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APPROVED

SEP 7 - 1976

*Signed in Ceremony
Rose Garden 12:00
Statement and remarks
issued 9/7/76*

89/7/76

THE WHITE HOUSE

WASHINGTON

September 3, 1976

ACTION

Last Day: September 7

MEMORANDUM FOR

THE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

H.R. 12455 - Child Day Care and
Social Services Amendments

Attached for your consideration is H.R. 12455, sponsored by Representative Corman and seven others.

The enrolled bill postpones until October 1, 1977, enforcement of Federal child day care staffing standards required under the Title XX social services program; increases the \$2.5 billion annual ceiling on Title XX funding by \$240 million through September 30, 1977, earmarked for child day care services; provides incentives for employment of welfare recipients by child day care providers; provides group eligibility for social services; and makes other changes in Title XX of the Social Security Act.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman, Jeanne Holm and I recommend approval of the enrolled bill. The Council of Economic Advisers recommends disapproval.

RECOMMENDATION

That you sign H.R. 12455 at Tab B.

That you approve the signing statement at Tab C, which has been cleared by the White House Editorial Office (Smith) (Ceremony)

Approve

he7

Disapprove _____

*Archives
9/7/76*

SEP 10 1976



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SEP 2 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 12455 - Child Day Care and
Social Services Amendments
Sponsor - Rep. Corman (D) California and 7
others

Last Day for Action

September 7, 1976--Tuesday

Purpose

Postpones until October 1, 1977, enforcement of Federal child day care staffing standards required under the Title XX social services program; increases the \$2.5 billion annual ceiling on Title XX funding by \$240 million through September 30, 1977, earmarked for child day care services; provides incentives for employment of welfare recipients by child day care providers; provides group eligibility for social services; and makes other changes in Title XX of the Social Security Act.

Agency Recommendations

| | |
|--|---|
| Office of Management and Budget | Approval (Signing statement attached) |
| Department of Health, Education, and Welfare | Approval (Signing statement attached) |
| Council of Economic Advisers | Disapproval (Veto message attached) |
| Department of the Treasury | No objection and defers to other agencies |
| Department of Labor | Defers to other agencies |

Discussion

H.R. 12455 is successor legislation to H.R. 9803, the child day care services legislation which you vetoed on April 6, 1976. That veto was sustained by the Senate (60-34) on May 5, 1976, after being overridden by the House (301-101).

Your veto message on H.R. 9803 contained several major objections to that bill:

--unwarranted Federal interference in States' administration of the Title XX social services program by imposition of highly controversial and costly Federal day care staff-to-children ratios;

--greater cost to the American taxpayer by requiring expenditures of \$125 million over six months, and possibly as much as \$250 million more each year thereafter, for child day care services;

--the earmarking of a portion of Federal social services funds for a narrow, categorical purpose, thereby undermining the Title XX commitment to allow the States their own initiative in determining the form and content of social services; and

--the introduction of two additional matching rates for Title XX funds, with the result of further complicating the States' administration of social services programs.

Your message urged the Congress to extend, until October 1, 1976, the moratorium on imposition of Federal day care staffing standards, thus providing ample time to enact your Title XX block grant proposal, the "Federal Assistance for Community Services Act," which would allow States to establish and enforce their own day care staffing standards and give them greater flexibility with respect to all the Title XX social services programs.

H.R. 12455 contains several provisions which were included in H.R. 9803, but differs in a number of respects described below.

Summary of congressional consideration

As passed by the House unanimously (383-0) on March 16, 1976, H.R. 12455 would simply have extended from April 1, 1976, to October 1, 1976, HEW regulations providing that individual means tests do not have to be applied in determining eligibility for Title XX social services which were not subject to such tests before Title XX took effect. The House action was prompted by protests from various groups, but especially from senior citizens' organizations, on the basis that an individual means test was demeaning, complex, and administratively costly. The House bill was described during floor debate as "emergency" legislation pending further consideration of the "group eligibility" question.

On May 20, 1976, the Senate passed, 48-16, its version of H.R. 12455 which was described as containing a "compromise" on the question of day care standards and funding. Major features of the Senate-passed bill would have (1) eliminated entirely the present eligibility requirements in Title XX (generally based on income levels or welfare status), (2) postponed until October 1, 1977, enforcement of the Federal day care staffing standards, (3) authorized \$375 million in additional earmarked child day care funding under Title XX through September 30, 1977, (\$125 million through September 30, 1976, and \$250 million for fiscal year 1977), and (4) provided incentives to employ welfare recipients in child care jobs.

Both Senators Mondale and Packwood--who initially developed the Senate "compromise"--described it in those terms because it postponed the Federal day care staffing standards long enough to allow a statutorily-mandated study by HEW of this issue to be completed, and HEW's recommendations considered, before they would take effect.

A motion in the Senate Finance Committee to delete the added day care funding provided in the Senate bill was defeated by a vote of 6-11. It was supported in the Committee by Senators Talmadge, Byrd, Curtis, Fannin, Hansen, and Roth; it was opposed by Senators Long, Hartke, Ribicoff, Mondale, Gravel, Bentsen, Hathaway, Haskell, Dole, Packwood, and Brock. An amendment was also offered on the Senate floor to remove the added funds for day care; this amendment was defeated by a vote of 20-50.

The Administration expressed strong opposition to the Senate version of H.R. 12455, and again urged the Congress simply to extend the moratorium on the day care standards until October 1, 1976, and enact the block grant proposal.

The conferees on H.R. 12455 made only minor concessions to the Administration's position. The conference report was adopted in the House on July 1, 1976, by a vote of 281-71 and in the Senate on August 24, 1976, by a vote of 72-15.

Major provisions of H.R. 12455

HEW has enclosed a detailed summary of H.R. 12455 with its attached views letter. The following, therefore, highlights the major provisions and compares them with the provisions of H.R. 9803 and, where appropriate, the Administration's block grant proposal.

Eligibility for Title XX social services - H.R. 12455 would permit States to determine eligibility for social services on a group basis. The group would have to be such that the State could reasonably conclude that substantially all members of the group have incomes below 90% of the State's median income. Eligibility for child day care services, however, would continue to be determined on an individual basis, except for children of migrant workers. There would be no Federal eligibility requirements for family planning services.

H.R. 9803 contained no comparable provisions. The block grant proposal included a group eligibility provision somewhat similar to the one in H.R. 12455, and HEW supports this section of the enrolled bill.

Day care staffing requirements - The enrolled bill would extend the moratorium on the application of Title XX day care staffing standards retroactive to February 1, 1976, (when it expired) through September 30, 1977.

