Transcript of Proceedings

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SECRETARY'S ADVISORY COMMITTEE

ON

AUTOMATED PERSONAL DATA SYSTEMS

NEW -- PRIVILEGED

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SECRETARY'S ADVISORY COMMITTEE

ON

AUTOMATED PERSONAL DATA SYSTEMS

The Stone House
National Institutes of Health
Bethesda, Maryland

Friday, 18 August, 1972

The meeting commenced at 9:05 a.m., Dr. Frances
Grommers, Chairman of the Committee, presiding.
IN ATTENDANCE

Frances Grommers, M. D.,
Chairman of the Committee

Professor Layman E. Allen

Mr. Juan A. Anglero

State Senator Stanley J. Aronoff

Dr. Philip M. Burgess

Dr. K. Patricia Cross

Mr. Gerald L. Davey

Mr. J. Taylor DeWeese

Mr. Guy H. Dobbs

Dr. Robert R. J. Gallati

Mrs. Florence E. Gaynor

Mrs. Jane L. Hardaway

Mr. James C. Impara

Mrs. Patricia J. Lanphere

Professor Arthur R. Miller

Mr. Don M. Muchmore

Miss Jane V. Noreen

Mr. Roy Siemiller

Mrs. Harold Silver

Mr. Willis Ware

Professor Joseph Weizenbaum

David B. H. Martin,
Executive Director of the Committee
AGENDA ITEM

National Crime Information Center

Inspector Donald R. Roderick
National Crime Information Center
Federal Bureau of Investigation
Washington, D.C.

Special Agent Dennis Lofgren
National Crime Information Center
Federal Bureau of Investigation
Washington, D.C.

National Guaranteed Student Loan Program

William Simmons
Director, Student Loan Program
Bureau of Higher Education
Office of Education, DHEW

Harry Lester, Branch Chief
General Education Data Systems
Division of Automated Data Processing
Office of Education, DHEW

Mrs. Alice Hansen, Chief
Reports and Analysis
Division of Insured Loans
Bureau of Higher Education
Office of Education, DHEW

Mrs. Carol Wennerdahl
Administrative Director
Illinois Guaranteed Loan Program
Deerfield, Illinois

Individual Identifiers for Automated Personal Data Systems

Walter L. Schlenker, Chairman
General Electric Corporate Information Standards and Codes Committee
General Electric Company
Bridgeport, Connecticut

Emmet E. Delay, Manager
Informations Systems Operations
General Electric Credit Corporation
Stamford, Connecticut
MRS. GROMMERS: We are very pleased this morning to have Inspector Donald R. Roderick of the National Crime Information Center, who is on my left, and with him is Special Agent -- this is apparently a recording mike, and I would like you all to know that you are being recorded. Is it live or taped?

VOICE: This is tape, for broadcast on the National Public Radio Network.

MRS. GROMMERS: The National Public Radio Network. And is this for nationwide distribution or local?

VOICE: National.

MRS. GROMMERS: Thank you very much.

Starting over, I would like to welcome Inspector Donald Roderick of the National Crime Information Center, and with him is Special Agent Dennis Lofgren of the FBI.

Mr. Roderick, will you introduce yourself and Mr. Lofgren in addition, as you see fit?

MR. RODERICK: I think before we introduce ourselves, we might place the National Crime Information Center, or the NCIC, in its proper organizational perspective.

The NCIC is a computer system in the FBI's Computer Systems Division.

Now, the FBI is organizationally structured into divisions, and, of course, the FBI is a bureau within the Department of Justice. So, with that organization disposed of,
Mr. Lofgren is in charge of the Research and Development Unit of our NCIC operation, and I am the Inspector in charge of the NCIC itself.

To begin the discussion this morning -- and I would hope that we keep it informal, if you have any questions along the way, feel free to break in, or we will have a question-and-answer session later, I understand.

I would like to tell you just what NCIC is, and at the same time tell you what it is not.

It is a computerized nationwide index of documented information concerning crime and criminals, which is immediately available to authorized criminal justice agencies throughout the United States.

The files contained records wanted persons, stolen property, and since November, 1971, the file began containing criminal history records of the serious offender category.

Now the thing it is not, and the thing that is sometimes talked about quite a bit, it is not a file of dossiers on individuals, on the citizens. It contains no intelligence data, it contains no data from the FBI investigative files. It is strictly a file of documented information of an official nature.

To go back a bit, I would like to give you a little history behind the development of the NCIC. Back in about 1965, there were computer systems being developed in police agencies throughout the United States but only a handful at that time.
The St. Louis Police Department, the Oakland, California, system New York City.

So there were four or five systems developing, but they were all independent of each other. There were no standard procedures, no standard formats, no standard codes used. So, in effect, they were developing along such lines that they could never effectively exchange information. So there was a need, obviously, to develop some type of a national set of standards or code procedures so that eventually these systems could be integrated into a network to more effectively carry out the functions of criminal justice.

The FBI began in 1965 to get together people in the law enforcement area who were active in this field and formed a working committee to sit down and decide just what should be done in such a national system, what information it should contain, develop the standards that were necessary, and, in effect, make a compatible system throughout the country.

Now this procedure continued throughout 1966, and in January of 1967 we went on the air for the first time with the NCIC.

Now, at that time we started with about 15 terminals in various cities and states throughout the country. We had the sum total of 23,000 records in our system, and we were averaging just a few thousand transactions a day and the hits, as we call them -- these are positive responses to inquiries made -- were
few and far between.

Today we have approximately 100 -- as we term them --
controlled terminals, throughout the country. These are state
agencies or large city agencies which are tied directly to the
NCIC computer.

We have these terminals in all 50 states, nationwide
coverage, including Alaska and Hawaii.

At this time, we have about 3.8 million records in
the system, and recently we exceeded 100,000 transactions a
day.

A transaction is a message in and a message out, so
we are talking about really 200,000 messages.

Between January 1, 1972, and June 30, 1972, I ran a
little summary of the productivity of the system. I found that
we had scored about 115,000 hits. Now, you break this down
and, if my mathematics are close, it amounts to about one every
two minutes, 24 hours a day, 7 days a week.

These are instances where a police officer initiates
an inquiry, he succeeds in hitting a record on the system and
the response goes back out to that officer or department.

To give you an idea of some of the types of routine
hits that occur daily, to show you how the system is used, a
few weeks ago there was an officer in the Auburn, Nebraska,
Police Department who noticed an individual sleeping in a car.
Before he checked the vehicle, he ran a check on the license
plate through the NCIC. He received back immediately a report that we had which was entered by the police in Idaho indicating that the man was a fugitive and very possibly would be armed. There was a flag on the record which indicates a man might be dangerous.

