

STATEMENT BY

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GOVERNOR OF CALIFORNIA

TO

SENATE FINANCE COMMITTEE, FEBRUARY 1, 1972

Mr. Chairman, members of the Committee, I appreciate the opportunity to testify here today – particularly since I have never before had this privilege and honor – and also because **I consider the welfare problem the gravest domestic issue our Nation faces.**

Two years ago welfare was out of control nationally and California was no exception. At that time HR 16311, and later HR 1, were presented as a solution to the problem. One of its authors responded publicly to a critical question by answering that “It’s better than sitting on our hands and doing nothing.”

I share the President’s desire to reform welfare and certainly share his belief that there should be a restoration of the work ethic. However, as you are aware, I have had some very serious reservations about several of the approaches to welfare reform embodied in HR 1.

In August 1970 I presented to this Committee a statement regarding the version of HR 16311 which was pending before your Committee. Many of the provisions of that Bill to which I objected in my statement are in HR 1.

My remarks today will concentrate on 6 areas of major concern I have with HR 1 and with the need for federal action in achieving real welfare reform. I believe that:

1. States are better equipped than the federal government to administer effective welfare reforms if they are given broad authority to utilize administrative and policy discretion.
2. A system of a guaranteed income, whatever it may be called, would not be an effective reform of welfare, but would tend to create an even greater human problem.
3. A limit should be set on the gross income a family can receive and still remain eligible for welfare benefits.
4. For all those who are employable, a requirement be adopted that work in the community be performed as a condition of eligibility for welfare benefits without additional compensation.
5. The greatest single problem in welfare today is the breakdown of family responsibility. Strong provision should be made to insure maximum support from responsible absent parents.

6. A simplified system of pensions should be established for the needy aged, blind, and the totally and permanently disabled.

In August of 1970 the size and cost of welfare had grown into a monster which was devouring many of California's programs and was failing to meet the needs of those who, through no fault of their own, have nowhere else to turn but to government for subsistence. We didn't just become aware of this problem in 1970 but our earlier efforts to deal with it weren't too successful; perhaps because we relied on professional welfare experts to propose solutions and all too often they were more familiar with what they were sure they could not do, so the situation became worse instead of better. Finally, to avert a fiscal and human disaster, I asked several members of my administration, who had proven themselves in other state administrative posts, to form a task force and to devote full time for as long as it took to see if and how real reform of welfare could be developed and implemented. They expanded their task force to include experienced attorneys and other management and fiscal experts from the private sector. These men and women served on a volunteer basis for four months reviewing federal laws, state laws, and federal and state regulations. They interviewed over 700 people involved in administering welfare in California at all levels, and developed proposals and ideas for a realistic and humane reform of welfare.

In early March of 1971, not quite a year ago, we presented the legislature with the most comprehensive proposal for welfare reform ever attempted in California and perhaps the nation. All in all, there were over 70 major points involving administrative, regulatory, and legislative changes.

We had already gone ahead in January with those changes we could make administratively and we continued through the spring and summer until the legislature finally agreed to most of the statutory changes we'd asked for, plus others which were negotiated.

It should be pointed out that we weren't exactly exploring uncharted land. Our task force findings had led to the conclusion that the basic original structure of the welfare system was sound. It was based on a concept of aid to the needy aged, the blind and disabled and no children deprived of parental support. Able-bodied adults were expected to support themselves, their children and their aged parents to the extent of their capabilities. The system was meant to be administered by the states and counties with the federal government sharing the cost.

But we had also learned that, almost from the start, this basic structure had been undermined. Sometimes by federal or state law, but more often by regulations, state and federal. Regulations drawn up by the federal agency administering welfare reflected the philosophy of the permanent employees rather than an interpretation of the law. Thus the original legislative intent was often distorted.

Back in January when we began, there were plenty of experts telling us that no state could reform welfare, that the statutory, regulatory and administrative constraints were too many and too inflexible. Figures now indicate that they were wrong.

According to HEW, national welfare and Medicaid costs combined increased last year by 27%. In California, we estimate an increase in welfare and Medicaid costs of only 5.9% next year. And that doesn't tell the full story of what has happened and is still happening because of our reforms. We suspect we may be playing it too safe.

For several years up until last April, California's case load increased more than 40,000 persons per month. This held true even when the economy was booming and we had full employment. Our projections were that by this last December we would have added another 495,000 to the rolls. Not only did this not happen, but in December we had 176,000 fewer welfare recipients than we had in March, 1971. In that nine month period we have reduced spending, federal, state and local, by more than \$120,000,000 below what it would have been without the reform. Though the December figure increased by a few hundred recipients, it was 60,000 less than the increase in December of 1970, and the lowest December increase in 30 years.

Because of these savings, we have achieved one of our primary goals – we have been able to increase the grants to the truly needy. An AFDC family of four, to cite an example, receiving \$221 last spring now receives \$280 a month. A cost of living increase was granted in December to the aged, blind and disabled. In the current fiscal year, we will spend \$338,000,000 less in federal, state and county funds than would have been necessary without the reform. In our 72-73 budget I mentioned a moment ago, we are asking for \$708,000,000 less than would have been required without reform.

Let me stress once again – the important thing is we didn't find any new magic formula. We simply overhauled the present structurally sound welfare system. We insured adequate aid to the aged, the blind, the disabled, and children who are deprived of parental support and reduced aid to the non-needy with realistic work incentives so that funds could be redirected to the truly needy. Our program requires employable recipients to accept work if offered, and that if jobs are not available, to work in the community in order to remain eligible. Absent fathers are now legally indebted to the county for benefits paid to their families with a provision for wage attachments and property liens, if necessary. Fiscal incentives are provided to help counties trace absent fathers.