H.R. 9803 would have extended the moratorium through June 30, 1976. The Administration's block grant proposal would repeal the staffing requirements altogether, effective October 1, 1976, and would, instead, require the States to have their own standards for day care services provided under Title XX.

Increased funding for day care services - H.R. 12455 would raise the current \$2.5 billion limit on annual Federal funding of Title XX by \$40 million for the transition quarter and \$200 million for fiscal year 1977. These added funds, earmarked for day care services, would be allocated to the States on the basis of population, retaining the 75% Federal-25% State matching rate in present law for the transition quarter. No State matching would be required for the added \$200 million entitlement in fiscal year 1977.

H.R. 9803 would have added \$125 million to the Title XX ceiling for day care services through the transition quarter, with \$25 million to be allocated to States with special problems in meeting the Federal day care standards, and with a Federal match of 80% applied to the added funds.

The Administration's block grant proposal would do away with all State matching requirements for Title XX funding.

Provisions to encourage employment of welfare recipients -
As in H.R. 9803, H.R. 12455 would permit States to use the added day care funds to reimburse eligible child care providers for the cost of employing welfare recipients.

For public and nonprofit providers, the grants could be used to pay wages up to \$5,000 per employee per year.

For proprietary providers, the grants would be limited to \$4,000 per year. This provision, however, is coupled with another which would extend through September 30, 1977, the temporary authority provided in the Tax Reduction Act of 1975, for a Federal Welfare Recipient Employment Incentive Tax Credit. The tax credit extension would apply only to child care employers and could go up to \$1,000, thus also providing full Federal funding of employment costs up to \$5,000 per employee for private "for-profit" providers.*

Arguments for approval

1. Proponents perceive H.R. 12455 as a basic compromise on the key issue which they believe caused the veto of H.R. 9803--the Federal day care staffing standards--since the enrolled bill would postpone these standards for sufficient time to permit consideration of the results of HEW's "appropriateness" study, which are due by June 30, 1977. HEW states that the enrolled bill, unlike the previously vetoed bill, does not presuppose eventual Federal imposition of staffing standards.

2. H.R. 12455 is also viewed as a compromise in that the added day care funds are somewhat less than intended under the vetoed H.R. 9803, as understood from the legislative history of that measure. HEW reiterates its comment on H.R. 9803 that it objects less to the additional expenditures than to the long-term consequence in that bill of perpetuating Federal child day care requirements.

3. Congressional proponents argue that States cannot provide quality child day care or even meet health and safety standards without financial assistance from the Federal Government. Without such assistance, States might have to limit day care services for the poor, which would be counter to the objective of providing child care to enable welfare parents to work and thereby reduce the welfare burden.

*You should know that although tax deductions for medical care under present law would not significantly increase tax expenditures for day care, the tax reform bill now in conference would give a tax credit which would duplicate many of the child care benefits even for these low income people.

4. The States and many in Congress argue that the \$200 million increase over the \$2.5 billion ceiling is necessary to provide some relief against the effects of inflation on State social services programs, especially since the ceiling has not been raised since its imposition in 1972.

5. The proposed incentives to day care institutions for hiring welfare recipients would, supporters of the bill believe, provide greater income to the poor, reduce the welfare rolls, restrain the personnel costs associated with delivering day care services, and provide welfare recipients with needed work experience and skills to become self-supporting.

6. Welfare groups and, especially, senior citizen organizations, support the group eligibility provisions of this enrolled bill, which would avoid subjecting individuals to possibly demeaning income and assets tests in order to qualify for a social service. Furthermore, the bill represents an improvement over the Senate version, which would have eliminated all income criteria for setting eligibility for federally-funded social services under Title XX.

7. In HEW's view, the administrative complexities resulting from the enrolled bill would not be as substantial as they would have been under the vetoed H.R. 9803. The Department believes, moreover, that the acceptance by the Congress of some Federal financial participation with no matching requirement moves clearly in the direction of the Administration's block grant proposal, under which there would be no matching requirement at all.

Arguments against approval

1. The retention of the Federal day care staffing standards in the enrolled bill, even though postponed, is much less desirable than their outright repeal as proposed by the Administration. H.R. 12455 would still leave the States uncertain about the reimposition of these highly controversial and costly standards in October 1977. This uncertainty could be disruptive of the orderly and comprehensive development of State social services programs.

2. The bill would increase the budget deficit for the transition quarter and fiscal year 1977 by a total of \$240 million, as an entitlement to the States, plus a revenue

loss--impossible to estimate, but most likely small--resulting from the proposed extension of tax credits to profit-making day care institutions that hire welfare recipients. Moreover, the funding provision would probably be extended beyond fiscal year 1977 at an annual cost of \$200 million above the \$2.5 billion ceiling in present law.

3. Congressional opponents argue that it is not logical to provide added money for compliance with day care standards which do not exist. The increased funding entitlement for the transition quarter and fiscal year 1977 would, in fact, not necessarily result in any increase or improvement in child day care services. The \$40 million in the transition quarter, coming this late in the quarter, would simply be a windfall to those States that over-match their Title XX allotment and can thereby match the added funding. They would not be required to deliver more services for this money. States not over-matching probably could not increase their matching at this late date to share in the transition quarter increase. In fiscal year 1977, since the \$200 million requires no State matching funds but must be spent on child day care, it could readily be used to substitute for existing resources spent on child day care. The freed-up resources could then be spent for any other purposes, not necessarily child day care.

4. The earmark proposed for one particular service--child day care--is counter to a basic principle that guided the development of the Title XX program and that motivates the Administration's block grant proposal: namely, that States should have the greatest flexibility in selecting the services that meet their own priorities.

5. The impetus in the bill to staff child day care centers with welfare recipients may not necessarily be the most beneficial approach for the children served. The qualifications of the person hired should be the primary concern in order to safeguard the best interests of the children served. HEW believes the tax credit, in combination with the incentive grants, is an unnecessarily complex means of encouraging employment of welfare recipients, and neither provision is likely to improve the quality of the care itself.

6. There is considerable doubt whether the bill's provisions would result in any appreciable number of welfare recipients being hired in child day care centers, given past experience with the Work Incentive (WIN) tax credit. The likely effect is that those centers now employing welfare recipients will receive a windfall.

7. H.R. 12455 would foster administrative complexity and confusion by retaining and increasing diverse matching rates for various services: i.e., 90% for family planning, 100% for the increased child day care funding, 75% for other services. In addition, grants could finance 100% of welfare recipients' salaries at public or nonprofit child day care centers, but only 80% at "for-profit" centers. These disparate Federal requirements add to the burden that States must operate under in administering Title XX.*

8. The enrolled bill would undercut the Administration's social services block grant proposal. It runs counter to that proposal's objectives of removing burdensome Federal restrictions on the States and eliminating narrow categorical programs which restrict a State's decision-making scope. Approval of this bill may be viewed as a major renovation of the Title XX program and thus discourage subsequent, broader reform that would enhance the States' abilities to operate their social services programs most flexibly in accord with their highest priority needs.