With this knowledge, the officer approached the car, successfully placed the man under arrest. The man did have a gun. He was sitting on a gun at the time.

Well, contrast that to the action he might have taken, gone up to the car, reached in and shook the fellow. Without this information, he might very well have been in danger for his personal safety.

Another type routine hit which we had here in Washington -- two officers of the Police Department stopped two men in a Buick. It had a damaged license plate on the car. The men could not produce the registration, so they took them to the Police Headquarters. They claimed they had borrowed the car.

They contacted the owner and he verified that the two men had borrowed his car. However, while they were waiting for the owner's verification, they did check NCIC and found out one was an FBI fugitive, wanted for bank robbery in Virginia.

Another routine type check -- this one is not so routine, but rather interesting -- in New Orleans, Louisiana, they were employing some people in the Data Center down there.
So the officer was indoctrinating the new employees, and running them through the various equipment. And to show how the terminal worked, he ran a check on the individual. There came back an immediate response that there was an outstanding warrant for the fellow in New Orleans itself.

So, needless to say, his employment was short-lived. The same officer, one month later, was doing the same with a second employee, and they checked his name through the terminal and received back the response that the man was wanted for breaking and entering and possession of stolen property and bail jumping in Ontario. So they lost two good employees at that time.

All of the results of the system aren't that favorable. I get quite a bit of mail concerning the things that happen.

Here is one that came in to the FBI in Washington, D.C., anonymous, but enclosing a clipping about a fellow in Detroit who had been working with the Sanitation Department for 20 years and somehow they had checked him and found that there was an outstanding warrant in Alabama dating back to 1940 for stealing a cow.

Well, he had been convicted back at that time and sentenced to a year in prison, but on the way to jail he escaped and hadn't been heard from since.

Well, 32 years later, he was picked up in Detroit. But the article has inked comments on it -- "Where the hell is your common sense? You have already wasted more money than the
1 cow was worth."

These are the types of reactions you get. We have all types.

We began the system in 1967 with five files. Now the various categories of files were selected because they best met the police needs at the time.

They were the stolen vehicle file, the license plate file, stolen article file, which includes all identifiable articles, and wanted persons where warrants are outstanding for commission of serious crimes.

Later we added files on stolen securities and files on boats.

Now the most recent file has been added and the one that is pretty well known throughout the country in various ways is our criminal history file. This file was considered initially in the initial deliberations on the system as being obviously the most important file on which a criminal justice system could be built. The criminal history record is the basic source document for all areas of criminal justice -- police, courts, corrections, and so forth.

But it is a complex file, and we felt that until the system was fully operational and understood, and there was expertise in the area, that it would be a mistake to try to develop a criminal history file.

Even today, of the 3.8 million records we have in our
file, 92 per cent concern property items, vehicles, articles, securities. We have 118,000 wanted person records, and at this time only 175,000 criminal history records.

Now, of course, this is the beginning, the beginning of the data base for criminal history application.

A word as to how the system operates. It is an on-line, real time information storage and retrieval system. In a typical incident, a car owner will report the theft of his vehicle to the Police Department, the Police Department having a terminal, let's say, to a state agency, will enter that record through his state agency into the NCIC.

The record originates with the department holding the theft report. And he is identified, that department is identified with the particular record. So that the agency is responsible for the information in the file.

The minute that record is stored, it is available to anyone else on the system who may interrogate and receive an immediate response.

Our average response time is less than 10 seconds. So that the need for immediate information, particularly in your action situations, is met.

We have at this time in our 100 control terminals, as I mentioned, approximately 50 other computer systems which are interfaced with our system. The remaining systems are manually operated terminals which tie into the NCIC.
Through the 50 or so computer systems, we estimate we are affording immediate access to the files on approximately 6 to 7 thousand police agencies. So that the availability of the information as the state systems grow becomes more widespread and involves the local agencies and gives them immediate access.

Now, we operate through dedicated communication lines, directly to all our users, from NCIC.

We have high speed lines or 2400-volt lines to the computer in Fairfax. For the most part, most of the manuals are using low-speed teletype grade communication lines.

I described the method of identifying a vehicle and a possible fugitive. They all originate with the Police Department holding the theft report or the warrant.

The operation of the criminal history program is a bit different. The input is only from the state agency -- the responsible state agency for the identification function within the state.

So that there is no input, no modification of the record or any removal of the record -- if you wish to say "expungement" of that type -- from the local agency. It all must originate from the state agency, and the local agency may only inquire.

So that should a record be wanted concerning an individual by the Detroit Police Department, they may make an inquiry through the Michigan State Police computer into our
With that background, I think I will attempt to follow the guideline that was given me -- perhaps you have the guideline -- and I would first talk about the establishment and organization of the NCIC itself.

The legal authority by which we operate is contained in Title 28, Section 534, of U. S. Code. This provides that the Attorney General shall acquire, collect, classify, and preserve identification, criminal identification, on crime and other records and exchange these records with and for the official use of authorized officials of the federal government, states, cities, and penal and other institutions.

The Title also contains wording that provides for cancellation of the service if the data is wrongly used.

The FBI is responsible for the operation of the NCIC Index. We also fund the communication lines that go to all of our users, so that the state and local costs pick up where the line terminates in the state equipment.

Now, the NCIC does not itself eliminate the need for local and state systems, by no means. It complements the local and state systems.

We try to describe it as rather a pyramid where at the local level you have a very broad data base with items of interest only to the local agencies. In that file, you might have such things as parking tickets, minor theft reports, things
of this type, all of interest locally.

You go to the state level, you have a narrower data
base, but a broader geographical coverage, where you have items
of interest at the state level. This may include serious traffic
violations, things of that type.

Going to the national level, then, you have a much
narrower data base confined to these categories I mentioned,
but covering the entire country and furnishing a nationwide
index to accommodate the mobility of criminals and transfer of
stolen property.

Administratively, to operate the NCIC, we have divided
the country into four regions, equal in population, approximately.
We have set up within each region a working committee made up
of state and local representatives, criminal justice representa-
tives, who meet regularly and provide the input to us to improve
the system, upgrade it to make it more effective.

On top of the working committees, we have an advisory
policy board that is composed of 20 top law enforcement adminis-
trators throughout the country. These policy board members are
elected by the working committee. There are 20 members selected
by the state and local people, and in each region they are
represented by four state and one local chief. There is one
member of the FBI on this board, and this is the advisory board
that funnels the input to us to better operate the NCIC itself.

