

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON, D.C. 20500

WR -  
Reinventing  
Govt.

November 17, 1993

MEMORANDUM FOR BRUCE REED, DPC

FROM: BILL DICKENS *BD*

SUBJECT: Attached Memo

As part of the CEA's ongoing interest in worker participation, and my work with welfare reform, I made a visit to Merced County Human Services when I was in California for the Welfare Reform hearings. The attached memo describes what we might learn from their apparent success. Bonnie Dean tells me that Kathy Way is working on these issues and I hope to talk to her before Saturday.

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

October 28, 1993

TO: LAURA TYSON  
JOSEPH STIGLITZ  
ALAN BLINDER  
DAVID ELLWOOD, ASPE  
BRUCE REED, DPC  
KATHRYN WAY, OPD

FROM: BILL DICKENS

SUBJECT: Merced County Model Program for Reinventing Welfare and Reducing Administrative Costs

A series of management innovations using TQM principles, including employee involvement, have saved Merced County California's human services office many millions over the last five years while tremendously improving the quality of service they offer clients. On November 17th the director of the office intends to hand a cardboard replica of the POTUS a check for \$5 million representing the savings over the first year of operation of their latest innovation -- a PC based expert system for the delivery of all kinds of welfare benefits. Merced's experience with this system has several lessons for welfare administration that lead me to recommend that we consider including a plan for a welfare information system in the welfare reform initiative.

Although the full range of innovations they have introduced, or plan to introduce, would take several pages to describe, two large projects typify what they have done. In 1984 a worker management-committee designed, financed and built a new office building. In doing so they greatly improved their physical environment and replaced high lease costs with lower purchase costs. They claim savings of over a million dollars a year.

The building was designed with their next innovation in mind -- the introduction of extensive office automation. Many welfare offices have moved to automated case processing, but this has usually been done in a top down way that has been resisted and resented by workers. In Merced county line workers were involved in the design of the system. Rather than going to a consultant and asking them to come in and design a system, Merced county got their management and workers together and developed specifications for what the system they wanted should do. In the process of designing the specifications for the system they also redesigned the way they handled welfare claims information and processing, moving from a case and program structure to a family based, single case worker, structure. The system they wanted would allow them to input and handle cases in their family

framework while creating required reports and check processing in the standard case frameworks which differ for each program. They hired Anderson consulting to develop a system that met their specifications.

The system they developed was a PC network based expert system. The system contains all the rules for all the programs administered through the office. Training time for workers has dropped from six months to six weeks.

Because the workers were involved in the development of the system they seem to have a real sense of pride and ownership. This is reflected in staff morale which is the highest I've seen in any welfare office. A reflection of this morale is that turnover has dropped from 35% to only 8% per year. Part of this can be attributed to a pay increase workers got when the system was introduced.

Other claimed benefits of the new system:

- Intakes are completed in 1 to 4 days rather than 3 to four weeks.
- Intake interviews take 2 instead of 4 hours.
- Clients are often informed immediately of the outcome of their requests rather than having to wait for weeks for mail processing.
- The expert system allows even novice case workers to provide uniform high quality service to clients.
- The computer system initiates many case actions (follow ups, etc.) eliminating the need for frequent case reviews.
- Training and implementation times for frequent regulation changes are greatly reduced. While many offices have backlogs of up to two or three years in adopting to new rules, Merced is current except for rules that have not been completely promulgated.
- The PC based system is easier and cheaper to maintain and is more reliable than a mainframe based system.
- Staff has been reduced by 9% through attrition since 1989 while the number of cases handled by the agency has increased 68%. Staff is down 28% from before the start of the project.
- The bottom line is a claimed net savings of over \$5 million since the system became fully operational in November of last year.

There are several lessons here:

- **There are large potential savings from the elimination of overhead which can be realized by consolidating welfare programs.** Merced county's experience demonstrates that fully integrating the delivery of food stamps, AFDC, and Medicaid can result in large savings while increasing the quality of the services delivered.
- **The administration of benefits can be integrated using automation without changing the underlying programs.** Ideally, we would integrate all welfare programs to have conforming eligibility criteria, regulations, administration and reporting requirements. This may be politically infeasible. However, Merced county demonstrates that we can accomplish much of the savings by designing front-end automation which handles program differences in a way which is transparent to users.
- **Automation can save money on training, re-training and fraud.** The Merced county expert system knows the rules for eligibility and processing for a wide range of federal and state programs much better than any case worker ever could. Workers need only be trained in the principles of the welfare system, not the specifics. When rule changes take place re-training needs are minimal. Automated record keeping -- particularly when family based -- allows profiling which can increase enforcement efficiency.
- **Automation of service delivery makes the administration of new rules easier and simplifies compliance checks.** When the machine is responsible for knowing the detailed rules, and not the workers, rule changes only require updating the central rules data base and informing workers of the change. Extensive training in the new rules is not required. Further, there is no need to check to see that individual workers are applying the new rules. This could work at the national level. If all welfare offices used expert systems, the master rules data base for federal rules could be kept in Washington greatly simplifying administration of and compliance with rule changes.
- **It is important to involve employees in the design and implementation of new technologies, and to recognize responsible and effective participation with rewards.** In many offices workers have resisted the introduction of automation. In Merced the workers appear to have enthusiastically embraced it. Management's efforts to involve workers in the process, and to recognize increased responsibility with pay raises has facilitated this.

**Recommendations:**

- **To the extent possible we should integrate existing welfare programs.** Integration runs into turf conflicts, but the potential savings are huge. This should be an important agenda item both for welfare reform and reinventing government. If this can't be accomplished by legislation which harmonizes requirements and administration we should get what we can out of automation to simplify the administration of parallel programs.
- **Just as the labor department's specifications for their comprehensive worker adjustment initiative contained plans for a national information system for matching jobs and workers, the welfare reform should contain a plan for a national welfare information system.** This will be necessary for the administration of time limited benefits unless we want to leave an enormous loop-hole in which people who have exhausted benefits in one state move to another to start receiving them again. The system could integrate IRS records and welfare records to simplify enforcement. It would streamline reporting both for states and federal agencies. It could also serve as a way of administering rule changes as described above.
- **Rather than imposing a particular system on states, the federal welfare information system should specify formats and standards for data and communications and leave system design to local governments.** There is probably enough diversity in state programs and the needs of different jurisdictions to warrant this by itself, but the importance of involving workers in the process of the adoption of new technology make the case compelling. Further, by allowing a greater range for innovation we potentially learn a great deal about what types of systems work best where.
- **An appropriate role for the federal government in the development of local systems is the gathering and dissemination of information on system design.** HHS could house a program to study systems for automating welfare delivery and produce written reports on the results as well as conducting seminars for committees of welfare managers and workers.

cc: Alicia Munnell  
Bonnie Dean  
Isabel Sawhill

ELAINE KAMARCK

Elaine asked  
me to send  
this to you  
F.Y.I.

— Tom (Cala)

BY DAVID H. FREEDMAN

Oct. 25, 1993

WR - Reinventing  
Govt

## Read This, Al Gore

*Can cash-strapped Tulare County afford leading-edge automation for its human services department? To re-invent government, it can't afford anything less.*



**ROBO COUNTY** Child protection worker Prudence Morris hunts down abusive parents and deadbeat dads thanks to computer technology.

**I**F IT WEREN'T for the persistent wail of crying babies filtering through the Plexiglas walls, the small room could pass for an adult video arcade or a state-of-the-art information kiosk at a theme park. Casually and colorfully dressed people are parked alone or in pairs in front of six glowing PC screens, intently watching the video images and listening to the accompanying sounds, and occasionally touching the screens to trigger new video

action. But these computer users aren't playing games or looking for Space Mountain. They are at a welfare office applying for assistance, and an artificial intelligence program is helping to determine whether they qualify. "We knew there had to be a better way of handling point-of-contact client entry," says cowboy-booted deputy county executive Gerard Kersten, uncharacteristically lapsing into a bit of bureaucrat-speak. "And this is it."

Welfare is not the only thing that's gone high-tech around these offices. Social workers consult wireless-modern-equipped laptop computers as they race to child abuse investigations, and the district attorney's office goes on-line to track down and attach the wages of deadbeat dads.

Located in California's sunbaked, agrarian interior not far from Fresno, Tulare is one of the state's least affluent counties (the median household income is \$24,500), yet it has automated much of its social services without so much as a small grant from the state or federal government.

Tulare's transition from hard case to showcase began around 1987. "Tulare County is a magnet for people on government assistance," Charles Harness, chairman of the Tulare County board of supervisors, says flatly. "California pays the highest benefits in the nation, about \$600 a month for a family of four, compared to \$189 in Texas. That's combined with the fact that Tulare County has one of the lowest costs of living in the state, and that our economy is based on seasonal agriculture."

