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AUG 25 1975

Mr. Boone Robinson, Executive Secretary
State of California
Commission on Aging
926 "J" Street, Suite 914
P. O. Box 350
Sacramento, California 95802

Dear Mr. Robinson:

Your letter of June 19 to the President regarding the direction of the Administration on matters affecting the elderly has been referred to me for response. Please forgive the delay in replying. The President is always interested in having comments and suggestions on matters of public policy.

You may be assured that the President and this Administration are deeply concerned over the financial difficulties faced by many older Americans today. The President is making every effort to combat recession, inflation, and the energy crisis, which affect all Americans, while at the same time seeing to it that the elderly, who generally have fewer resources to draw upon than do younger adults, are helped to meet these added burdens.

You are aware, I am sure, that the President did not propose to reduce or freeze social security benefits, but to hold the annual social security benefits increase to 5% as a means of combating inflation. The actual increase was 8% effective in June and was reflected in checks received July 3. This spring, the President signed a $22.8 billion anti-recession tax-cut bill that carried a number of provisions favorable to the elderly, including payment of $50 each to some 34 million individuals receiving Social Security, Railroad Retirement, and Supplemental Security Income benefits. Extension of unemployment compensation benefits, tax rebates for 1974, and tax reduction for 1975 are features of the bill that benefit many older persons. Also, rules concerning tax deductions for expenses of caring for an elderly relative were liberalized.

Since 1971, social security benefits have been increased several times for 31 million recipients, and the Supplemental Security Income (SSI) program has been established to maintain a minimum income level for the elderly poor.

Attention has been given to private-sector income maintenance plans also. On Labor Day 1974, the President signed into law the Employee Retirement Income Security Act, which will offer the approximately 35 million persons covered by private employee benefit plans and their beneficiaries new protections and guarantees. ERISA encourages the growth of private pension and welfare plans, insures that participants do not lose benefits because of unduly restrictive eligibility provisions or because the plan did not accumulate and retain sufficient funds to meet its obligations, and provides greater equity in tax treatment of private savings for retirement.

In vetoing two bills recently passed by Congress in the areas of employment and housing, the President stressed the importance of holding down the federal deficit and avoiding exacerbation of budgetary and economic pressures. He has been particularly concerned about over-stimulating the economy and setting off another round of inflation that would be seriously harmful to elderly persons on fixed incomes as well as to nearly every other segment of society.

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Last year, the President signed a historic housing bill having a number of provisions with considerable potential for older Americans--the Housing and Community Development Act of 1974. For example, Section 8 of the Act provides for subsidized housing for low-income renters, while the newly revised Section 202 authorizes direct, low-interest federal loans for construction of housing for the elderly, among others. This expanded, more flexible housing program, when fully operational, can go far toward relieving critical housing problems for many older persons.

In the critical area of health care for older persons, the Administration is working on a number of proposals and projects that should contribute to better use of present and potential resources for delivery of services to the elderly with a goal of improving health and quality of life. The newly established National Institute on Aging will not only conduct and support research on the biological aspects of aging, but will examine the social and physical environment for its effect on the aging process. Mindful of wide-spread criticism of long-term care facilities for the elderly, the Department of Health, Education and Welfare is collecting data on conditions in nursing homes nationally so as to be able to recommend sound policies and programs to improve long-term care for the elderly. Also, a national rating system for nursing home receiving Medicaid and Medicare funds is currently being developed.

Housing and health services are two of a number of areas in which the Administration on Aging (HEW) is undertaking cooperative efforts with other federal agencies. AOA, which is charged with serving as an advocate for the elderly, is working with the Public Health Service and the Department of Housing and Urban Development respectively toward the better use of present and potential resources for delivery of services to older Americans.

There are currently several programs aimed at helping older Americans who wish to work find employment. Title IX of the Older Americans Comprehensive Services Amendments provides for establishment of part-time employment opportunities in community service activities for persons 55 years or older who have limited incomes. Under this are specialized employment programs such as Senior Community Service Projects, Senior Community Aides, Green Thumb, and Operation Mainstream. There will be at least 12,400 job slots funded in Fiscal Year 1976. Also certain ACTION programs pay a stipend to elderly volunteers who participate in Foster Grandparents and similar projects.