Going into the data-collected category -- and now I
will depart from the other files -- I think that the file of 
interest to this group is obviously the criminal history file, 
and I will let the stolen property and wanted persons file -- I 
will keep that apart from the further discussion unless you have 
some questions on that at this time.

Okay. The criminal history data -- the first question 
-- Why is the data collected?

I mentioned that the criminal history record is the 
basic source document for all actions within the criminal justice 
process. The patrolman utilizes information as a background 
check on an individual. He has a suspicious individual parked 
behind the bank in the middle of the night. He may be interested 
in the fact that that fellow has been previously convicted for 
three bank burglaries, or something of that type.

The investigator needs information as to the past 
activities of the individual he is investigating. The prosecutor 
needs this information for his decision in deciding whether to 
prosecute or not, or what type of prosecution to undertake.

The magistrate needs the information for bail purposes. 
The judge needs the information for sentencing purposes. The 
Corrections needs the information for determining the type of 
institution that man should be incarcerated in, and whether a 
parole should be granted, and for probation, the type and degree 
of supervision that would be most effective.

So, the man's criminal history, you might say, is the
key to the individual himself. The documented information that
we have on hand.

How is the data used? It is used for these purposes
I just mentioned, and also, stripped of the identity of the
individual, for statistical and research purposes.

The Uniform Crime Reports, published by the FBI,
draw heavily on the recidivism studies and so forth that are
derived from these records.

The next category concerns the data base, and the
category of that data base. I might say that the data base
consists only of information backed by a fingerprint of the
individual.

Every entry on this record is backed by the man's
fingerprints. We do not store information in the National Index,
the criminal history file, on minor offenses, as we term them,
non-criteria charges.

Through the working committees, the advisory policy
board, we decided to eliminate the non-criteria charges from
the national storage. Such charges as drunk, investigation,
suspicion, vagrancy, loitering, violation of curfew, juvenile
offenses -- unless he is tried as an adult -- traffic offenses --
unless driving under the influence of drugs or alcohol.

So we have eliminated from the computerized criminal
history record these various so-called minor offenses and
restrict the national file or the criminal history file in the
future to serious offenses.

Now, these will undoubtedly be maintained at local
or state level, but not in the national file.

To illustrate just what we have in this record, to
eliminate any confusion as to what we do retain in the record,
we have formats of our criminal history record with us.

Have you passed those out yet? Okay, fine.

I will ask Mr. Lofgren to go over this with you to
discuss the items that are contained in this record and how it
is set forth and used and printed out to the users.

MR. LOFGREN: The record of an individual has been
divided into five different segments. At the time that an
individual's record is established, we first must enter an
identification segment. This establishes, of course, the
identity of the individual. It records the unique FBI identifica-
tion number for the individual, sets out his name, the physical
identifiers, and such numeric identifiers as we have for the
individual.

Of course, among the numeric identifiers is the date
of birth, Social Security number, miscellaneous identification
numbers, such as Army serial numbers, this type of information.

We also included a fingerprint classification and
at the time that the record is established indicate the identity
of the state which established the record, the date of the
record, and the date the record was established.
This is the basic building block on which the record is built, and this building block, however, will not stand in the record alone. There must be additional information.

The other segments of the record are the arrest segment, judicial segment, a supplemental judicial segment, and a custody supervision segment.

Taking those one at a time, we do attach these segments to the basic identification segment by relating each new segment to the identification segment, by using the FBI identification number, the key number, to the record, plus the state's identification number associated with that particular arrest.

So we do have two unique identifiers which must match before any information is added to this record.

Within the arrest segment, we include the date of arrest, the offenses charged at the time of arrest, statutes citations relating to those charges, and the disposition, the immediate disposition, the arrest disposition. This does not include, of course, any court action.

If the case goes then to the criminal justice process which involves the judiciary, then an additional segment would be included in this thread of information which we refer to as a cycle. The judicial segment again is attached to the identification segment and the arrest segment of the record, again, using the state identification number for the individual and the FBI identification number. Without a match, it is not attached.
This segment of the record will identify each of the actions, each of the charges made against this individual in court. It will also show the statute citations for each of the offenses and the offenses themselves. It will also reflect whether the individual was convicted, whether the charges were dismissed, whether he was acquitted, whatever the court's disposition was.

It also shows the sentence provisions, whether the sentence was suspended, whether the individual was sentenced to confinement, whether he was placed on probation, whether he was fined, whether there were other provisions. Then this is provided for each of the counts that are included in the indictment or complaint.

If the case is appealed, this is indicated.

And if the person was released on bail pending appeal or pending results of this appeal, this is also indicated.

I may point out that there is this supplemental judicial segment in which information is entered should there be a change in the sentence as a result of appeal or as a result of the chief executive of a state or the President of the United States having commuted the sentence or giving executive clemency.

So this information then will be reflected in this segment.

And the last segment is used if the person is convicted, it will reflect each new status change with respect to
this individual. If he is placed on probation, the first entry
would indicate that. And there would be an entry from the
probation office, or the probation officer indicating that the
individual has been placed on probation as of a certain date.

At the time he has satisfied the requirements of
probation, then this individual will have his records changed
to show he has now been discharged from the system.

If the individual is received in a penal institution,
the identity of the penal institution would be shown in the
record and the date the status started. If he is subsequently
paroled from the institution, this information will be shown,
together with the date of parole.

Again, when the person is finally discharged from the
system, this will be also reflected.

This is basically the nature of the record that is
maintained for each individual.

MR. RODERICK: I might comment on one thing. Back in
the identification segment. We do have a fingerprint classifica-
tions file. This is not a positive identifier, by any means.
We are striving toward that, but we have not yet reached that
point and probably it will be a few years before we do.

This classification is more in the form of an
eliminator. Actually, it is very simple. It is two characters
for each finger. If any of you have ever looked at a fingerprint
manual, the prints are divided into loops and whorls, and with
various ridge counts on the loops. So we are able to put a rough classification into this record.

It will never positively identify anyone, but it may well eliminate a person by looking at this classification.

A comment on the report itself -- as you can see, I believe it is a very comprehensive record, a very complete record, and a vast improvement over the current rap sheet, as we call it, that exists today.

If you had the opportunity or have ever looked at one of the existing criminal history records, manually retained records, they are very incomplete. And this is one of the things that we are attempting to do with this system is to make this a complete record, to call for disposition, to fulfill the history, and to eliminate the vague information that does appear on the rap sheet that exists.

