

The Commonwealth of Massachusetts

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EXECUTIVE DEPARTMENT,  
STATE HOUSE, BOSTON, January 10, 1969.

*To the Honorable Senate and House of Representatives:*

In my budget message to the General Court in January of 1968, I stated that the budget was "an inescapable confrontation with financial realities if we are to carry out the people's mandate and support the vital legislation enacted in 1967".

That budget message recommended that sufficient monies be appropriated to cover the full estimated cost of public welfare administration and the complete cost of categorical assistance programs borne in part by the cities and towns prior to July 1, 1968, and included for the first time the federal share of these programs.

In my 1968 budget message, I further pointed out that the cost of payments for public assistance programs for the 12 month period beginning July 1, 1968, was estimated to be \$396,339,000. It was further stated that "during this transition period, many problems of administration must be solved. A major financial problem during this period involves the necessity for meeting the reimbursement cost of the program now administered by the cities and towns, at the same time, directly paying the current cost of welfare relief as required by the Welfare Reorganization Act. This is now estimated to involve a deficiency appropriation of \$33,385,000 in the 1968 fiscal year. \$20,585,000 of this sum is the cost of state reimbursements for the months of May and June 1968, which normally would have been met out of fiscal 1969 appropriations."

A number of developments which could not have been anticipated, either at the state or federal level, in January of 1968 have led to substantially higher deficiency appropriation being required for the 1968 fiscal year.

We did not have full information on the total payroll costs or even the number of municipal welfare employees transferred to

state service by the Welfare Reorganization Act of 1967. Furthermore, the orderly development of business management practices and work procedures was made virtually impossible by the unforeseeable harrassment experienced by the Department after the Act took effect on July 1, 1968.

Substantial increases in the number of citizens becoming eligible for assistance as well as in the rates of payment for medical vendors also added to the administrative burden of the Department as well as contributed to the sizeable increase in the total medical assistance program.

The Department of Public Welfare now is required to disburse over 400,000 welfare checks each month. These include biweekly payments to some 125,000 individual welfare recipients as well as payments to hospitals, nursing homes, and other vendors. In order to insure that welfare recipients continue to receive their assistance on time, rather than days or weeks late, it was necessary to set up payment offices throughout the Commonwealth. It was also necessary for the state treasurer to advance funds to the Department in order that each of these payment offices could make welfare payments in the same manner that state hospitals pay their obligations. This practice of making such advancements extends back into the last century.

State Finance Law on Advancements, however, was modified as it pertained to the Department of Public Welfare in order to prevent a staggering increase in the workload of the Comptroller's present staff or by an augmented staff in its present quarters. Without this modification, the number of items handled each month by the Comptroller's division would have skyrocketed from 45,000 to over 400,000.

The Department of Public Welfare did a remarkable job in meeting the demands for payment to 125,000 individual welfare recipients on a biweekly basis. It was obvious, however, by the first of September that the system which had been inaugurated could not cope with the volume of vendor payments necessary to keep current with the payment of the Commonwealth's obligations. The Commissioner of Administration caused an investigation to be made including the employment of the consultant firm, Peat, Marwick, Livingston, & Co. This consultant is now at work endeavoring to develop a long range plan to ultimately mechanize the payments required to be made for this welfare program.

It is now expected that the medical assistance payments will be made by the use of a computer in the early spring. To give added assistance to the work staff of the Department of Public Welfare, the Commissioner requested the Director of the Bureau of Accounts in the Department of Corporations and Taxation, who was intimately acquainted with the problems of accounting for welfare under the administration of the program in cities and towns, to assign his corps of auditors to the problem in an effort to bring medical vendor payments up to date. The Director also has been concentrating attention on the business procedures of the Department. The Comptroller, in addition, has assigned two full-time field accountants to determine how the procedures now followed by the Department could be improved.

These studies have made clear the vital need of the Department for a top level business executive. I recommend, therefore, that you establish on a permanent basis the position of Director of Administrative Services for the Department.

We also as a result of these in-depth studies recommend, in order to adequately protect the Commonwealth's interest in the most practical way and that the Comptroller's bureau be kept informed of all transactions processed by the Department of Public Welfare, that the Comptroller should have a field staff consisting of 60 senior voucher examiners, 20 principal voucher examiners, and 10 senior accountants. We recommend that you authorize this staff at once in order that the Comptroller can examine welfare vouchers in the field and ensure that proper and adequate records are maintained.