There are other areas in which federal activities on behalf of the elderly have increased recently. The Older Americans Act of 1965, which marked its 10th anniversary last month, is making a major contribution to the well-being of a growing number of elderly persons in the Nation. Your agency is but one of the designated agencies on aging now functioning in every State and in 412 communities, for the purpose of coordinating existing and potential resources, and providing information and referral services. The national Nutrition Program for the Elderly now serves 228,000 meals a day, five days a week. The recent action placing the annual operating level for this program at $150 million (an increase of $50.4 million over the previous year) will mean more elderly persons served at existing meal sites and new sites to be opened in communities not previously served.

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Under the new Title XX of the Social Security Act, funds will be available to the States that can be used for development of coordinated, comprehensive social service programs for low-income older people. The law requires that services provided be coordinated with plans for such programs as those set up under the Older Americans Act.

The Administration has repeatedly urged State and local officials on aging to make full use of federal revenue-sharing funds on behalf of the elderly. The philosophy behind the New Federalism, supported by the Ford Administration, has been to direct greater accountability to elected officials in States and localities, believing that they can

best determine and solve local problems. To date, studies indicate that the States have used revenue sharing for older persons only to a limited extent. Nevertheless, health services and housing are among the areas in which some towns and counties have sucessfully utilized revenue sharing to benefit older residents.

Thank you for writing to share the views of the California Commission on Aging with the President. I can assure you that he gives careful consideration to such opinions in the formulation of policy affecting older Americans.

Sincerely yours,

/s/ Stanley B. Thomas Jr.

Stanley B. Thomas, Jr.
Assistant Secretary
for Human Development

cc: Sarah Massengale

OS/OHD/AoA
LHertz/lms 8/11/75

State of California
Commission on Aging

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SACRAMENTO, CALIFORNIA 95802
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June 19, 1975

The Honorable Gerald R. Ford
President of the United States
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Ford:

At their regular monthly meeting on June 12, the California Commission on Aging expressed their continuing concern about the direction of your administration on matters affecting the welfare of the elderly.

Priority areas of need include income maintenance, housing, health care and employment. Yet, in each of these categories of need your administration has failed to support actions that would help to alleviate the problem and improve the condition of older Americans. Your administration has impounded funds appropriated by the Congress for housing programs of particular importance to the elderly and you have vetoed employment bills and failed to support an adequate senior public service employment program.

The Commission has instructed me to express to you their dissatisfaction with these actions. They see a pattern of priorities developing that disturbs them because it neglects the needs of the elderly. The Commission repectfully suggests that this is a matter for your immediate and serious consideration.

Sincerely,

Boone Robinson
Executive Secretary

BR:jb

THE COMMISSIONER OF SOCIAL SECURITY
BALTIMORE, MARYLAND 21235

Bill Foranell FYI

Please Return DSK

October 22, 1975

Mr. Arthur F. Quern
Associate Director, Domestic Council
Room 231 Old Executive Office Building
Washington, D.C. 20500

Dear Art:

This letter is to follow up on our discussions on Thursday, October 9. As you requested at that time, I would like to provide additional information about the status of our efforts in decoupling, where we would like to see them lead in the decisionmaking process, and the interrelation of the decoupling and financing issues within this process. In addition, I think it would be useful to set forth my own thoughts on how the question of revisions in the social security system which go beyond decoupling, per se, might be addressed.

Bill Morrill and I hope to meet with Secretary Mathews before the end of the month (tentatively, October 30 or 31) to present for his consideration two basic alternatives for revising and stabilizing the social security benefit structure ("decoupling"). I should say at the outset that both of these alternatives have three characteristics which I believe are essential if we are to reach agreement on a decoupling proposal within the Administration this year and present it to Congress early next year. These characteristics are:

1. The proposals provide for stable (rather than declining) replacement rates.

2. The replacement rates correspond as closely as possible, given the characteristics of each model, to the replacement rates which would exist in present law at the time of transition to a decoupled system.

3. The proposals do not attempt to "fix everything that is wrong" with the social

security system. In other words, they aim at a minimum of change from the effects of the present law.

While, as we observed in our previous discussions, most possible decoupling models can be adjusted to alter the weighting in the benefit formula and/or to permit a decline in replacement rates over time, we believe that any initiative which has as its objective correcting the imbalances in the system at an early date (i.e., calendar 1976 legislation) has little chance of succeeding in that timeframe unless the above principles are adhered to. Moreover, one of the two alternatives which we will be presenting to Secretary Mathews has as its primary raison d'etre the fact that it results in almost no change from the present law system in effect at the time, other than, of course, the fundamental change of decoupling the benefit structure. Let me discuss this particular model or option first.