MR. BURGESS: May I ask a question?

MRS. GROMMERS: We would like them to get to finish and then we will start with the questioning. That is the procedure.

MR. BURGESS: I thought we could have questions anytime.

MRS. GROMMERS: Well, we have a different procedure we have been following. I am sorry you weren't here when we decided to do that.

MR. RODERICK: We will take the deferred question.
The data collection procedures mentioned in the outline I briefly described, that input is from the state identification bureau which has the expertise, the technicians to identify the print, and so forth.

The information from the state is entered on-line into the record itself. The first time the man enters the system, his record is created by the state. Charges are added by the state where the new charge is received. So that the record is built from the man's first arrest and by the originating state and built upon by the various areas that he has contact with the criminal justice process after that.

The identification date, identifying date, that is contained in this record, of course, is taken from personal observation. As I mentioned before, every entry in this record has to be based on the man's fingerprints so the information is taken at the time he is printed.

As to system characteristics, we have at the state level, in the states that are beginning to participate in this program, numerous check procedures, edits, and so forth, to assure that the information that they are putting into the system is accurate, is correct.

And when the information reaches our system, we also have numerous software to make sure that enough identification information is in the file to assure that your Social Security numbers don't have 10 characters instead of nine or eight instead
of nine.

We have various software edits on many of these fields that do preclude the entering of inaccurate information. Obviously, we cannot devise edits to preclude all inaccurate information, but wherever possible we have the necessary edits built in.

We go back to the entering agency, obviously, as a responsible agency for getting the accurate data in the system. The Police Department that first prints this man and enters the information, sends the print to the state agency, the state agency must ascertain that sufficient information is there, but both agencies at the state level and at the local level are responsible for the information and the cycle in the record is identified by the agency that created or originated the information.

Each time that record is used, of course, it is checked. It can be updated. And maybe a man's physical description has changed, perhaps other things have happened that do not appear in the record.

You might have additional identifying information that the first time he was in the system was not available. This can be added to the record.

We talked about storage of the data. The data base is presently stored at the national level in the NCIC computers. The man's detailed record. This is not the ultimate concept of
We know from our statistics that roughly 70 per cent of the individuals entering the criminal justice process confine their activities to one state. We estimate that when this operation is fully operational, with all agencies, all states participating, that the detailed record on the 70 per cent block will be maintained at the state level.

At the national level, we will only maintain a very summarized-type record. The man's identification information, and a very sketchy summary of his criminal history, with the detailed record maintained only at the state level.

We would plan to maintain the detailed record on multi-state offenders in the NCIC.

We have no set limit for the length of storage of these records at the present time. The records are in file. There is no federal legislation telling us how long to keep these records. At the state level there is, of course, in some states legislation that governs the retention of criminal records. We do have built in the system the capability of any entering agency purging or removing from the national file the record which he has entered. So that if a state statute calls for expunction of that record after 10 years, it is very easy to do. They can expunge that record from your file and there will be no trace in the national file.

So the national file is completely responsive to all
state and local legislation. But we do not have at this time in the national file any automatic removal of records.

With regard to accessing the system, there are really two categories of information stored. I mentioned the other categories, the stolen property and the wanted persons, which is available to all users of the system.

The criminal history records are only available to certain users, to authorized users.

Now the agencies that can access the criminal history records are those who meet the security requirements established for criminal history data. The other agencies cannot do this.

The communication lines are, of course, dedicated. The records are protected, so no one agency can alter any one else's records.

We have executed agreements with agencies authorized access to the criminal history file, saying that they will agree to abide by the policies and the procedures set forth for the criminal history program. Should there be any violation of this, they will be discontinued service, and they will no longer have access.

We have in the advisory policy board a standing security and confidentiality committee which has the authority to review any reported violation in any state or local agency and to render an opinion as to what procedure should be followed to the advisory policy board which will in turn furnish that to
We talk about physical security. Naturally the terminals are secure, must be secure against any unauthorized access.

We have in each control terminal the provision for a security officer who is responsible to assure that this is followed. The system, of course, if it is computerized, must have the necessary software to preclude access to the criminal history file by any unauthorized terminal on its system.

We monitor certain type transactions. For instance, removal of any cycle or any records from the file. It may well be monitored at the state level, but it is also monitored at the federal level and there is contact with the control terminal agency on a regular basis to let them know what records have been removed to assure no one is removing these records without authorization.

Logs are required on all transactions.

Of course, the computer centers must be in secure areas, and the usual physical security procedures followed. We have no level of sensitivity on this records. You either have access to it or you don't. The record is in one category.

We talk about personnel security. Of course, we require that all personnel that are working on it or working with the computer systems, all operators who are working with the terminal devices, must be cleared and cleared to the satisfaction
of the control terminal agency so that any one in the area having
access to criminal history data must have the necessary personnel

clearance.

Now, we have a policy, a requirement at this time, that is very controversial. We require that any computer center
that is processing criminal history information be under the
management and control or operated by a criminal justice agency.

I am sure some of you have seen the pros and cons published on this issue. But that is our policy and that is
the policy we are following to date, that there can be no shared
system controlled by a non-criminal justice agency have access
to this file.

I mentioned that only authorized terminals can read
the criminal history information with regard to input, and only
a state agency can input the information. As to records kept,
I mentioned we do have log tapes and these tapes are monitored
and reviewed to detect any misuse of the system. If a positive
response is given to any terminal inquiry, a hard copy printout
must be retained for 90 days, indicating who requested that
information at the terminal level.

There is a question here on the check list as to
notification to the users of any change in the record. No, we
do not notify Michigan, say, if Alabama adds a charge to this
record, because the current records are always available and
there should be no action taken anywhere in the criminal justice
system unless it is from a current record.

So the master record is updated, but you could not go
to all the states involved in the record to tell them about
that.

The question concerning persons -- are they protected
with regard to research use? As I indicated, wherever statistics
are furnished, they are stripped of personal identities. If you
have a study that requires personal identities, we have a provision
that it must be approved by both the NCIC and the advisory policy
board, so that the records with identities will be strictly con-
trolled.

The section on legal provisions calls for who has the
ownership of the data. Of course, the finger prints, the basic
document originating, this data are retained at either the state
or the national level. There is always a print for each cycle
in the record. The legal custodians of this information and
the eventual custodians are the NCIC and the states.

Our use of the system is governed by the statutes.
The sanctions against misuse at this time are discontinuance of
service at the national level.