Recommendations

HEW, despite reservations, urges approval of the enrolled bill and has enclosed a draft signing statement for consideration. In addition to the Department's positions on specific provisions, noted above, HEW states that its concerns about the earmarking of additional funds for day care and the provision to encourage employment of welfare recipients are not so great as to cause it to recommend a veto.

HEW concludes that the political considerations related to the bill are of important significance. Its letter states:

"It seems evident to us that, because the Congress eliminated from H.R. 12455 the most objectionable features of H.R. 9803, a veto of H.R. 12455 could not be sustained. Furthermore, because H.R. 12455 would authorize group eligibility determinations--something for which senior citizens groups, among others, have campaigned heavily--a veto of the enrolled bill would risk public perception of this Administration as one opposed to day care, opposed to easing the procedures by which the elderly can qualify for services, and opposed to free access to family planning services."

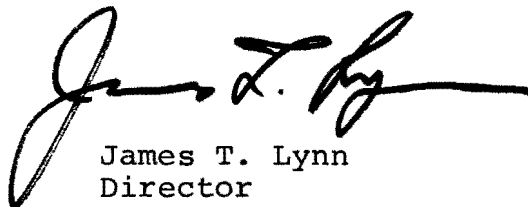
* This is a classic demonstration of the lack of congressional coordination in that the child care provisions of this bill appear to bear no reasonable relationship to the tax credit provisions in the pending tax reform bill.

Treasury has serious questions regarding the effectiveness of the tax credit provisions in H.R. 12455, and does not believe the tax system is an apt mechanism for administering a program of such limited scope. However, because the tax related provision is relatively unimportant relative to the bill as a whole, Treasury has no objection to approval, and defers to more concerned Departments.

CEA recommends a veto on the basis that the bill is contrary to several Administration objectives--to better target subsidies intended for the poor, to have a more efficient allocation of workers among jobs, and to limit Federal spending. CEA's draft veto message expresses concern that under the bill's group eligibility requirement, many persons who do not have low income or assets could qualify for benefits, and indicates several objections to the wage subsidies proposed for hiring welfare recipients.

* * * * *

Strictly in terms of its programmatic merits and budgetary impact, H.R. 12455 is undesirable legislation in our view. It does not go very far in meeting your objections to H.R. 9803, nor does it make substantial progress toward your social services block grant proposal. Nevertheless, it is widely viewed in the Congress, on a bipartisan basis, as a compromise in attempting to deal with the issue of Federal day care standards. Moreover, the particularly popular group eligibility provisions are generally similar to those in your block grant proposal. Accordingly, we recommend that you approve the bill with a signing statement pointing out some of your reservations and urging the more fundamental reform of the Title XX program contained in the block grant legislation.



James T. Lynn
Director

Enclosures

Note: Both the first concurrent resolution on the budget and the Senate and House versions of the second concurrent resolution make provision for the additional amounts for child care in this bill.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

The Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

AUG 30 1976

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 12455, an enrolled bill "To amend title XX of the Social Security Act so as to permit greater latitude by the States in establishing criteria respecting eligibility for social services, to facilitate and encourage the implementation by States of child day care services programs conducted pursuant to such title, to promote the employment of welfare recipients in the provision of child day care services, and for other purposes."

The enrolled bill, which we recommend be enacted, is described in detail in the enclosed summary. Briefly stated, the bill's principal objectives are to encourage the employment of AFDC eligibles to provide day care services; to provide the States with additional funds, under title XX of the Social Security Act, for covering day care expenses; to permit States, under certain conditions, to determine an applicant's eligibility for title XX services on a group basis, without the necessity of individual determinations of eligibility; and to postpone until October 1, 1977, the imposition of title XX day care staffing requirements.

The enrolled bill contains several provisions which were also contained in H.R. 9803, a bill which was vetoed by the President on April 6, 1976, and which veto was sustained by the Senate on May 5, 1976. In his message accompanying the veto of H.R. 9803, the President gave as his principal reasons for withholding his approval of that bill his belief that (1) States should have the responsibility--and the right--to enforce their own quality day care standards; (2) the additional funds which the bill would have made available for day care would be a further costly burden on the American taxpayer; (3) the "earmarking" of a portion of title XX funds for a narrow categorical purpose (day care) would be

contrary to the title XX commitment to State, rather than Federal, initiative; and (4) the imposition of two additional matching rates for title XX funds would create new administrative complexities.

Some of these objections apply, as well, to the enrolled bill. However, we believe that as a result of the President's expressed concerns, there are significant differences between H.R. 9803 and H.R. 12455 which justify the approval of the latter.

Of greatest importance are the differing approaches taken by the bills regarding the issue of day care staffing standards. The vetoed bill would have extended the moratorium on the application of title XX day care staffing standards only through June 30, 1976, and would have required the Secretary to allot to States a total of \$125 million during fiscal year 1976 and the transition quarter to enable States to comply with the federally imposed staffing requirements. The enrolled bill, on the other hand, does not presuppose eventual Federal imposition of staffing standards. It would extend the moratorium on the application of such standards through September 30, 1977, thus providing an opportunity for a thorough review of the Secretary's report and recommendations to the Congress pertaining to the appropriateness of Federal day care standards. That report is required to be submitted by June 30, 1977. Furthermore, the enrolled bill does not contain any new funding for the specific purpose of assisting States to comply with Federal staffing standards.

Secondly, the administrative complexities which would result under the enrolled bill are not as substantial as they would have been under H.R. 9803. Whereas that bill would have established three rates of Federal financial participation (FFP) under title XX (75 percent, 80 percent, and 100 percent), the enrolled bill would maintain 75 percent FFP for all purposes except State grants to aid the employment of welfare recipients and to the extent that, with respect to fiscal year 1977, the new funding provided by the bill is used for day care. In the latter cases, there would be no matching requirement. Although this provision will add some complexity to the program, not only would it be to a much lesser extent

than under H.R. 9803, but the acceptance by the Congress of some Federal financial participation with no matching requirement moves clearly in the direction of the Administration's proposed "Federal Assistance for Community Services Act", under which there would be no matching requirement at all.