The county suffers an unemployment rate of 16 percent, and out of a population of 320,000, some 95,000 are on public assistance. That figure rises at least three percent every year; in 1990 alone it jumped 20 percent. About four-fifths of the public assistance money comes in roughly equal amounts from the state and federal governments. But in California, counties are ultimately responsible for administering the aid programs, and Tulare's human services programs were stretched thin. "We knew that the way we were going, we'd have to just keep hiring more people, even though in this recession we had less money to spend," says Harness.

But if the county administrators were worried about coming up with the money to cover rising human services costs, the social workers and other providers were equally worried about the deteriorating quality of services at a time when people needed

them most.

Tulare decided to tackle the problem in an unusual fashion: it would automate its way out of trouble. Normally, local governments reject ambitious information technology programs out of hand because of their costs. But Tulare officials—perhaps because they didn't realize just how ambitious their plan was—decided they would finance new systems without adding to the county's budget. Officials would simply hold open the positions of departing human services workers and invest their salaries in IT projects, hoping the systems would come on-line soon enough and work well enough to prevent the remaining employees from collapsing under the strain of the reduced work force. "It was a burden on our employees; the sacrifice was theirs," says Harness. "But we have been 100-percent self-financed."

It took the help of a systems integrator, hired without additional funds (see sidebar), but by 1990 a number of the wish-list systems envisioned by the various departments had come into being. Since then, the human services picture in Tulare has improved.

#### PREVENTING AN EXTRA DAY OF ABUSE

Prudence Morris is a case in point. A child protection worker, Morris doesn't look like an early adopter of computer technology. She is a short, sturdy woman who manages to maintain a bubbly disposition despite the difficulties of her job: this morning, for example, she met with a five-year-old boy whom police had found at dawn wandering alone through downtown Visalia.

When she started her job four years ago, she recalls, reaching an abused or neglected child entailed a convoluted process. When someone phoned in a tip, a social worker had to call the nearest protective services office. Then they had to write a detailed report of the call and its routing, which was later sent to a clerk for filing. In emergency cases, the screener had to call the police first.

Even urgent cases sometimes took as long as 30 minutes to be routed to a protective services worker, during

#### HOW A SYSTEMS INTEGRATOR GOT TULARE ROLLING

ALTHOUGH TULARE COUNTY started developing its ambitious set of human services automation systems in 1987, it made disappointing progress through 1989. Few new systems had been developed. Most of the IT budget was being used merely to maintain existing systems. Departments were clamoring for more computer help, and the IT backlog was swelling. The problem: Tulare's 45-person information technology department simply wasn't geared for putting together state-of-the-art systems. "We're not in the middle of Silicon Valley here," points out deputy county executive Gerald Kersten. "It's not easy for us to get the kind of expertise we needed."

That same year, a company called Systems & Computer Technology (SCT) Corp. made Tulare an offer it couldn't refuse. For \$2 million—the amount of the county's entire centralized IT budget—SCT would replace the IT department. SCT promised to provide all existing IT services and throw in several new projects that the county hadn't been able to shoehorn into its budget. Comforting for Tulare, SCT wasn't asking the county to throw its IT personnel into the street; it was willing to hire most of the workers at about the same rate of pay and even let them work out of the same county offices. And to sweeten the pot, SCT agreed to lower its fee each year in proportion to any drop in the county's available funds.

"User liaisons." The \$91 million Malvern, Pa.-based company knew what it was doing. SCT runs the computer operations of some 50 local governments and universities around the country, even beating out EDS in its own backyard for the contract to manage Dallas County's IT. The first thing SCT did after taking over Tulare's IT was send in a team of systems analysts to interview managers and employees in Tulare's various departments to determine which functions most urgently needed attention. They identified the self-operating welfare eligibility kiosks as one of those areas. To get that project off the ground as quickly as possible and restore faith in technology, SCT rushed in experts in artificial intelligence and multimedia presentations. They completed the project in six months.

Next, SCT established "user liaisons" within the ranks of Tulare's various departments who would work closely with SCT programmers to ensure that the new systems would meet users' needs. Finally, SCT helped set up a committee of senior client managers and users to prioritize long-term strategic IT planning. "We don't have to think up ideas for automation," says Lee Curtis, the director of the company's Tulare County Computer Center. "Our clients' department heads always have great ideas. They just couldn't get anyone to listen to them and implement them."