Decoupling Models

The first decoupling model we will suggest is commonly called the "high 20." As noted, it involves the very minimum of change from present law in effect at the time the approach is implemented. Benefits would be based on actual dollar earnings averaged over 20 years; this is the averaging period under present law for people reaching age 62 (the age at which a social security beneficiary can first obtain retirement benefits) in 1976. A weighted benefit formula has been devised that would so closely approximate benefits payable under present law at the time of implementation that it would be unnecessary to devise a special provision to assure a smooth transition to the new system.

The great virtue of this option is its similarity to present law. It appears to change very little other than eliminating the long-term consequences of running a coupled system. It minimizes transitional difficulties. It would, however, be vulnerable to criticism on the grounds that it has one effect that does not exist, or at least would exist to a much more limited degree, under present law. While present law over time will extend the wage averaging period to 35 years, thereby providing an implicit length-of-service factor for the lifetime worker, the proposed system would be frozen at 20 years. The result is that in the future the high-20 system would not treat workers with more than 20 years

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of covered work any more favorably than otherwise comparable workers with only 20 years of covered work history. It is also subject to criticism which can be leveled at the present system: the use of actual dollar wages in a dynamic economy may tend to give undue weight to recent earnings as compared with earnings at an earlier time. Such an arrangement could be viewed by some as "discriminatory" against workers who had their best relative earnings early in life (e.g., some women and unskilled workers).

2,

Both of these criticisms are substantially blunted under the alternative approach which we have called a 35-year indexed model. Under this model the computation period would lengthen each year until it ultimately reached 35 years, as under present law. A worker's actual earnings, however, would be indexed in relation to average earnings in the economy so that they are updated to the period immediately preceding the period in which the worker retired, became disabled, or died. In this approach, as in the first approach, a weighted benefit formula (adjusted for changes in average wages) would be used to determine initial benefits, and an individual's benefits would be adjusted for increases in the cost of living after entitlement.

Wage indexing is an essential feature needed for stability in this model. Because of the indexing, it would not be possible to provide as close an approximation of the benefits payable under present law, so it would almost certainly be necessary to provide a special transitional provision to assure that people would not get less than was payable under present law at the time the new system took effect.

The 35-year indexed model is more complex than the high-20 model, primarily because of the indexing. While the indexing would eliminate criticisms leveled at the high-20 model (and at present law) that recent earnings are treated more favorably in the benefit structure than earlier earnings, it also means that certain classes of beneficiaries will be treated differently (less favorably) than under present law. The most notable effect would be on benefits paid to the young disabled worker or the survivors of a young worker who has died. Under present law such individuals receive high benefits in comparison to long-service workers, primarily because the earnings on which their benefits are based are all fairly recent and therefore tend to produce higher average wages for benefit calculation purposes. Indexing the system

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would result in their wages being treated on a par with long-service workers for purposes of calculating a benefit. The result would be to lower their benefits, both relative to benefits for long-service workers and also in absolute dollar terms. This is an inherent feature of indexing, and further complicated provisions would be required if one wished the present law effect to be maintained.

While the use of the long earnings computation period (eventually 35 years) provides a fairly substantial implicit recognition of length of service, it does not distinguish between workers who have low average earnings because of regular low wages and those who had fairly high wages but worked in fewer years. Those who believe such a distinction should be made (and that the heavier weighting for low average earnings should not apply for the latter group of workers) would favor including in the plan an explicit length-of-service provision.

We are hopeful that these two plans, with supporting analyses and cost estimates, can be presented to the Secretary within 2 weeks or so and soon thereafter to the Domestic Council, OMB, etc. I am enclosing preliminary drafts of the two plans and other pertinent issue papers. (Not attached here)

SSA/HEW Position on Models

In my opinion, the 35-year indexed model is probably superior to the high-20 model in a "social equity" sense. The great virtue of the high-20 model, as I have noted, is in its replication of present law effects. It raises a minimum number of issues about treatment of beneficiaries in a way different than under present law and requires no administratively cumbersome and costly transition. On the other hand, it does a poor job of preventing "windfall" benefits from being awarded to short-service workers and lacks what many see as the advantages which flow from wage indexing--advantages which become more significant in a volatile economy.