Thirdly, the bills differ in regard to the funding levels specified in each. Under the vetoed bill, we would have been required to spend an additional \$125 million during the remainder of fiscal year 1976 and the transition quarter. Furthermore, it was understood at the time that the Congress intended to support the day care program established by the bill with \$250 million each year thereafter. The enrolled bill would increase the current spending limit of \$2.5 billion by \$40 million during the transition quarter and by \$200 million during fiscal year 1977. Although, practically, therefore, the differences are not substantial, nevertheless, as we stated in our enrolled bill report on H.R. 9803, "there is less objection to the additional expenditure than to the bill's long-term consequence of perpetuating Federal child day care requirements that the Administration is seeking to replace with standards established by the States."

Lastly, unlike H.R. 9803, the enrolled bill would authorize States, under certain conditions, to determine eligibility for social services on a group basis. The Administration included a similar provision in its "Federal Assistance for Community Services Act" and we support this section of the enrolled bill.

With respect to those provisions of the enrolled bill which are similar to those of H.R. 9803:

1. We have not supported section 3 of the enrolled bill, which would authorize each State to use an amount not in excess of the additional sums made available under the bill for unmatched "welfare recipient employment incentive expenses" (i.e., the costs of employing AFDC eligibles to

provide day care services), or for child day care services at a Federal share of 75 percent with respect to the transition quarter and 100 percent with respect to fiscal year 1977. We believe that such earmarking for child day care services undercuts a principle central to the current title XX, as well as the Administration's proposed amendments to it: that the States should retain the flexibility to make their own decisions on the best uses of Federal financial assistance for social services because the services are addressed to problems that are primarily the States' responsibility. On the other hand, our concern with this provision is not so great as to cause us to recommend veto of the enrolled bill solely on its account.

2. We have not supported section 4 of the enrolled bill, which would make available, through September 30, 1977, to each provider of day care services a tax credit of \$1000 per AFDC eligible employed in connection with the provision of child day care services. The desirability of a new tax credit for welfare recipient employment incentive expenses incurred in the provision of child day care services cannot be considered in isolation from the bill's establishment of the corresponding incentive expense grant under title XX. We believe the tax credit, in combination with the incentive expense grants, is an unnecessarily complex means of encouraging the employment of AFDC eligibles to provide day care, and neither provision is likely to improve the quality of the care itself. However, like the incentive expense grants, we do not believe section 4 warrants veto of the enrolled bill.

Finally, we have no objection to the provisions of the enrolled bill which would eliminate eligibility requirements for family planning services, which would authorize each State agency to waive the staffing requirements otherwise applicable to certain day care centers or group day care homes, and which would extend through fiscal year 1977 the provisions of Public Law 94-120, pertaining to rehabilitative services for alcoholics and drug addicts.

Aside from the substantive issues addressed above, we believe the political considerations are of important significance. It seems evident to us that, because the Congress eliminated from H.R. 12455 the most objectionable features of H.R. 9803, a veto of H.R. 12455 could not be sustained. Furthermore, because H.R. 12455 would authorize group eligibility determinations--something for which senior citizens groups, among others, have campaigned heavily--a veto of the enrolled bill would risk public perception of this Administration as one opposed to day care, opposed to easing the procedures by which the elderly can qualify for services, and opposed to free access to family planning services.

For the reasons given, and in spite of our reservations, we urge that the President approve the enrolled bill. In addition to the summary of the bill, we have enclosed a draft signing statement for consideration.

Sincerely,

A handwritten signature in black ink, reading "William G. Maull". The signature is written in a cursive, slightly slanted style.

Acting Secretary

Enclosures

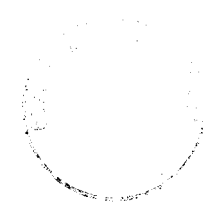
SUMMARY OF THE PROVISIONS OF
ENROLLED BILL H.R. 12455

Eligibility for social services

The first section of H.R. 12455 would permit States to determine an individual's eligibility for social services on a group basis. However, the group would have to be such that the State can reasonably conclude that substantially all persons in the group are members of families with incomes of not more than 90 percent of the median income in the State adjusted for family size. Furthermore, except for children of migrant workers, eligibility for child day care services would have to continue to be determined on an individual basis. Where eligibility for any service is determined on a group basis, the State may use generally accepted statistical sampling procedures to determine the proportion of expenditures which are to be attributed to meeting the requirement that 50 percent of the State's payment under title XX be expended on services for the "categorical eligibles". Individuals who are determined to be eligible for services under title XX on a group basis would not be subject to the mandatory fee provision of section 2002(a)(6)(B). The first section would also include family planning services among those services for which there are no Federal eligibility requirements. The effective date of this section would be October 1, 1975.

Extension of moratorium on day care staffing requirements

Section 2 of H.R. 12455 would extend the current moratorium on the application of title XX day care staffing requirements, contained in §2002(a)(9)(A)(ii) of the Social Security Act, from January 31, 1976, through September 30, 1977. The Social Services Amendments of 1974, Public Law 93-647, originally provided for the requirements to come into effect on October 1, 1975. This date was postponed (under certain conditions) to February 1, 1976, by P.L. 94-120.



The Administration's proposed Federal Assistance for Community Services Act (H.R. 12175; S. 3061) would repeal the staffing requirements altogether, effective October 1, 1976, as well as the mandatory application of the Federal interagency day care requirements to day care services under titles XX, IV-A, and IV-B of the Social Security Act. In their place, a State that provides child day care services under title XX would be required to have in effect its own appropriate mandatory standards for all day care services provided under the title.

Increased social services funding for day care

Section 3(a) of the enrolled bill would raise the current \$2.5 billion limit on annual funding of social services by \$40 million with respect to the 1976 transition quarter and by \$200 million with respect to fiscal year 1977. However, the amount of the increased funds payable to any State would be limited to an amount no greater than a State's aggregate expenditures for child day care services and grants to cover Federal welfare recipients employment incentive expenses. In effect, the bill would thus earmark for day care an amount equal to the additional funds which would become available under section 3. The additional funds would be allocated among the States on the basis of population (as is the case under current law).


Section 3(b) of the enrolled bill would require States, to the extent they determine feasible, to use the additional funds available pursuant to section 3 in a manner which increases the employment of welfare recipients and other low income persons in jobs related to the provision of child day care services. However, the grants authorized by section 3(c) of the enrolled bill would be for the employment of welfare recipients only; no similar additional authority would be provided by the bill for grants to cover wages of low income persons in jobs related to day care. Such costs could be met only as they currently are under title XX.