**Less pressure on county workers.** Curtis emphasizes that SCT doesn't rely on state-of-the-art software development technology. Tulare's systems were built primarily in COBOL with the IDMS database management system. To eliminate the costly and error-prone process of having data-entry clerks build the database by typing in the information over a period of several weeks, SCT had Tulare's human services caseworkers enter the information themselves over the course of a year. They did this by typing in a case file whenever they opened a new one or accessed an old one. Such a piecemeal fashion also eased caseworkers into the system, allowing training to proceed in a less pressured fashion.

County supervisor Charles Harness is anything but defensive about having given up on the county's own IT department. "I give ourselves credit for realizing we had to go out there and find someone with more experience in building these systems than we had," he says.

which time a child might have to watch the police arrest a parent. Less urgent cases could languish a day. "Missing a day sometimes means an extra day of abuse we could have saved a child from," says Morris. "Worse, we've had children move during that day and never got to help them." Even when workers were able to get to the scene on time, the inaccessibility of the information filed away by a clerk sometimes prevented them from realizing they were dealing with a repeat abuser. In some cases, they couldn't even find the right apartment. "We were flying blind," says Morris.

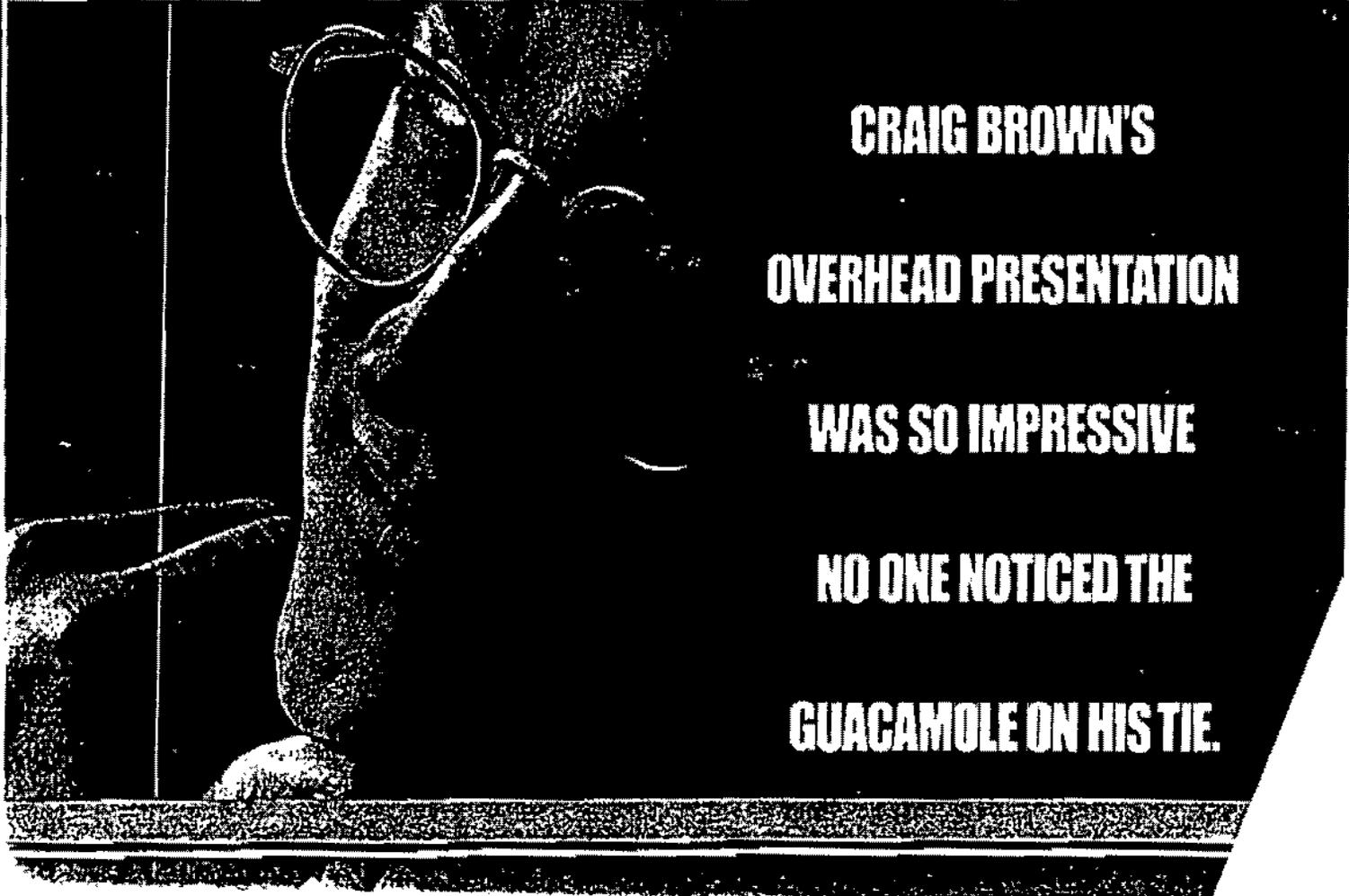
Two years ago, the child protective services department got a new information system. Now when a county worker receives a call, she types her report directly into a PC (the county uses a mix of NEC, IBM and Compaq machines) and it prints out at the nearest office, leaving the worker immediately free to take the next call. Workers can instantly access all current and historical case information via their desktop PCs, so they can obtain all relevant case information before they

