however, become economically feasible only when data needs are larger than the needs of most counties. Cooperation among county welfare agencies in developing statewide facilities for such management techniques is of course a possibility, but present variations in administrative initiative and imagination probably make direct State responsibility a more promising approach.

Recommendations

The Task Force has concluded that complete federalization of the welfare system would be the optimal means of obtaining fiscal equity.[10] Assuming that such a change is unlikely in the near future, however, State assumption of all administrative and financial responsibility would be most desirable. This step would accord with a generally recognized

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10. This conclusion has been reached by many distinguished groups and public figures in recent months. It has been well justified and thoroughly supported by a recent report of the Advisory Commission on Intergovernmental Relations, entitled State Aid to Local Government (Report A-34, April, 1969).

principle of public administration that responsibility for setting and administering policy should not be divorced from financial liability for the consequences. Hence, if the State is to assume all responsibility for the non-federal costs of public welfare, as recommended earlier, it should also assume all responsibility for administration.

Recommendation Eighteen:

Legal responsibility and authority for the administration of public welfare in New Jersey (including the provision of both money payments and social services), both categorical and general, should be shifted to the State government. Assumption of the administration of public welfare by the State should occur in conjunction with the organizational separation of the function of service provision from the function of monetary payments, as discussed above. The State should administer public welfare through a system of local offices convenient to recipients and potential recipients.

Recommendation Nineteen:

State assumption of administration as well as organizational restructuring should be preceded by a planning period adequate to minimize disruptive effects on clients and employees (at least 18 months) and provide for a carefully planned initiation of the new administrative structure.

Recommendation Twenty:

Advisory committees should be established within each of the local service areas of the new public welfare program. Such committees should make recommendations relating to the money payment and social service components of the public welfare program. 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.

APPENDIX I

COMPARISON OF DIVISION OF PUBLIC WELFARE AFDC STANDARD AND COMPLETE BLS LOW-INCOME FAMILY BUDGET

The table below is presented in order to clarify the kinds of expenditures considered feasible under the BLS low-income budget, and to clarify which of those expenditures are also feasible under New Jersey's benefit standard. The table follows the general format of the BLS low-income budget, but that budget is presented in several columns in order to separate and clearly distinguish items whose comparable cost falls within the New Jersey standard from those which are excluded by New Jersey's standard.

Colums 1 and 2 present the BLS budgets for the New York and Philadelphia areas. All items are included except rent, which is excluded from this chart because of the open-ended basis of payment to welfare recipients in New Jersey. A figure for utilities is included for comparison, however, because utilities must be paid for out of New Jersey's basic grant; if utilities are included in a N. J. recipient's rent, a "utilities cost" (estimated at $300) is deducted from his grant. The cost of utilities in the BLS budget is included in rental costs; $300 is therefore added into this presentation of the BLS budget.

Columns 3 and 4 together represent the "composite" BLS low-income budget, broken apart to indicate which expenses are included in the construction of New Jersey's welfare standard. The total of items in column 3 roughly equals the New Jersey benefit level for a family of four. Column 4, then, includes those components in the BLS budget which are by implication excluded by New Jersey's standard.

	Col. I BLS-NYC Budget	Col. 2 BLS- Phila. Budget	Composite Budget Col. 3	Composite Budget Col. 4 (Items excluded by N. J. Standard)
Food				
-- At home	$1518	1510	1516	
--away from home	240	230		237
Utilities	300	300	300	
Home furnishings	140	145	141	
Household operations	149	141	147	
Transportation	370	395		376
(automobile owners)	(641)	(640)		(644)
(non-owners)	(99)	(149)		(112)
Clothing	567	554	564	
Personal care	165	164	165	
Medical care	510	463		498
Other family consumption				
-- reading	58	56		58
-- recreation	102	90		99
-- education	47	47		47
-- tobacco	15	16		15
-- alcoholic beverages	55	59		56
--miscellaneous	34	33		34
Life insurance	120	120		120

	Col. I BLS -NYC	Col. 2 BLS-Phila.	Composite Budget Col. 3	Col. 4 (Items excluded by N. J. Standard)
Gifts & contributions	147	143		146
Occupational expenses	50	50		50
Social Security and Disability payments	282	263		275
Personal Taxes	503	517		506

It is clear, of course, that not all of the items in the BLS composite budget which are excluded by the New Jersey standard are actually additional expenses for recipients. Medical care, taxes and other payroll deductions, and occupational expenses need not be counted as excluded expenses, because of the special services available to the recipient, and because of the exclusion of expenses and payroll deductions from his budgetable income. A number of real additional expenses are excluded from the New Jersey standard, however; the recipient, if he wishes to purchase such items, must pay for them by adjusting his other expenditures. The total of excluded annual budgets for food away from home, transportation, other family consumption, gifts, contributions, and life insurance is $1188.