I believe the issue between the two models is really one of deciding whether the programmatic "deficiencies" of the high-20 model override its advantages and political saleability as at least an interim measure to decouple the system and improve the long-term financial picture without disrupting the relationships between wages and benefits and between beneficiary groups that now exist under present law.

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In any event, we will be recommending to the Secretary that he send forward to higher authority both options, with whatever recommendations he may choose to make.

Cost Estimates

While we have not yet finalized our cost estimates for the two models, it would appear that they would yield much the same result throughout the 75-year valuation period used in OASDI estimates. The following table provides a rough indicator of the effect of either model as compared with present law.

OASDI INCOME AND OUTGO AS A PERCENT OF TAXABLE PAYROLL
(Employee and Employer, Combined)

Present Law

Time Period	Expenditures	Tax Income	Deficit
1975-1999	11.16%	9.90%	- 1.26%
2000-2024	15.12	11.02	- 4.10
2025-2049	22.09	11.90	-10.19
1975-2050	16.26	10.94	- 5.32

Decoupled System

Time Period	Expenditures	Tax Income	Deficit
1975-1999	11.06%	9.90%	- 1.16%
2000-2024	13.43	11.02	- 2.41
2025-2049	16.78	11.90	- 4.88
1975-2050	13.83	10.94	- 2.89

The amounts in the table should be taken as order of magnitude figures rather than precise estimates. Current economic projections are changing, and the precise effect of decoupling under either model has not been completely pinned down. It should also be noted that these figures are premised on the economic assumptions used in the 1975 Trustees Reports. While a change in these assumptions should not have much effect on a decoupled system, it could

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have a marked effect on the present coupled system. Thus, while it appears from the data that decoupling is of little significance to system costs over the next 25 years (and might therefore be postponed for some time), significant departures from the short-term assumptions used in the Trustees Reports, which we now believe are optimistic, could exact a financial penalty over the long run if we fail to decouple the system soon.

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Financing

Let me turn now to the subject of financing. The above table illustrates some of the key deficiencies in the present financing arrangements. Basically it shows that, given current economic assumptions, the deficit over the next 25 years is on the order of 1.2 to 1.3 percent of payroll (employee and employer, combined) whether or not the system is decoupled. After that, of course, the deficit escalates rapidly under present law. Our decoupling proposals would have a significant dampening effect, but would by no means eliminate the problem.

Obviously, short-range financing is the most immediate problem facing the social security cash benefits program. The cash benefits trust funds are declining annually and will be exhausted in the early 1980's. They will reach a ratio of assets to outgo of 33 percent (or less if economic recovery is not as rapid as predicted) by the beginning of calendar 1978. As you recall, this spring we proposed adoption of a one-third ratio as the minimum to which the trust funds should be allowed to fall, and I believe there was general consensus within the Administration that this was the lowest standard that could be accepted (some thought it too low). Given this standard, I believe it is necessary to provide at least some increased revenue to the system during calendar year 1977.

While the decoupling proposals, particularly the 35-year indexed model, could have some transitional costs associated with them, our present thinking is that these costs would not be of a magnitude which would significantly affect the design of a short-term financing solution. The possibility of transitional costs simply increases the need for bringing additional financing into the program in calendar 1977.

I think you are thoroughly familiar with the various options for producing additional revenue:

-- If we eliminate general revenue financing as an option at this time, we are left with tax rate increases, contribution and benefit base increases, or a combination of the two.

-- A shift of financing from HI to OASDI is also possible, but the HI situation has changed somewhat since the discussions of this spring.

We should note that, due primarily to increases in the estimates of outgo, the 25-year deficit for the HI program has risen to .44 percent of payroll. The HI asset to outgo ratios are projected to decline from 75 percent at the start of calendar 1976 to 52 percent by 1981, despite the infusion of additional revenues through an increase of .2 percent of payroll (employee and employer, each) in 1978. While a wage base increase applicable to the entire social security program would cause this situation to improve somewhat by adding revenue to the HI program, estimates of HI costs are so volatile that, in our judgment, a substantial reserve ratio is necessary in the program. We therefore feel that it would be unwise to adopt a financing proposal which is predicated on a shift of revenues from HI to OASDI. This, of course, can be a matter for further discussion.

The essential question on short-term financing, I believe, is whether one proposes a straight tax rate increase, or whether one proposes to ameliorate the effect of such a tax increase on low-income workers by using a modest increase in the wage base to provide part of the necessary income.