State grants to aid employment of welfare recipients

Section 3(c) of the enrolled bill would permit States to use an amount not in excess of the added Federal funding available under the bill to make grants to child care providers to cover the cost of employing welfare recipients without regard to (1) the social service goals specified in §2002(a)(1) and (2) the requirement that 25 percent of service costs be covered from sources other than title XX. These grants would be limited to \$4000 per year per employee in the case of proprietary providers, thus providing, in conjunction with the tax credit provided pursuant to section 4 (\$1000, or 20 percent of not more than \$5000 per year in wages, per welfare employee), full Federal funding of employment costs up to \$5000 per employee. For public and nonprofit providers, which are ineligible for tax credits, the grants under this section could be used to pay wages to a qualified employee at an annual rate of up to \$5000 per employee per year. Grants could be made under this authority only if at least 20 percent of the children serviced by the child care provider have their care paid for through the title XX program.

Elimination of matching requirement for day care

Section 3(d) of the enrolled bill would allow the Federal payment under title XX to cover the full cost of child day care services during fiscal year 1977 (i.e., there would be no matching requirement). However, the total amount of a State's payment with respect to which there would be no matching requirement (including sums which are used to cover grants to aid employment of welfare recipients) would in no case be able to exceed the amount by which the State's maximum allowable title XX payment had been increased by the bill from the amount available under the \$2.5 billion limitation.



Extension of welfare recipient tax credit

A tax credit for hiring welfare recipients through the Work Incentive (WIN) program was first authorized under the 1971 Revenue Act. In addition, in the Tax Reduction Act of 1975, temporary authority (which expired on June 30, 1976) was provided for a Federal Welfare Recipient Employment Incentive Tax Credit. Section 4 of the enrolled bill would extend the tax credit, only in the case of child care employers, through September 30, 1977. This new temporary tax credit for hiring welfare recipients to provide child care would apply solely to the employment of a welfare recipient who:

(A) has been certified by the State or local welfare department as being eligible for financial assistance for aid to families with dependent children (AFDC) and as having continuously received AFDC during the 90-day period which immediately precedes the date on which the employee is hired by the taxpayer,

(B) has been a full-time employee of the taxpayer for a period in excess of 30 consecutive days,

(C) has not displaced any other individual from employment by the taxpayer,

(D) is not a migrant worker, and

(E) is not a close relative of the taxpayer.

The tax credit would equal 20 percent of the wages, not exceeding \$5000 per year, paid each welfare recipient employed to provide child care services (thus limiting the annual credit to \$1000 per employee). Unlike the credit for work incentive program expenses, which is limited in any year to \$25,000 plus 50 percent of any tax liability above \$25,000, there would be no aggregate limit for child care employers.

Waiver of staffing standards

Section 5 of the enrolled bill would, for a temporary period, allow a State agency to waive the staffing requirements otherwise applicable to certain day care centers or group day care homes if the agency finds that it is not feasible for the center or home to comply with them, and the center or home complies with applicable state standards. A day care center or group day care home would be eligible for the waiver if the care for not more than 20 percent of the facility's children is wholly or partly paid from title XX funds. However, in the case of a day care center, the waiver authority would only apply if the care for not more than five of its children were so paid for. The authority which would be provided by section 5 would expire at the end of fiscal year 1977.

Disregard of child in family day care home

In addition to enacting the above-described waiver authority, section 5 of the enrolled bill would also provide that, in the case of applying the title XX day care services staffing requirements to family day care homes, the children of the mother operating the home shall not be counted unless they are under age 6. Like the waiver requirement, this exception would be effective only through fiscal year 1977.

Rehabilitative services for alcoholics and drug addicts

Section 2002(a)(7) of the Social Security Act now imposes a limit on Federal financial participation under title XX with respect to medical or remedial care and room and board. Essentially, the care must be an integral but subordinate part of a title XX service, the expenditure for which care is not available to the State under its Medicaid program. A related provision, §2002(a)(11), prohibits payments under title XX for expenditures for the provision of services to any individual living in any hospital, subject to certain exceptions.

Public Law 94-120, for the 4-month period, October 1, 1975, through January 31, 1976, enacted an addition to the exceptions in §2002(a)(11). The additional exception was for expenditures for up to 7 days of initial detoxification of an alcoholic or drug dependent individual if such detoxification is integral to the further provision of services for which such individual would otherwise be eligible under title XX. It also required that the entire rehabilitative process for ending the dependency of individuals who are alcoholics or drug addicts, including but not limited to initial detoxification, short-term residential treatment, and subsequent outpatient counseling and rehabilitative services, be used as the basis for determining whether the relevant §2002(a)(7) standards are met.

Section 6 of the enrolled bill would extend these P.L. 94-120 amendments through fiscal year 1977.

B

STATEMENT BY THE PRESIDENT

I have today signed into law H.R. 12455, a bill concerning child day care staffing standards and social services supported with Federal financial assistance. Ensuring adequate day care for children is an important social service. It protects the well-being of thousands of American children -- and the economic independence of their working parents. The integrity of the family is of paramount importance but supportive government action is acceptable as long as it does not interfere with the family role.

Earlier this year, I vetoed the predecessor version of this bill, H.R. 9803 -- not because I disagreed with its goals -- but because that bill was the wrong means to a worthwhile end. The Congress sustained my veto. Today I have signed a new and better child day care bill -- the result of compromise and cooperation between the Congress and my Administration. H.R. 12455 embodies a major compromise on a key issue which led to that veto -- the imposition on States and localities of costly and controversial Federal staffing requirements for child day care services funded under Title XX of the Social Security Act.

H.R. 9803 would have imposed these standards effective July 1 of this year. Had that bill become law, it would have brought about an unwarranted Federal preemption of State and local responsibility to ensure quality day care services.

H.R. 12455, by postponing the Federal standards until October 1, 1977, will enable the States to operate day care programs for more than another year free of onerous and costly Federal intrusion, while HEW completes a required major study and report with recommendations on the day care standards. In addition, the Congress will have the opportunity to act on my proposed "Federal Assistance for Community Services Act," submitted to the Congress last February to reform the Title XX social services program.

My proposal would provide the States with the opportunity to administer the Title XX program with the necessary flexibility to meet their most pressing needs as they themselves determine those needs. It would simplify program operations and remove many of the burdensome and restrictive Federal requirements so that social services can be provided in the most efficient and effective manner, and can be most responsive to the needs of our citizens. As part of this overall approach, it would require the States to adopt and enforce their own standards for federally-assisted child day care.

While I am disappointed that the Congress has not, in H.R. 12455, clearly placed this responsibility and authority in the States, the bill's lengthy suspension of the standards is a positive step toward this objective.

H.R. 12455 does adopt a concept contained in my Federal Assistance to Community Services proposal by permitting States to provide Title XX services on a "group eligibility" basis, except for most child day care services. Under this bill, States will not have to require that senior citizens and other persons who need and depend on social services programs be subjected to individual income and assets tests in order to determine whether they can participate in these programs. Such persons will be eligible as members of groups, when the States can reasonably assume that substantially all those to be served have incomes less than 90% of the State's median income.