We do have pending legislation -- and the FBI has
backed it thoroughly -- that there do be criminal sanctions in
this area.

Access to the information is required by all criminal
justice agencies, and, of course, it is allowed where the security
requirements are met. There are no legal requirements, again, at the national level, to destroy any of the information.

As to planning, evaluation, and supervision, I mentioned we do have a system of security officers in each control terminal. We have an inspection team of the security committee of the advisory policy board which may come into any system and check any reported violations. We have the various quality control measures that we employ and the states in turn employ to assure that these records are being entered properly, that dispositions are being obtained, and this is a very important aspect of this.

One of our main problems in the past has been the obtaining of dispositions. I think all of you who followed this particular problem are aware that the courts have not submitted this information, or we have not been able to get it in the record on a very regular basis in the past.

We do have built into the system, of course, the capability, if a disposition is not received, by the expiration of X number of months, we can go out and say, "Where is it?"

It is very easy to take a run to see where the records are or what states are not complying with the requirements to furnish dispositions.

The planning process, as I earlier indicated, is carried out throughout the working committees in the region, the advisory policy board and, of course, our own operation in
Finally, a discussion is requested concerning the rise of filed subjects. One of the policies built into the national system is that the right of a subject to see what we have on file concerning him is to become an integral part of every system.

Now, each state, at this time, there is no standard procedure by which this information is obtained. It more or less varies from state to state. I am sure Dr. Gallati has procedures in his state that are not prevalent in the neighboring state of Pennsylvania.

But the right is there. It is called for. And there are procedures in most areas that review this. And this is being pursued.

It is being included in proposed legislation. There is federal legislation proposed at this time that does include this particular aspect.

The question involves the knowledge of the subject as to whether there was information on file. I think that can be answered rather simply. If he has been fingerprinted, he should recall that, and if he has committed a crime, it will be on file, and again the statutes govern the length of retention of that information.

At this time, the subject may at any time petition the agency to correct an item in the file and certainly they
have the access to our file, they can correct that record should it need it.

And, of course, the records can be expunged by court order or by legislation, or in case a man is deceased.

I believe that pretty well covers the formal part of the presentation, and I would be glad to open it up at this time to any questions of specific items.

MRS. GROMMERS: The way we have been proceeding is to start at one corner or end of the table and proceed with each person asking one question, as we really only have another hour for this purpose. And if they will try to make their questions short, if you also could help us by making the answers rather concise. Otherwise, we won't have a chance to ask all of the questions.

Mr. Davey?

MR. DAVEY: Yes, I'd like to ask some questions regarding the cost information. What does the system cost? Can you break it down as much as you can?

MR. RODERICK: Our system this year -- the operation of the NCIC and funding of the communication lines and personnel and so forth -- is estimated at $3.6 million.

MRS. GROMMERS: If you have some specific questions, I am sure Mr. Roderick will be glad to provide you with the answers.

MR. RODERICK: Yes, if you want to give me the questions
MV-29 afterwards, I will be glad to.

MR. DAVEY: Thank you very much.

MRS. GROMMERS: Mrs. Cross?

MRS. CROSS: You gave a good definition of who is included in the criminal history file. With one exception. If by court action they were found innocent, would they automatically be removed or would they remain in?

MR. RODERICK: They would remain in at this time unless the state statute called for removal. If the state statute provides for removal of the record, the state may remove it, but we would not automatically remove it from the national record until the state does.

But the capability is there.

MRS. GROMMERS: Professor Weizenbaum?

MR. WEIZENBAUM: I am sorry we have only one question. I have a page full, but I will select one.

You mentioned an advisory policy board of 20 members and, as I understood you, that board consists exclusively of law enforcement officials?

MR. RODERICK: At this time.

MR. WEIZENBAUM: Is there any kind of monitoring or supervision other than, say, congressional oversight of this system that includes civilians, so to speak? Or is the advisory function -- and including, for example, the investigatory function -- say this advisory board investigates the confidentialit
violating, are all these functions essentially self-serving in the sense that the people, all the people involved, are in fact law enforcement officials?

MR. RODERICK: Well, the system began with law enforcement members of the board. We are now in the active process of determining how we can obtain court and correction input, still in the criminal justice community.

We have not considered formally the inclusion of any other category of individual on the board, although at the state level there is input in the various states from other groups.

And the board itself, of course, is very sensitive to input in all aspects, including the media and everything else. But at this time there is no formal framework for that.

MR. WEIZENBAUM: Thank you.

MRS. GROMMERS: Mr. Roderick, we obviously are going to have lots of questions for you, and unfortunately we are limited to one per person. May we ask you if members will submit questions for supplying to you afterwards, could you supply for the record the answers to these questions?

MR. RODERICK: Yes, we can do that.

MRS. GROMMERS: That way, you can limit yourselves to the kinds of questions that can't easily be written out, and also if we finish this round and we still have more time, we will come back and have other questions.

MR. BURGESS: Can we give other people our questions?
MRS. GROMMERS: As far as I am concerned, certainly.

Mrs. Gaynor?

MRS. GAYNOR: I am addressing myself to the question
of purging or expunging the record, and if on a state level the
record is to be expunged, is is automatically expunged through
your system, too?

MR. RODERICK: Yes, it is. If this is the only
charge in the record, the entire record will be expunged. If
there are other charges, that particular cycle will be expunged.

MRS. GROMMERS: Make notes, and if you have follow-up
questions, we will see that they get to Mr. Roderick.

Mr. Gallati?

MR. GALLATI: Don, we include, as you know, the
Social Security number and identification section, and just to
make sure everybody understands that it is not a number we use
for file purposes, I'd like you just to verify that.

MR. RODERICK: That's right. The Social Security
number is used as an identifier, and some other identifiers are
included in the record. It's not a positive identifier.

Our system depends on the FBI number and the state
identification number, which is based on fingerprint identifica-

tion.

MRS. GROMMERS: Miss Noreen?

MISS NOREEN: I pass at the present time.

MRS. GROMMERS: Professor Miller?
MR. MILLER: I suppose, rather than waste my precious asset of one question, I would ask that either Mr. Roderick or perhaps more properly the staff of this committee supply to every member of this committee a copy of all of these internal policies you referred to with regard to access and management and expungement.