With respect to a wage base increase, we have taken a close look at the effect of changes in the wage base on long-term costs under coupled and decoupled systems. It must be recognized at the outset that tax rate increases have no effect on outgo, while wage base increases under any system must to some degree increase program outlays in the long run.

The data displayed below show the effect of a major increase in the wage base--to $24,000 in 1977, rather than the present law estimate of $16,800--in comparison with the short-range revenue-producing equivalent, a tax increase of .75 percent of payroll (employer and employee, combined).

INCOME MINUS OUTGO,
EXPRESSED AS A PERCENTAGE OF TAXABLE PAYROLL,
FOR EQUIVALENT SHORT-RANGE REVENUE-PRODUCING MEASURES

Tax Rate Increase: .75% of taxable payroll in 1977
Taxable Base Increase: To $24,000 in 1977

System	Total 75 Years (1975-2049)	First 25 Years (1975-1999)	Second 25 Years (2000-2024)	Third 25 Years (2025-2049)
	TAX RATE INCREASE			
Coupled	0.73%	0.69%	0.75%	0.75%
	TAXABLE BASE INCREASE			
Coupled	-0.21	0.65	0.17	-1.39
	TAX RATE INCREASE			
Decoupled	0.73	0.69	0.75	0.75
	TAXABLE BASE INCREASE			
Decoupled	0.42	0.58	0.34	0.36

There are several conclusions that can be drawn from these data. From the standpoint of the fiscal integrity of the social security system, I believe the data show that a wage base increase is definitely contraindicated as long as the program remains coupled. While the base and tax changes both improve the financial position of the trust funds throughout the 75-year valuation period in a decoupled system, the improvement afforded by the wage base is significantly less. Even in a decoupled program, a major increase in the wage base (such as the $24,000 amount

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used in the above example) forces one to make a subjective decision as to whether the social, political or macro-economic effects that he may see as arguments for a wage base increase are enough to compensate for the additional long-range expenditures that such an increase would entail. An important point to note, however, is that the more modest the size of the base increase, the less the absolute difference between the effects of a base increase and a comparable tax increase. We estimate that a wage base increase to $19,500 in 1977, as used in the illustrative example shown below, would have a relatively minor effect on long-range costs as compared with an equivalent tax rate increase--probably less than 0.2 percent of payroll in the last 25 years of the program.

To give you some idea of the basic options from which one might choose in addressing the short-range financing problem, we have prepared two illustrative examples of financing programs which would carry the OASDI program through 1985. One example employs only tax rate increases; the other uses a modest increase in the wage base (to $19,500 in 1977) in combination with tax rate increases. Relatively minor increases in the tax rates above the levels shown would, under current assumptions, be sufficient to finance either a coupled or a decoupled system until about the turn of the century.

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ILLUSTRATIVE OASDI SHORT-TERM FINANCING OPTIONS
(Tax rates shown are for employee and employer, each)

	Calendar Year				
	1976	1977	1978	1981	1985
Present Law					
OASDI Tax........	4.95%	4.95%	4.95%	4.95%	4.95%
Medicare Tax....	0.90	0.90	1.10	1.35	1.35
Total Tax.....	5.85%	5.85%	6.05%	6.30%	6.30%
Earnings Base........	$15,300	$16,800	$18,600	$23,100	$29,400
Option A - Tax Rate Increase					
OASDI Tax........	4.95%	5.30%*	5.40%*	5.50%*	5.50%
Medicare Tax....	0.90	0.90	1.10	1.35	1.35
Total Tax.....	5.85%	6.20%	6.50%	6.85%	6.85%
Earnings Base........	$15,300	$16,800	$18,600	$23,100	$29,400
Option B - Tax Rate and Base Increase					
OASDI Tax........	4.95%	4.95%	5.25%*	5.35%*	5.35%
Medicare Tax....	0.90	0.90	1.10	1.35	1.35
Total Tax.....	5.85%	5.85%	6.35%	6.70%	6.70%
Earnings Base........	$15,300	$19,500*	$21,600	$27,000	$33,900

	Income Minus Outgo (in billions)				
Present Law..........	$-5.4	$-5.0	$-5.8	$-9.0 1/	$-23.4 1/
Option A............	-5.4	0.3	2.6	6.3	1.2
Option B............	-5.4	-2.6	3.0	7.3	1.9

	Ratio of Assets at Start of Year to Outgo During Year				
Present Law..........	55%	43%	33%	11%	2/
Option A............	55	43	39	38	40
Option B............	55	43	36	38	42

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*Denotes change from present law in year it occurs.