I also recommend that funds be made available for three important Welfare Department programs not yet authorized by Your Honorable Bodies — the Work Incentive Program, the establishment of day care centers, and the Food Stamp Program.

The total previously appropriated for the 1969 fiscal year for welfare expenses exceeded \$464,000,000. Expenditures by cities and towns for the period beginning January 1, 1968, and ending June 30, 1968, exceeded all estimates and therefore reimbursements due such cities and towns have not been met from sums appropriated for the 1968 fiscal year. We now find that it is necessary to appropriate the sum of \$13,162,000 to fulfill these obligations. As previously indicated, expenditures since July 1 have far exceeded estimates made last January.

It is now necessary to provide the additional funds required to meet the direct payment costs for the period that will end June 30,

1969. It should be noted that approximately 50 percent of the funds required for this period will be provided by the federal government. These federal funds have been included in the above totals.

In addition to the problems with which we are confronted in the field of public welfare, there are certain other items which require additional funds immediately. One increase, resulting from a growth in the number of veterans seeking benefits for which the Commissioner must reimburse cities and towns on the basis of 50 percent of the cost, requires an additional appropriation of \$3,500,000.

The 1968 legislative session authorized a reduction in the percentage of group insurance benefits required to be paid by state employees from 50 per cent to 25 percent. This increases the Commonwealth's share by \$2,800,080. The workload forced upon the Group Insurance Commission caused by this change and the increasing numbers of employees covered requires that the commission be given immediate relief by the authorization of additional employees. There are certain other urgent items which require immediate attention and which are listed in the attached schedule.

There is sufficient revenue in both the General Fund and the Local Aid Fund to meet the cost of these recommendations. I recommend that you act upon these recommendations promptly in advance of passage of the General Appropriation Bill.

Respectfully submitted,

JOHN A. VOLPE,  
*Governor of the Commonwealth.*

SUMMARY OF RECOMMENDATIONS BY FUNDS.

General Fund . . . . .	\$6,060,887
Local Aid Fund . . . . .	114,646,000
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Grand Total . . . . .	\$120,706,887
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## SCHEDULE OF RECOMMENDATIONS.

**Executive.**

0411-9004	Official Papers of Governor Volpe . . . . .	\$16,000
0452-1000	Comptroller's Division . . . . .	203,874
0454-1000	State Employees Group Insurance . . . . .	200,632
0454-2000	Group Insurance, Commonwealth's Share . . . . .	2,290,850
0454-3000	Group Insurance, Elderly Retirees . . . . .	592,895
0463-6400	Veterans' Benefits (Local Aid) . . . . .	3,600,000
0463-6500	Aid to Needy Dependents of Veterans (Local Aid) . . . . .	76,000

**Treasurer and Receiver General.**

0611-4000	Viet Nam Bonus Payment . . . . .	\$14,000
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**Natural Resources.**

1011-2000	Swimming Pools and Skating Rinks . . . . .	\$75,000
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**Public Welfare.**

1900-1000	Administration . . . . .	\$710,136
1901-1000	Care and Maintenance of Children . . . . .	1,802,500
1901-2000	Tuition and Transportation of Children (Local Aid) . . . . .	390,000
1902-4000	Medical Assistance (Local Aid) . . . . .	11,100,000
1902-5000*	Direct Medical Assistance (Local Aid) . . . . .	79,730,000
1903-1000	Aid to Families with Dependent Children (Local Aid) . . . . .	803,000
1903-2000*	Direct Aid to Families with Dependent Children (Local Aid) . . . . .	11,113,000
1905-1000	Old Age Assistance (Local Aid) . . . . .	405,000
1905-2000*	Direct Old Age Assistance (Local Aid) . . . . .	1,825,000
1906-1000	General Relief (Local Aid) . . . . .	680,000
1906-2000	Direct General Relief (Local Aid) . . . . .	1,290,000

1907-1000	Permanently Disabled Persons (Local Aid)	. . . . .	\$174,000
1907-2000*	Direct Permanently Disabled Persons (Local Aid)	. . . . .	2,960,000
	(* These items are approximately 50% federally reimbursable.)		

**Public Safety.**

2150-000)	Board of Schoolhouse Structural Standards	. . . . .	\$5,000
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**Community Affairs.**

2525-9001	Federally Aided Urban Renewal Projects (Local Aid)	. . . . .	\$500,000
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**Mental Health.**

5011-0000	Administration	. . . . .	\$150,000
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