I assume they are written down as part of policy. I think every member of the committee could usefully read that. I would also like everybody on the committee to have a copy of the bill you referred to with regard to giving access to individuals to their criminal history file. I think the staff should supply to every member of the committee the complete history, all court papers, and the written opinions in the case of Minard vs. Mitchell, which supplies a considerable amount of information regarding operation of the National Crime Information Systems, and, if Mr. Roderick would be so kind, I think it might help the committee to have some feel for the number of state and local information systems that are funded by the Law Enforcement Assistance Administration of the Justice Department, that may or may not have interface with the NCIC.

So we get some feel as to the linkages between the NCIC and other federally funded criminal enforcement system.

Now, my question. Just out of curiosity, Mr. Roderick, the bill you are proposing or supporting in the Congress with regard to giving access to people who may or may not be in the
NCIC, does that also provide for the counterpart creation of a federally mandated rite of expungement if upon inquiry into the system by the individual he discovers an error?

MR. RODERICK: Yes. I am not sure of the exact terminology, but it does provide for the correction of the record, I know this.

MR. MILLER: In other words, it would establish a procedure for correction which would apply to all states -- ?

MR. RODERICK: Yes, the rough procedure would be, of course, a reasonable cause to inquire of this record, to identify the individual positively through printing the individual, make sure you have a right record, to point out the error, and then, of course, to establish a corrective process.

But that is included in the proposed legislation that has been submitted.

Now I am sure there has been no action taken on this, as yet, because it went up to the Hill very recently from the Department of Justice.

MR. MILLER: I gather from what you said, the condition of gaining access by the individual is that he has to be subjected to fingerprinting?

MR. RODERICK: That is right.

MR. MILLER: Although earlier you said that wasn't a positive identifier.

MR. RODERICK: No.
MR. MILLER: In your system.

MR. RODERICK: I never said fingerprinting was not a positive identifier. I was talking about the fingerprint classification in the computerized record, which is not a positive identifier.

MR. WEIZENBAUM: There is a misunderstanding here. You started out by saying everyone would have a right to determine whether he is in the file and to look at the file if he is in. And just now you used the words "reasonable cause," and that is very different.

The question is: Who determines what cause is reasonable, and so on? Which is it?

MR. RODERICK: The wording of it --

MR. WEIZENBAUM: We are talking about the proposed legislation you support.

MR. RODERICK: Yes, that is this bill right here. The proposed legislation -- of course, this has merely been proposed, there have been no hearings at this time.

If this information is disseminated to a state or local agency for other than law enforcement purposes, the individual about whom the information pertains . . . (reading) . . . and if in accordance with regulations stating the time, place, fees, and procedures to be followed. Now these are established by the Attorney General.

MR. WEIZENBAUM: Now another caveat has been entered.
If this information is to be used for other purposes. That means the individual first has to demonstrate that the information is being used for other purposes.

MR. RODERICK: In this particular legislation, that clause pertains. Today, if an individual comes to the FBI and says, "You have wrong information about me, and I would like to get it corrected," we will look at his record with him and point out what we have. He then has to go to the entering agency to get the information corrected. But he can do that today, and in most states this is possible.

MRS. GROMMERS: We ought to go and lobby against that particular clause in the legislation when it comes to the committee.

Mrs. Silver?

MRS. SILVER: No question.

MRS. GROMMERS: Professor Burgess?

MR. BURGESS: In the beginning, you talked a bit about some examples of how the system had been used. Do you have any broad-scale evaluations of how the introduction of the system -- NCIC -- has changed the attitudes or practices of law enforcement officials in state and local communities?

MR. RODERICK: I think it has had a broad effect.

MR. BURGESS: Do you have any evaluation studies?

MR. RODERICK: No evaluation studies, per se. No statistics available as to a decrease in crime in any particular
area. There are too many other factors that enter into it.

MR. BURGESS: Is there any way to attribute an increase in performance measures of law enforcement agencies to NCIC?

MR. RODERICK: Over a long range, I think it might be possible, but again there are so many factors that enter into the crime picture, if would be very difficult to select out this particular tool to say what it accomplished, although we do know from the number of hits received the value of the system itself.

MRS. GROMMERS: Mr. Siemiller?

MR. SIEMILLER: Recently Jack Anderson has been running a group of exposes on information collected and kept by the FBI, such as, an example would be Dr. King. Would that be in your particular system?

MR. RODERICK: No, sir, unless there is a criminal history record on an individual, it would not be filed in the NCIC.

MR. SIEMILLER: Another system of the FBI?

MR. RODERICK: Mr. Anderson, I think, has been devoting his time and talents to the investigative files.

MRS. GROMMERS: Senator Aronoff?

MR. ARONOFF: Mr. Roderick, I don't know whether you received a copy, but staff gave us a series of articles, newspaper articles, not all of which are flattering and some of which are Jack Anderson type articles.
But I would like to read you just a few sentences and ask you to comment on them.

One is from July 14, "Press Intelligence -- FBI is collecting about 25,000 credit bureau files a year, detailed dossiers on individuals."

Next, "Military Records, Selective Service Records, Passport, Customs, Social Security, and Internal Revenue files which the hapless citizen thinks are confidential are actually wide open to the FBI's copy."

Another one had to do with the question of printing in medical journals wanted articles -- wanted this person who has the following disease. If that person happens to come in to a doctor's office, please report to the FBI.

And another was extensive dossiers on various black activists.

I could go on, but my question is: Would you comment on the veracity of this?

MR. RODERICK: No, I would not.

MR. ARONOFF: Or the practice?

MR. RODERICK: It is a broad --

MR. ARONOFF: Let's take the credit bureau first.

MR. RODERICK: Well, all the items you mention are really in one category. If, in fact, the information is collected, it is during the course of investigation. It is not involved, of course, with the NCIC at all, in any way.
Of course, there is information collected by the FBI and during investigative efforts. I would not comment on any one category there. I think it is common knowledge that to investigate a case you collect all the sources available to you.

Again, this does not pertain to NCIC in any way.

One item that you did mention on the medical communicable disease, I am not aware of that. We certainly have nothing in the system on anything like that.

End Tape 2

MRS. GROMMERS: Mr. Dobbs?

MR. DOBBS: From the file, do you have an estimate of what percentage of records are records which pertain only to arrests and/or charges with no convictions?

MR. RODERICK: We do not have that figure available, and, of course, it would be obtainable. At this point in time, the inclusion of information from the other records is going to be very high. Our hope is to eliminate this completely in the new type record.

MR. DOBBS: But the fact of the matter is that although it is termed a "criminal history record" file, it is in fact a file which is an arrest charge plus criminal history file. Is that fair?

MR. RODERICK: I think it is fair, right. But, again, the computer format here does call in every instance for "proper disposition."