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unnecessary and costly administrative trappings for many service programs, thereby freeing more Federal and State funds for the actual delivery of services.

H.R. 12455 embodies, in part, still another central element of my Federal Assistance for Community Services proposal: that States should no longer be required to match their share of the Federal Title XX social service funds with State and local tax dollars. Under this bill, as much as \$200 million in new Title XX funds would be distributed in fiscal year 1977 without a requirement for State matching, if States choose to spend that amount for child day care services. I am hopeful that this tentative step indicates the willingness of the Congress to consider seriously the elimination of the matching requirement for all Federal social services funds under Title XX.

I do have serious reservations about the amount of additional Federal funding provided in H.R. 12455, although it is less than the amount in the bill I earlier vetoed. It is also unfortunate that this bill, for the first time under Title XX, designates levels of funding for specified purposes. This is the antithesis of the spirit and intent of Title XX which permits States the maximum flexibility to determine their own priorities in using their share of Federal social services funds. I am also concerned that the child care provisions of this bill have not been adequately coordinated with child care provisions in the pending tax reform bill.

Much remains to be done to help the States improve their delivery of social services funded under Title XX. I am gratified that the Congress, in this bill, has moved in some measure toward accepting concepts in my proposed

act to provide financial assistance for community services. Further action is needed, however, to provide more comprehensive reform that will provide States the tools and flexibility to deliver social services to those in need without cumbersome Federal regulation. I again urge the Congress to act promptly to give my proposal a full and favorable hearing.

THE
AND
EXHIBIT

C

Latest Draft 9/7/76

STATEMENT BY THE PRESIDENT

1
Draft

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My proposal would provide the States with the opportunity to administer the Title XX program with the necessary flexibility to meet their most pressing needs as they themselves determine those needs. It would simplify program operations and remove many of the burdensome and



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funds with State and local tax dollars. Under this bill, as much as \$200 million in new Title XX funds would be distributed in fiscal year 1977 without a requirement for State matching, if States choose to spend that amount for child day care services. I am hopeful that this tentative step indicates the willingness of the Congress to consider seriously the elimination of the matching requirement for all Federal social services funds under Title XX.

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Much remains to be done to help the States improve their delivery of social services funded under Title XX. I am gratified that the Congress, in this bill, has moved in some measure toward accepting concepts in my proposed ~~act~~ *act to* ~~provide financial assistance for Community Services, etc.~~ *provide financial assistance for Community Services, etc.* Further action is needed, however, to provide more comprehensive reform that will provide States the tools and flexibility to deliver social services to those in need without cumbersome Federal regulation. I again urge the Congress to act promptly to give my proposal a full and favorable hearing.

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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 2 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 12455 - Child Day Care and
Social Services Amendments
Sponsor - Rep. Corman (D) California and 7
others

Last Day for Action

September 7, 1976--Tuesday

Purpose

Postpones until October 1, 1977, enforcement of Federal child day care staffing standards required under the Title XX social services program; increases the \$2.5 billion annual ceiling on Title XX funding by \$240 million through September 30, 1977, earmarked for child day care services; provides incentives for employment of welfare recipients by child day care providers; provides group eligibility for social services; and makes other changes in Title XX of the Social Security Act.

Agency Recommendations

Office of Management and Budget

Approval (Signing
statement
attached)

Department of Health, Education, and
Welfare

Approval (Signing
statement
attached)

Council of Economic Advisers

Disapproval (Veto
message attached)

Department of the Treasury

No objection and
defers to other
agencies

Department of Labor

Defers to other
agencies

Discussion

H.R. 12455 is successor legislation to H.R. 9803, the child day care services legislation which you vetoed on April 6, 1976. That veto was sustained by the Senate (60-34) on May 5, 1976, after being overridden by the House (301-101).

STATEMENT BY THE PRESIDENT

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H.R. 9803 would have imposed these standards effective July 1 of this year. Had that bill become law, it would have brought about an unwarranted Federal preemption of State and local responsibility to ensure quality day care services.

H.R. 12455, by postponing the Federal standards until October 1, 1977, will enable the States to operate day care programs for more than another year free of onerous and costly Federal intrusion, while HEW completes a required major study and report with recommendations on the day care standards. In addition, the Congress will have the opportunity to act on my proposed "Federal Assistance for Community Services Act," submitted to the Congress last February to reform the Title XX social services program.

My proposal would provide the States with the opportunity to administer the Title XX program with the necessary flexibility to meet their most pressing needs as they themselves determine those needs. It would simplify program operations and remove many of the burdensome and

restrictive Federal requirements so that social services can be provided in the most efficient and effective manner, and can be most responsive to the needs of our citizens. As part of this overall approach, it would require the States to adopt and enforce their own standards for federally-assisted child day care.

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Much remains to be done to help the States improve their delivery of social services funded under Title XX. I am gratified that the Congress, in this bill, has moved in some measure toward accepting concepts in my proposed Federal Assistance for Community Services Act. Further action is needed, however, to provide more comprehensive reform that will provide States the tools and flexibility to deliver social services to those in need without cumbersome Federal regulation. I again urge the Congress to act promptly to give my proposal a full and favorable hearing.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 3

Time: 821pm

FOR ACTION: Spencer Johnson *or* cc (for information): Jack Marsh
 Sarah Massengale *or* Ed Schmults
 Ken Lazarus *or* Bill Seidman *or* Jim Connor
 Max Friederddorf *or* Jean Hahn *or*
 Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: September 3

Time: 100pm

SUBJECT:

H.R. 12455-Child Day Care and Social Services -
 Amendments -

ACTION REQUESTED:

☐ For Necessary Action ☐ For Your Recommendations
☐ Prepare Agenda and Brief ☐ Draft Reply
☒ For Your Comments ☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
 For the President

HOUSE
LOG NO. 1
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9/3/71
7/3/71
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OK in ed. Fed
 10/14/76

THE WHITE HOUSE

Rec. 9/3/76 - 9:50 am
n

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 3

Time: 821am

FOR ACTION: Spencer Johnson
Sarah Massengale
Ken Lazarus
Max Friedersdorf
Robert Hartmann

cc (for information): Jack Marsh
Ed Schmults
Jim Connor

Bill Seidman

to Res
9-3 10:00
GAm

Jim
OK
GC

FROM THE STAFF SECRETARY

DUE: Date: September 3

Time: 100pm

SUBJECT:

H.R. 12455-Child Day Care and Social Services
Amendments

to DIS
9-3 12:02
GAm

ACTION REQUESTED:

_____ For Necessary Action

_____ For Your Recommendations

_____ Prepare Agenda and Brief

_____ Draft Reply

X For Your Comments

_____ Draft Remarks

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James M. Cannon
For the President

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I do have serious reservations about the ^{amount of} additional Federal funding provided in H.R. 12455, although it is less than the amount in the bill I earlier vetoed. It is also unfortunate that this bill, for the first time under Title XX, designates ^{Levels of Funding} ~~certain amounts of money~~ for specified purposes. This is the antithesis of the spirit and intent of Title XX ^{which} ~~to~~ permit States the maximum flexibility to determine their own priorities in using their share of Federal social services funds. I am also concerned that the child care provisions of this bill have not been adequately coordinated with child care provisions in the pending tax reform bill.