leave the office. If they get calls while they're out of the office, they can use NEC laptops equipped with wireless modems to retrieve the information. "Those things are just wonderful," gushes Morris. "Now it's very frustrating to have to do without them if one of them needs repairing."

It was this hunch—that even people who had never had anything to do with computers could be comfortable interacting with them—that led the then head of Tulare's welfare office to propose "eligibility kiosks" to help the county cope with the swelling welfare rolls without hiring more workers. Public officials also thought the kiosks would reduce errors. Built around IBM PS/2 model 60 PCs connected to a mainframe computer, kiosks provide users with an interactive multimedia presentation fed from a video disk player. As an image of a person talks the applicant through the process in English or Spanish, the applicant touches the screen to respond. An artificial intelligence program monitors the responses to determine which questions to skip (for example, men won't be asked if they are pregnant).

When the interview has been completed, the program produces the filled-in 11-page form and makes a preliminary determination of eligibility. A human worker then reviews that determination, occasionally overriding the machine's decision in consideration of extenuating circumstances. "The kiosk will sometimes deny an application because the person quit her job," explains eligibility worker David Solis. "But if we see she quit because she's a single mother who was having trouble getting good day care, we might give it to her."

As for the county administrators, they seem to have gotten what they were looking for. Despite the growing need for human services, the work force of providers has remained fairly flat over the last few years. "We were caught by surprise when unemployment jumped from 15 percent to 19 percent this past June," says Arnold Fein, a friendly bulldog of a man who now heads the county's welfare department. "But the system helped us handle it without hiring more people." In fact, the program is so successful that the county is considering setting up



**CRAIG BROWN'S**

**OVERHEAD PRESENTATION**

**WAS SO IMPRESSIVE**

**NO ONE NOTICED THE**

**GUACAMOLE ON HIS TIE.**

public kiosks with credit card readers to allow residents to pay for everything from property taxes to reservations in one of the county's park campgrounds.

Tulare's human services administrative costs per recipient are now the lowest or next-to-lowest in the state for every category of service, brags Harness. He credits the feat to the county's commitment to information technology. "We stuck to our plan through hard times," he says, "and we absolutely intend to continue investing."

The county has received feelers about its system not only from other counties but from several states (including Oregon and Oklahoma), as well as from Japan, Belgium and the United Kingdom. Ironically, the California state government is giving it the cold shoulder. Deputy county executive Kersten says his biggest fear is that the state could force Tulare to give up its own systems for less productive ones. "That would be a big step backwards for us," he says.

When it comes to cutting bureaucracy, it seems there's only so much one county can do.