MR. DOBBS: I understand, but the reality is that
right now there are, I presume, some number of records of people who are, in fact, not yet criminals, as the law understands them.

MR. RODERICK: There will be an arrest record in there with no disposition in it on the older converted material.

MRS. GROMMERS: How long does that last in your file?

MR. RODERICK: At this point in time, with the information that is being placed in, I mentioned we have no automatic purge of any information unless the state takes it out through their own legislative requirements.

MRS. GROMMERS: Is there anything you can do personally to correct that? Or who could correct something like that?

MR. RODERICK: We would follow, of course, if the legislation is enacted -- it is different in each state today. There is no national standard along those lines.

MRS. GROMMERS: Thank you.

Mr. Ware?

MR. WARE: So much comment has been made on the expungement business, let me concentrate on a very subtle point, not so much to criticize the NCIC, but to illustrate to this group what can happen.

The NCIC is obviously a magnetic tape base, because you have to have prompt response. Computers also fail. So it is a customary operating practice to write those magnetic disks off on that magnetic tape periodically so if the system crashes you can get started again.
I imagine you do this. So at least after an expungement action, for some limited amount of time the record still exists within the system, on automatic tape, and, in principle at least, through operator error, that tape can be reloaded, the expungement action in effect offset.

Now that may be an unusual scenario, but it is a possible one.

MR. RODERICK: It is possible. However, we do reorganize periodically -- what is it? -- three times a week. At which time that tape would be updated too.

MR. WARE: You mean you write your back-up dates three times a week?

MR. RODERICK: Yes.

MR. WEIZENBAUM: But technically that doesn't plug that loophole. If you organize once a day --

MR. RODERICK: If you have a back-up file, there is always going to be a time lag between the time the actual thing takes place and the time you update your backup.

MRS. GROMMERS: Mr. DeWeese?

MR. DE WEESE: I am not sure where to start. I have to say that the system you operate is the most potentially dangerous system we have heard described to us in the six months that the committee has met, and it is unfortunate that we have such a very limited opportunity.

MRS. GROMMERS: Would you be specific as to why you
think it is dangerous?

MR. DE WEESE: I am going to do that, yes.

I think I am going to dwell on the point Mr. Dobbs was bringing out. I kept accurate records and in the course of this committee you referred to the files as "criminal histories" some 27 times, and you are a man, I am sure, who has had 19, 20, 30 years of experience dealing with law enforcement and is aware of the presumption of innocence, and so forth, in the court system.

The fact of the matter is that the FBI records are widely disseminated to people who have had absolutely no experience with law enforcement. Oftentimes these records -- as recent court decisions have made clear -- come into the hands of banks, insurance companies, stock brokerage houses, people with no experience with criminal records, and with law enforcement or with judicial process.

And, therefore, the major problem with your file is that in the minds of many Americans who come in contact with your files there is easy confusion between a criminal record and simply a charge.

And we are not talking -- and often times these are cases where the charges have been dismissed -- we are not even talking about situations where the person has actually been tried and found not guilty. We are talking about 20 or 30 per cent of the cases where the police never bring the charge for one
reason or another, because they have made a mistake in identification. But these are lumped together in a system which you characterize yourselves every single time as a "criminal history" system.

This is a potentially dangerous situation. Only eight states have expungement statutes. Only one state has any expungement statutes that go to people who have a prior conviction.

Therefore, if I am convicted at age 18 of participation in a political demonstration and a charge of disorderly conduct, in only one state in this nation will any further arrest ever be expunged.

But, let alone, you see to run this system relying solely on the state laws which you refer to when in fact there are no state laws, and I think you are running a highly dangerous operation for those reasons.

MR. RODERICK: Well, I can only say in answer to that the federal -- the Congress is very interested in this particular category.

Senator Ervin, of course, has conducted extensive hearings. I feel that legislation is needed in the area. And we certainly look forward to having legislation, whatever the Congress decides to enact we will certainly follow.

MR. DE WEESE: Thank you.

MRS. GROMMERS: Senor Anglero?

MR. ANGLERO: Mr. Roderick, if I may make my
calculations good, and mention that you have in your records about three million files on the NCIC, and I figure out that after that you have available through the state data systems perhaps a lot more records.

Do you have any idea of how these records are classified, if any classification has ever been made in terms of minority groups? Or, say, socio-economic levels, or something like that?

And from the other side, in the expungement process, who has taken in this relationship better advantage or has made most use of this right of expunging the record?

MR. RODERICK: Well, in answer to your first question on categorizing the records, I really don't know of any procedures along that line. Certainly we have none at the national level. On the expungement, I have no tallies available as to who is expunging today. Actually, the system contains only, as I mentioned, 175,000 records at this time. It is very new.

  We haven't had too many expungements or removals of records up to now. It is a very limited operational experience.

  I think that as the system grows, we would certainly be able to follow up on that particular aspect of it.

MR. ANGLERO: Thank you.

MR. RODERICK: But we have nothing at this time.

MR. WEIZENBAUM: Excuse me. In the record that you gave us, the format, in the first page, there is one bit set aside
for race. That is only one bit. So I wonder what are the two voices you distinguish?

MR. RODERICK: Then we have in our uniform program a classification by race. This follows that coding.

MR. WEIZENBAUM: One bit, which means you can distinguish --

MR. WARE: That is one character.

MR. WEIZENBAUM: I beg your pardon. In any case, you can then identify nine minority groups in that sense?

MR. WARE: Sixty-four.

MR. WEIZENBAUM: Correct, 64. And then you have another three characters for skin tone, whatever that means.

MRS. GROMMERS: What does that mean, Mr. Roderick?

MR. RODERICK: This is ruddy complexion, dark complexion. It is an additional identifier that we attempted to put in this, and when I say "we" I am talking about the entire user groups, attempted to put the items in this identification segment that will best identify the individuals to avoid any possibility of error.

In other words, if you have an individual that you are questioning, you want to know whether this is the individual or not, and these are commonly referred to identification features in law enforcement.

End Tape 3

MRS. GROMMERS: Who designed your system?

MR. RODERICK: Who designed the system? It is a
cooperative effort by all the state and local agencies involved in criminal justice with the FBI.

MRS. GROMMERS: How many people were involved?

MR. RODERICK: I would say roughly two to three hundred.

MRS. GROMMERS: Could you give us their names and also who was in charge of the group?

MR. RODERICK: These are the working committees throughout the country.

MRS. GROMMERS: We would like to have that structure. The reason why I am asking is, would you be able to supply this?