Much remains to be done to help the States improve their delivery of social services funded under Title XX. I am gratified that the Congress, in this bill, has moved in some measure toward accepting concepts in my proposed ^{Financial} ~~Federal~~ Assistance for Community Services Act. Further action is needed, however, to provide more comprehensive reform that will provide States the tools and flexibility to deliver social services to those in need without cumbersome Federal regulation. I again urge the Congress to act promptly to give my proposal a full and favorable hearing.

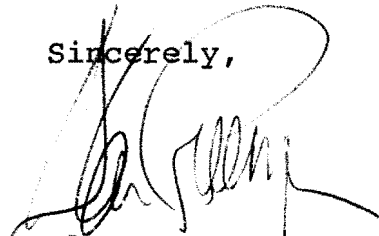
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

August 31, 1976

Dear Mr. Frey:

This is in response to your request for the Council of Economic Adviser's views on H. R. 12455, to amend Title XX of the Social Security Act. This Act is contrary to several Administration objectives -- to better target subsidies intended for the poor, to have a more efficient allocation of workers among jobs, and to limit the cost of Federal spending. For these reasons, I recommend a Presidential veto. A draft veto message is attached.

Sincerely,



Alan Greenspan

Mr. James Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503



Draft Veto Message for H.R. 12455

Title XX of the Social Security Act provides Federal subsidies to states (largely on a 75 percent Federal, 25 percent state cost-sharing basis) for a wide variety of important social services. These include day-care centers for children, meals and home-making aid for the aged, assistance to the handicapped, foster care and adoption services, drug and alcoholic treatment, etc. While I support these efforts, my proposals to provide block grants to the states for social services have not been enacted. The provisions of H.R. 12455 would amend Title XX but in such a way as to make it a less effective program in targeting aid to the poor, but at the same time increase its costs. For these reasons, I have vetoed H.R. 12455.

For most of the services provided under Title XX it is not impractical to require a means test so that those in need will receive the benefits and those who can provide for their own services will do so. Yet this Act would eliminate individual determination of eligibility for all services (except most child care). Under the group eligibility requirement many persons who do not have low income or assets could qualify for benefits.

I am concerned with increasing job opportunities for all persons, including those on welfare. I am also concerned with reducing incentives to get on welfare and with the most efficient allocation of workers among jobs. The Act provides up to \$5,000 per year in wage subsidies to child services care/providers for each welfare recipient employed. This may well have

the perverse effect of encouraging persons to go on welfare to be eligible for the subsidy. It also means employment discrimination against persons not on welfare. The providers of child care services may prefer to hire a less effective worker simply to obtain the subsidy. The result could be a decline in the quality of child care services.

Federal funding of social services has increased rapidly in the last few years and is now at an annual rate of \$2.5 billion. At a time of increased concern for placing limits on the growth of Federal spending it would be inappropriate for this program to be expanded by effectively \$240 million in FY 1977.



DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

AUG 31 1976

Dear Sir:

This is in response to your August 26, 1976 request for the views of the Treasury Department on the enrolled bill H.R. 12455, An Act To amend title XX of the Social Security Act so as to permit greater latitude by the States in establishing criteria respecting eligibility for social services, to facilitate and encourage the implementation by States of child day care services programs conducted pursuant to such title, to promote the employment of welfare recipients in the provision of child day care services, and for other purposes. A similar bill, H.R. 9803, was vetoed by the President on April 6, 1976.

Section 4 of this bill would amend the work incentive (WIN) tax credit provisions of the Internal Revenue Code. H.R. 9803 contained a provision that was identical with the exception that the provision would expire a year earlier, on October 1, 1976.

The WIN program was established in 1967 to provide job training and employment opportunities to welfare recipients as a method of removing them from the category of the hard-core unemployed and, thus, from the welfare roll, and the WIN tax credit provisions were adopted in 1971 as an incentive to employers to participate in the WIN program. Under the basic WIN tax credit provisions, an employer may obtain a tax credit equal to 20 percent of wages paid to a WIN participant during the first 12 months of his employment, if he is employed for at least 2 years. The credit provisions apply only if the Secretary of Labor certifies that the employee has been placed in employment under a WIN program established under section 432(b)(1) of the Social Security Act and has not displaced any individual from employment.

The Tax Reduction Act of 1975 extended the WIN tax credit to the employment of an individual who had been on welfare for at least 90 days prior to employment, on condition that the

employment last at least 1 month, thus severing the tie to the WIN program. The amendment was proposed by Senator Talmadge, the original sponsor of the WIN program and the WIN tax credit, because of dissatisfaction with the administration of the WIN program.

The 1975 amendment was effective for wages paid after March 29, 1975, for services rendered before July 1, 1976. Section 4 of the bill would extend the 1975 amendment until October 1, 1977, solely with respect to "an eligible employee whose services are performed in connection with a child day care services program of the taxpayer", and would limit to \$1,000 the maximum credit in any taxable year with respect to any such employee. In addition, the tax credit for wages paid to such an employee would be creditable against the entire tax liability of the employer rather than just the first \$25,000 of tax liability and 50 percent of tax liability in excess of \$25,000, as provided in present law.

As we reported earlier on H.R. 9803, the Treasury Department has serious questions regarding the effectiveness of the WIN tax credit provisions as a device for remedying the problem of hard-core unemployment. These provisions are estimated in the tax expenditure budget to cost \$10 million annually, which implies \$50 million in wages eligible for the credit and perhaps 10,000 employees, many of whom would presumably have been employed whether or not the credit existed. In any event, the tax system is not an apt mechanism for administering programs of such limited scope, and this observation obviously applies with particular force to the amendments that would be made by section 4 of the bill. In all likelihood, the tax credit will simply be a windfall in the few cases in which it will apply.

However, because this tax related provision is relatively unimportant in relation to the bill as a whole, the Treasury Department would have no objection to approval of the bill and defers to those Departments more concerned with the main provisions of the bill dealing with standards for child care programs and the funding of such programs.