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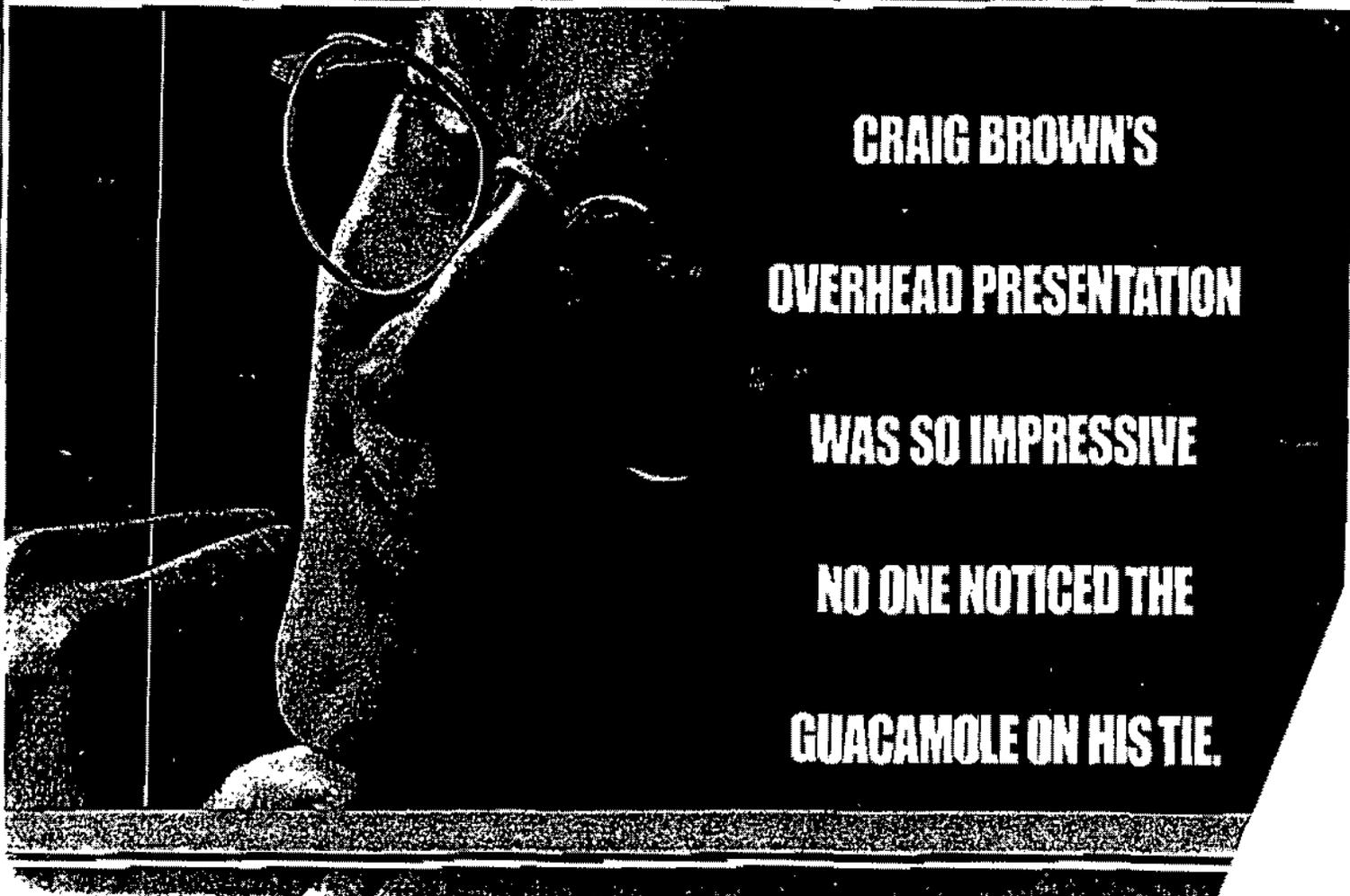
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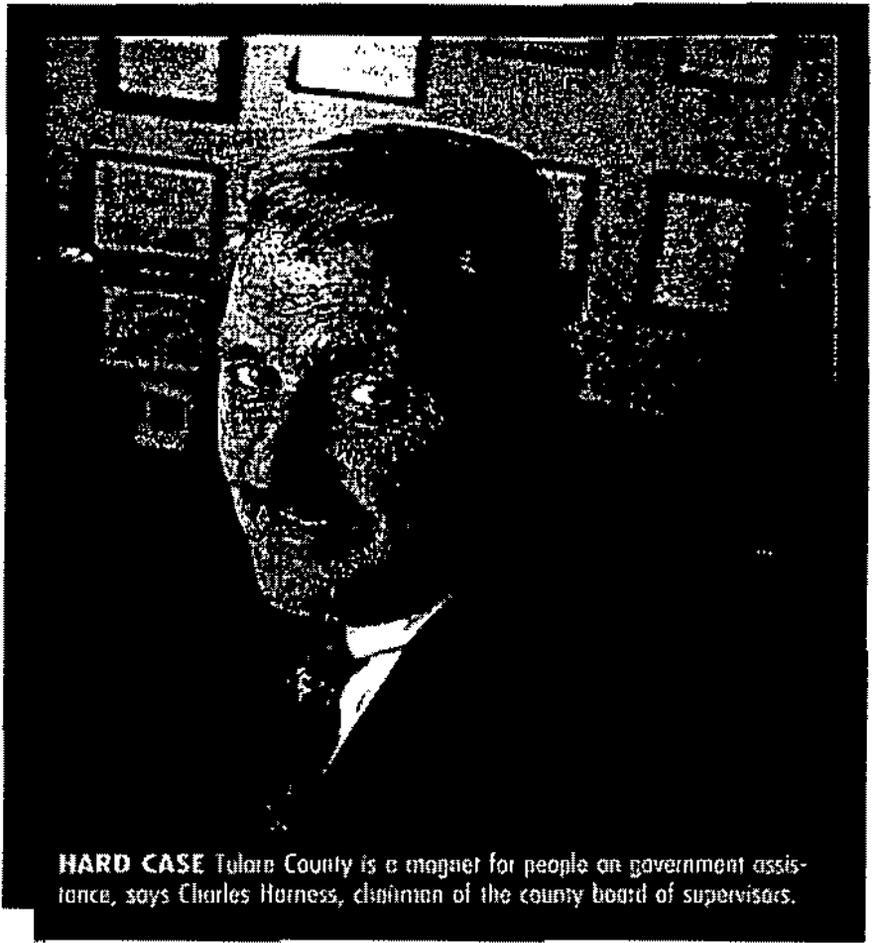
**GUACAMOLE ON HIS TIE.**