1/ Figures are purely theoretical because, on the basis of the underlying assumptions, it is estimated that the DI trust fund will be exhausted in 1980 and the OASI trust fund will be exhausted in 1982.

2/ Funds exhausted by 1982.

The essential prerequisite to developing any kind of definitive long-range financing proposal is agreement within the Administration on the basic features and effects of a decoupling proposal. Given the proposals we will be putting forward to the Secretary, it is clear that significant increases in tax rates or other revenue-producing measures will be required--although in comparison with the present coupled system, the long-term deficit is cut approximately in half.

Corollary Issues

With this background I think it might be useful to discuss briefly what we at SSA feel would be the most appropriate procedures for dealing with the question of structural reforms in the social security system which are not directly related to decoupling per se. As you know, it is my view that taking on this question in the context of decoupling and financing could dangerously delay solving the immediate financing problem. To put it another way, the more we depart from a straightforward attempt to decouple and adequately finance the present system, the more chance we stand of bogging the whole effort down both within the Administration and in the Congress. Moreover, although the degree of control the Administration can exercise over congressional deliberations on social security issues of this kind is likely to be minimal, particularly in an election year, I believe that the Administration's position is best served if we take a stance which calls for holding to the minimum change necessary to financially stabilize the system.

Needless to say, both within the Administration and the Congress there are various parties at interest who would like to use the decoupling/financing issue as a vehicle for making further changes or reforms to the social security system. I would agree that there probably are a number of changes and reforms that should be made. The difficulty is, as you know, that "one man's reform is another man's poison," and trying to get agreement on what should be done is bound to be a long, arduous, and contentious process. While I think such a process is, in the long run, desirable and necessary, I don't believe we can afford to let it intrude on the immediate objective.

As I see it, there are two kinds of changes that people want to make in the system. The first group of changes address what I would call "programmatic" or "equity" concerns: concerns that various provisions of the program

do not treat certain classes of beneficiaries equitably, or conversely, provide them with greater benefits than they deserve. I think this type of concern can very easily be treated outside the context of decoupling, and is little affected by either of the decoupling models we would be proposing (practically not at all by the high-20 model).

The other category of change, which has been labeled with the tag "capital formation," is more difficult to deal with as separate and distinct from the decoupling issue. If in very crude terms we equate "capital formation" with an argument that social security revenues should be increased substantially and/or program costs significantly reduced, then decoupling is central to the issue since it offers a means to decrease long-term system outlays by various degrees. I assume that those particularly concerned with the "capital formation" aspects of the system would argue for reduced or declining replacement rates.

How to Proceed from This Point

We have thought more about the question of whether a second-stage study group of some kind would prove advantageous in drawing programmatic issues away from the financing issue. In short, while agreement at this time to create a second-stage broad review might have that effect, the more we think about it, the more we are concerned we would have trouble in executing a "special" study-group approach.

The present law requires a new Advisory Council be formed year after next, and we are, at this moment, just coming off the 1975 Advisory Council.* What we would suggest is a commitment now to the effect that the broader and in-depth issues of economic impact, capital formation and the like would be specifically assigned to that group, and the membership of the group would be established with that in mind.

*The 1975 Council did, in fact, take into account some of the questions that are now so bothersome. This last Advisory Council, which was basically a conservative group (both politically and fiscally) and whose most influential members were from the private sector, gave particular attention to capital formation, but, in the end, decided that there wasn't much that one could, or should, do about it. They reached the conclusion that maintaining the present social security replacement rates and providing financing designed essentially to match outgo were the only viable courses of action for both the near and middle term.

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Decoupling/Financing vs. Welfare Reform

One last point. I recognize that present analytic and decision-making procedures are not well-equipped to deal with the question of major long-term structural change in the income maintenance system generally. Bill Morrill and others at HEW are, of course, working on ideas for such long-term change, but admittedly we can only treat with selected pieces of the puzzle. I'm not sure how to address this question in a broad and comprehensive context--what mechanism might be employed with some chance of success--but I feel quite certain that this is not a subject that needs to, or should, get tangled up with the present decoupling/financing issues.

Sincerely yours,

James B. Cardwell

Enclosures

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