Sincerely yours,

Charles M. Walker

Charles M. Walker
Assistant Secretary

by WME

Director, Office of Management and Budget
Attention: Assistant Director for
Legislative Reference, Legislative
Reference Division
Washington, D.C. 20503

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

AUG 31 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report from this Department on the enrolled enactment of H.R. 12455, a child day care social services act.

This Department supports the principal objectives of this legislation, to provide for increased child day care opportunities so that parents may more readily enter the workforce, and to promote the employment of welfare recipients in child day care facilities. However, with respect to Presidential action on the specific provisions of H.R. 12455, we defer to those agencies more directly involved, such as the Departments of the Treasury, and Health, Education, and Welfare.

Sincerely,


ACTING

Secretary of Labor

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 3

Time: 821am

FOR ACTION: Spencer Johnson
Sarah Massengale
Ken Lazarus
Max Friedersdorf
Robert Hartmann

cc (for information): Jack Marsh
Ed Schmults
Bill Seidman
Jim Connor

FROM THE STAFF SECRETARY

DUE: Date: September 3

Time: 100pm

SUBJECT:

H.R. 12455-Child Day Care and Social Services
Amendments

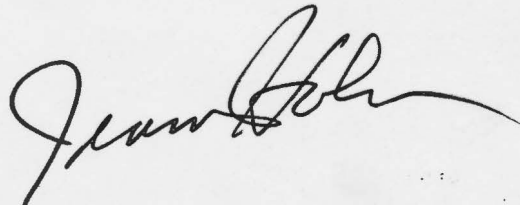
ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

I fully concur that the President should
sign this bill and prefer the statement
prepared by OMB.



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.

James M. Cannon
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: September 3

Time: 821am

FOR ACTION: Spencer Johnson
Sarah Massengale
Ken Lazarus
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DUE: Date: September 3

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SUBJECT:

H.R. 12455-Child Day Care and Social Services
Amendments

ACTION REQUESTED:

☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

I have received the material on H.R. 12455 and agree with the decision made this morning for the President to sign this bill. I have talked with Sarah Massengale about a number of particulars, especially the postponement of the Federal staffing standards until October 1977 and the group eligibility provisions. I also will be giving Sarah some thoughts on the signing statement which she is workin on.

cc: Phil Buchen

Bobbie Kilberg

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Date: September 3

Time: 821am

FOR ACTION: Spencer Johnson
Sarah Massengale
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SUBJECT:

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☐ For Necessary Action☐ For Your Recommendations☐ Prepare Agenda and Brief☐ Draft Reply☒ For Your Comments☐ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*APPROVE
RBP*PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.If you have any questions or if you anticipate a
delay in submitting the required material, please
telephone the Staff Secretary immediately.

THE WHITE HOUSE

WASHINGTON

September 3, 1976

MEMORANDUM FOR: JIM CAVANAUGH
FROM: MAX L. FRIEDERSDORF *M.L.F.*
SUBJECT: HR 12455 - Child Day Care and Social
Services Amendments

The Office of Legislative Affairs concurs with the agencies
that the subject bill be signed.

Attachments

STATEMENT BY THE PRESIDENT

I have today signed into law H.R. 12455, a bill concerning child day care staffing standards and social services supported with Federal financial assistance.

Earlier this year, I vetoed the predecessor version of this bill, H.R. 9803, and the Congress sustained my veto. I have signed H.R. 12455 because it embodies a major compromise on a key issue which led to that veto-- the imposition on States and localities of costly and controversial Federal staffing requirements for child day care services funded under Title XX of the Social Security Act.

H.R. 9803 would have imposed these standards effective July 1 of this year. Had that bill become law, it would have brought about an unwarranted Federal preemption of State and local responsibility to ensure quality day care services.

H.R. 12455, by postponing the Federal standards until October 1, 1977, will enable the States to operate day care programs for more than another year free of onerous and costly Federal intrusion, while HEW completes a required major study and report with recommendations on the day care standards. In addition, the Congress will have the opportunity to act on my proposed "Federal Assistance for Community Services Act," submitted to the Congress last February to reform the Title XX social services program.

My proposal would provide the States with the opportunity to administer the Title XX program with the necessary flexibility to meet their most pressing needs as they themselves determine those needs. It would simplify program operations and remove many of the burdensome and

restrictive Federal requirements so that social services can be provided in the most efficient and effective manner, and can be most responsive to the needs of our citizens. As part of this overall approach, it would require the States to adopt and enforce their own standards for federally-assisted child day care.

While I am disappointed that the Congress has not, in H.R. 12455, clearly placed this responsibility and authority in the States, the bill's lengthy suspension of the standards is a positive step toward this objective.

H.R. 12455 does adopt a concept contained in my Federal Assistance to Community Services proposal by permitting States to provide Title XX services on a "group eligibility" basis, except for most child day care services. Under this bill, States will not have to require that senior citizens and other persons who need and depend on social services programs be subjected to individual income and assets tests in order to determine whether they can participate in these programs. Such persons will be eligible as members of groups, when the States can reasonably assume that substantially all those to be served have incomes less than 90% of the State's median income.

This provision will make it possible for older persons and families who obviously qualify for federally-assisted services to obtain those services without a demeaning scrutiny of their personal affairs. It will also eliminate unnecessary and costly administrative trappings for many service programs, thereby freeing more Federal and State funds for the actual delivery of services.

H.R. 12455 embodies in part still another central element of my Federal Assistance for Community Services proposal: that States should no longer be required to match their share of the Federal Title XX social service

funds with State and local tax dollars. Under this bill, as much as \$200 million in new Title XX funds would be distributed in fiscal year 1977 without a requirement for State matching, if States choose to spend that amount for child day care services. I am hopeful that this tentative step indicates the willingness of the Congress to consider seriously the elimination of the matching requirement for all Federal social services funds under Title XX.

I do have serious reservations about the additional Federal funding provided in H.R. 12455, although it is less than the amount in the bill I earlier vetoed. It is also unfortunate that this bill, for the first time under Title XX, designates certain amounts of money for specified purposes. This is the antithesis of the spirit and intent of Title XX to permit States the maximum flexibility to determine their own priorities in using their share of Federal social services funds. I am also concerned that the child care provisions of this bill have not been adequately coordinated with child care provisions in the pending tax reform bill.

Much remains to be done to help the States improve their delivery of social services funded under Title XX. I am gratified that the Congress, in this bill, has moved in some measure toward accepting concepts in my proposed Federal Assistance for Community Services Act. Further action is needed, however, to provide more comprehensive reform that will provide States the tools and flexibility to deliver social services to those in need without cumbersome Federal regulation. I again urge the Congress to act promptly to give my proposal a full and favorable hearing.