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THE DIRECTOR

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

September 29, 1993

WRH RE GOVT

FILE: WR-EDEN

cc: JEREMY/Ben-Ami

- We should ask  
Elaine to help us  
do a Welfare survey

SEP 30 1993

M-93-14

MEMORANDUM FOR HEADS OF DEPARTMENTS AND AGENCIES

FROM: LEON E. PANETTA  
DIRECTOR

SUBJECT: Facilitating Customer Surveys

In recent years there has been increasing interest in management strategies that incorporate accurate measurement of "client satisfaction." This Administration is committed to making the management of Federal programs responsive to the needs of the public. Pursuant to Executive Order No. 12862, "Setting Customer Service Standards" (September 11, 1993), customer surveys will become an important tool for meeting this goal.

In order to make customer surveys more responsive tools for agency management, the Office of Management and Budget (OMB), which has authority under the Paperwork Reduction Act to approve such surveys, is undertaking three initiatives to facilitate their development, review, and operation. These include:

- 1) preparing and disseminating a resource manual to advance sound professional practice in the design and execution of customer surveys and to promote further development of agency capabilities;
- 2) employing "generic" clearances to expedite approval of certain voluntary customer surveys; and
- 3) soliciting the assistance of the recently established Joint Program in Survey Methodology to design mechanisms that will foster improved Federal capabilities for opinion research with a particular focus on sound, efficient methods for customer surveys.

## **Resource Manual: Recommended Practices and Technical Guidance**

OMB plans to publish a resource manual that will include recommended practices drawn from the best methods and procedures observed in the private sector and in Federal statistical agencies. This manual is being developed by the Statistical Policy Office of OMB with the assistance of the principal Federal statistical agencies, and will include a directory of statistical design, development, and research services available from those agencies. The manual is intended to promote efficient planning and to permit more experienced agencies to develop their own review capabilities. The manual also will enable agencies to identify areas where training of on-board personnel is needed to improve the quality of in-house statistical work, to properly develop and oversee contracts for acquiring high-quality statistical services, or to develop capabilities for technical review.

The basic manual will be released in October 1993. It will be supplemented from time to time to reflect current experience and new resources. These supplements will include information on new training and research resources as well as brief case studies summarizing the methods used in successful programs to measure client satisfaction.