But maybe most important is the fact that the California plan retains most of the administration and responsibility for an effective and efficient welfare program at the level closest to those who benefit and those who must pay the bill.

Members of our task force found that with provision for reasonable administrative discretion, combined with fiscal responsibility and discipline, the most effective administrative efforts in California were those carried on in the medium and smaller sized counties. We retained the concept of state supervision and county administration of welfare on a partnership basis.

In spite of our reforms, many of the greatest loopholes which still permit abuse, inhibit effective state action, and which have led to a loss of public confidence, remain in federal law and federal regulations – mainly regulation. We see a fiscal and administrative disaster if the administration of the welfare system is centralized here in Washington as proposed in HR 1. As you've already

heard, HEW claims that HR 1 would save California \$234,000,000. Actually, it would increase our costs by nearly \$100,000,000.

We are presently being challenged in court on nine of our eighty four changes on the grounds that we are in violation of federal law. Regardless of the outcome, we believe we are not in violation of Congressional intent before it was reinterpreted in regulations.

To get back to the matter of HR 1, I respectfully urge this Committee to eliminate the proposal to provide welfare benefits to intact families with employed fathers. I am not unaware of nor insensitive to the plight of the low earner but I believe relief to those families can be provided in the form of Social Security and income tax exemptions. It doesn't seem right to reduce a man's take-home pay with taxes and then send him a government dole which robs him of the feeling of accomplishment and dignity which comes from providing for his family by his own efforts. By the same token, we feel that the able-bodied recipient should be given the maximum opportunity to support his family by doing work in his community which will benefit the community. At the same time it develops and maintains his ability to perform effectively in a regular job when it becomes available. We don't suggest this in any punitive way nor are we advocating useless make-work chores. Not only will the individual benefit from participating in useful work, but those who foot the bill will be more apt to approve if they see community services being performed. If I could anticipate a possible question concerning the usefulness of such a community work force let me just mention one of the many possibilities. The Los Angeles school system reported last week that vandalism was costing that one city alone \$50,000,000 a year. Night watchmen might change that.

I was pleased to see that the Talmadge amendment to the tax bill was adopted by Congress and signed into law by the President. Most of the features of the Talmadge amendment parallel very closely the "separation of employables" portion of our California welfare reform program. However, many of the so-called work incentives in the present system, and in HR 1 as passed by the House or Representatives, continue to insure aid to the non-needy, and able-bodied adults are not required to work in the community.

We recommend that a realistic and absolute ceiling be placed on the income that a family may have and still be eligible for welfare. The experts tell us on one hand (and I believe them) that all but a few welfare recipients would prefer to work if work or jobs were available. Yet, on the other hand, they tell us that we cannot expect someone to be willing to take a job or go to work if his welfare grant is significantly diminished. These expert opinions obviously are in conflict. I propose a combination of work incentives including a mandatory work requirement and, in the case of a mother-headed family, reasonable child care expenses and a portion of her income could be exempted until she has stabilized her work situation. However, an absolute ceiling on the gross income a family may receive and still be eligible for welfare should be set at 150% of the standard of need. The proposed limitation of work-related expenses contained in HR 1 should be retained

We believe that the present grant sharing ratio between the state and the federal government should be retained. However, since eligibility of 85% of the caseload is due to an absent father, real fiscal relief can be provided the states by helping them solve this problem. We propose that

the federal government adopt a plan similar to California's which would finance the effort to locate absent fathers and enforce compliance with child-support laws. The best source of funds would be to permit the states or counties to retain 100% of the federal share of grants recovered through collections from absent fathers and through efforts of fraud control units.

I support the concept of a simplified system of pensions for the needy aged, blind, and totally and permanently disabled. Sums of money spent on costly and complicated eligibility and grant determination systems for these categories would be better spent in increasing benefits to these people, many of whom have provided adequately for themselves during their productive and working days, but who have found that inflation has wiped out the fruits of their past accomplishments.

The effectiveness of the states' and counties' administration of welfare has come under heavy criticism and attack. Perhaps in a number of instances this may be justified. However, it is almost impossible to hold a state accountable for effective administrative practices and policies under the present straight jacket of federal statutes, court interpretations, regulations, and abuses of administrative discretion. Give the states the broadest authority to administer the system with proper goals and objectives and then hold us accountable for our effectiveness in meeting these goals and objectives. Senator Curtis' approach in S-2037 to severely constrain the power of federal administrators and return authority to the states is definitely going in the right direction.

I am submitting at this time to you a more detailed listing of amendments that we would offer to HR 1 and urge your favorable consideration of them. They are the product of our experience with an actual reform program that is succeeding in California, they are not theory. I believe that we have demonstrated in California that a responsible approach to reform of the present welfare system is possible and that given tolls, discretion, and adequate financial assistance, states and counties are in the best position to provide a welfare system patterned to meet the real needs of those in America who, through no fault of their own, have nowhere else to turn but to government.

What California has done – other states can do.

Welfare needs a purpose – to provide for the needy of course – but more than that, to salvage these our fellow citizens, to make them self-sustaining and as quickly as possible, independent of welfare. There has been something terribly wrong with a program that grows ever larger even when prosperity for everyone else is increasing.

**We should measure welfare's success by how many people leave welfare, not by how many more are added.**

Thank you