### **Generic Clearances**

OMB will expand its use of generic clearances, which involve advance approval of a well-defined class of low-burden data collections that are documented at the time they are actually used. First, OMB plans to review and approve generic clearances that permit agencies to expand their capabilities for routine qualitative research tasks (e.g., focus groups to explore the validity of proposed survey methodologies) and to make efficient use of existing agency experience in developing and using such methods. Such generic clearances have in the past included an agreed-upon limitation on methods and usage, a burden cap, a periodic reporting requirement to update the OMB Docket, and a commitment by OMB to review any specific application within two weeks.

Second, on occasion OMB has approved generic clearances for certain classes of quantitative surveys. One such clearance included a catalog of tested and pre-approved questions from which individual surveys could be quickly assembled in "kit" form. Since the parent generic clearance is reviewed by OMB, this model effectively uses agency expertise in designing or managing surveys, but does not require independent technical review within the agency. OMB will be receptive to additional requests for such clearances.

Third, in view of the need for increased measurement of public satisfaction, OMB will also review and approve generic clearances for voluntary customer surveys (both questionnaires and focus groups) that assess agency performance. As set forth in the NPR report, "voluntary" means truly voluntary, i.e., the request for information has to be perceived as voluntary by recipients in order that the burden of supplying the information be a matter of absolute personal choice. For this reason, this category does not include any questionnaires for which the information is required in order to maintain or obtain eligibility for a program or benefit; nor would it include surveys by regulators of regulated entities. Because some designs for customer satisfaction or opinion surveys lack statistical validity, care should be taken to ensure that results of such surveys reflect the target population, are unbiased, and have response rates adequate to support quantitative inferences. OMB staff will assist agencies in addressing these issues.

### **Training**

OMB is working with the Joint Program in Survey Methodology (JPSM) to provide training and tools needed to develop high quality surveys of client satisfaction. The JPSM is a graduate education and research unit conceived by the Statistical Policy Office of OMB as a means to provide interdisciplinary training needed to improve Federal statistical programs. In December 1992, the National Science Foundation competitively awarded funds to establish such a program to a consortium of two universities and a private survey firm.

The base curriculum of the JPSM, which already covers many disciplines required for designing customer surveys, will be enhanced to address additional methods useful in developing sound efficient surveys of Federal customers. These offerings will permit agencies to improve their capabilities in this important new area. Classes will train agency staff to perform in-house work and to develop the technical expertise required to manage contracts for needed statistical services. Such skills will be an essential component of agency plans to develop the in-house capabilities for technical review.

ELAINE KAMARCK

Bruce:

Have you seen  
this? I'd like  
to construct an  
NPR group to  
add a section  
to welfare based  
on this report.

As it stands the  
current report on  
this is sort of  
thin.

?

WR-~~Washington~~  
Reinventing  
Govt

A10

MONDAY, JANUARY 3, 1994

# National Report

The New York Times

## Growth in Welfare Cost Outpaces Number on Rolls

WASHINGTON, Jan. 2 (AP) — The cost of running welfare programs is rising more than twice as fast as the number of people on the rolls, Federal investigators say in a draft report. The primary cause, they say, is a complex and bloated bureaucracy.

In the draft, the inspector general's office at the Department of Health and Human Services says the Federal Government spends \$6 billion to \$8 billion a year helping states deliver food stamps and Medicaid as well as monthly cash benefits under the main welfare program, Aid to Families with Dependent Children.

The department's investigators said Federal administrative costs increased by 43 percent from 1987 to 1991, to \$4.9 billion from roughly \$3.4 billion, while the number of recipients in the three programs increased on

average by 18 percent, to 62.5 million from 53.3 million.

"The data do not support the contention that rising administrative costs are the result of expanded program responsibilities," says the report, which was obtained under the Freedom of Information Act.

The states and the Federal Government generally split the administrative costs of welfare programs. But the investigators say the Federal Government cannot determine what it is paying for at the state and local level without an expensive investment in auditing and monitoring.

The report also found that the Federal Government's contribution to benefit payments under welfare, Medicaid and food stamps was growing rapidly: to nearly \$79 billion in 1991 from \$45

billion in 1987, an increase of 74 percent.

In a separate report, the inspector general's office says the system that states use to charge the Federal Government for administrative costs has "degenerated into a highly technical accounting and allocation maze."

The investigators say the system must be changed or administrative costs will continue their "accelerated growth and remain burdensome and costly to audit."

The various welfare programs have different and often inconsistent requirements and are overseen by different Federal agencies and Congressional committees. Simplifying that bureaucracy is a goal of the panel President Clinton has appointed to help him carry out his promise "to end welfare as we know it."