MR. RODERICK: Well, to go back, I can very easily give you who was on the working committees at the time, as well as the policy board.

MRS. GROMMERS: I am sorry. I don't mean to mention it here. We will ask you to send us the information.

MR. RODERICK: But to go back historically and ascertain everybody that sat in on the study groups would be quite a project.

MRS. GROMMERS: Well, we would like to know who is in charge of it and who has the power to change it, because your answers to most of the people's questions here has been the implication that it is Congress who does not really understand the problem, and Congress that needs to take steps to change it, and we would like to understand whether there are
any other levels of administrative change that could be effected, and that is what our question is. Can you supply us with the information?

MR. RODERICK: Could I compromise at this point to give you a listing of the current working members and the board members?

MRS. GROMMERS: Do they have the power to change the system?

MR. RODERICK: To recommend change.

MRS. GROMMERS: To whom?

MR. RODERICK: To the FBI.

MRS. GROMMERS: To Mr. Gray?

MR. RODERICK: Mr. Gray would in turn solicit the approval of the Attorney General to make these changes.

MRS. GROMMERS: Thank you very much.

We would like to get that sent to us.

Mrs. Hardaway?

MRS. HARDAWAY: Mr. Roderick, I obviously fall in the category of a square citizen, because I happen to believe in the FBI and I think that you do a fine job and that you do more to protect me than you do to harm me, and by way of comment, I hope that you will continue to use your expertise to keep your own house in order and to call for needed legislation in areas that you see to be potentially very dangerous.

If I am arrested in a state that has an agency with
you, am I informed that when that state or that agency is
 gathering information on me at the time of my arrest that it is
 also going into your file?

MR. RODERICK: Normally the fingerprint card that
 the state uses in printing an individual is supplied by the FBI.
 Now, in the future, they may deviate from this a bit, but I
 would estimate that in 90 per cent of the cases they use an FBI
 fingerprint card, which will come into use eventually.

But, do I know that the individual police agency
 would tell that individual that you are going to the FBI? I
 can't answer that.

MRS. HARDAWAY: In your opinion, would it be a good
 idea and perhaps a more fair system to inform me, to make that
 a matter of policy, so that I would know that you were also
 going to hold my records?

MR. RODERICK: I would think so. Certainly when
 your prints are taken, you would realize that it is going to
 be made a matter of record somewhere, and certainly there would
 seem certainly to be no reason why you should be advised at that
 time.

MRS. GROMMERS: Mr. Impara?

MR. IMPARA: Mr. Roderick, you indicated that you
 have data exchange with other police agencies who are members
 of the NCIC network. Are there any other government agencies,
 the National Security or the Army military security or something
like that, with which you also have exchange agreements?

   MR. RODERICK: Yes, with the Secret Service, the military investigative agency, the OSI, Army and Navy.

   MR. IMPARA: What about the CIA?

   MR. RODERICK: We have no terminal with CIA. We have with the Bureau of Narcotics and Dangerous Drugs.

   MR. IMPARA: When you receive an expungement order, do you transmit that to other agencies with whom you exchange information?

   MR. RODERICK: When the record is expunged, do we go out and notify? No, we do not. This is based on the premiss that every action taken in the criminal justice process should be based on the current record.

   MRS. GROMMERS: Mrs. Lanphere?

   MRS. LANPHERE: I would like to make an observation, complimenting the efficiency of the NCIC -- we have a police radio -- on the frequency with which they query the NCIC and the quick response and what they are able to do, because it is very noticeable, I am sure the police appreciate it. I have no other questions.

   MRS. GROMMERS: Professor Allen?

   MR. ALLEN: On the requirement that each participating state recognize the right of a subject to examine what is in the files on him or her, how many states are not participating because they don't meet this requirement?
MR. RODERICK: Not all states are now participating, not particularly because of that requirement. In fact, I have had no state refused because of that particular item.

The states that are not participating, normally they are not participating because of the structure of their computer system, not being under the control of criminal justice. But no state has raised any objection to that policy, and the policy merely states that it shall be an integral part of the system, that the right should be advocated.

Again, this is an area that many legislative bodies are working on. Many people are contributing their ideas. It is not clearly defined as yet, and it will be defined for the FBI by the Attorney General as to what these procedures should be and under what circumstances it will be done. We know what we are doing today, because of the Attorney General's directive, but should this legislation be passed, it may well change that.

MRS. GROMMERS: The Chair will now entertain questions from the floor in no particular order. I know Professor Weizenbaum had such a long list.

MR. WEIZENBAUM: I will just ask one.

If, say, I participated in a political demonstration in Washington, for example, on obstructing the corridors of the Senate under some circumstances, and, as a result, I get arrested by the Capitol Police, and I am fingerprinted, and am later discharged after paying a relatively small fine, the
fact that I have been fingerprinted -- I want to make clear here what you consider here is serious crime -- is the fact that I have been fingerprinted then sufficient to earn me an FBI identification number and a place in your records?

MR. RODERICK: Not necessarily. We have developed the criteria in general terms. How this is interpreted in various areas really is a local decision.

The agency that makes the arrest is going to determine the charge, or the prosecutor.

Now, if it falls within one of these non-criteria categories, no, it would not come into our system. And, if they happen to categorize that as one that fits our criteria, yes, it would.

The mere fact that you are printed would not say that you are automatically in the system.

MR. WEIZENBAUM: I see.

MR. WARE: Let me ask you to speak to another particular issue which must have been a policy decision at some point.

In a system like NCIC, there is an enormous amount of information in transit over telephone company lines. And the age of wire tapping and eavesdropping electronically is well established.

So it is no trick particularly to listen in. What choice did you make apropos of securing the communication circuits? Did you do it? Did you deem that that was an acceptable risk?
Or what?

MR. RODERICK: Well, the selection of the communication network, of course, is made by another government agency. We do use a common carrier, which happens to be Western Union.

Naturally, we use the very means you are talking about, with centers in the various cities. They are all -- we have looked at them -- they are secure by Western Union. They are the same hubbing centers that other federal agency traffic passes through.

Yes, technically it could be done, but by the same token, even to tap a line, a dedicated line, would necessarily, or would possibly, effect the terminal on the other end of the line which is constantly utilizing the lines, and I guess I would put it in a term of acceptable risk that this could not escape, because you do have log tapes that are reviewed. We do have validation checks on our files that we send hard copies back to the agencies of the action taken, so there are other follow-up means by which we monitor these files.

So it might happen, but it should not go undetected.

MRS. GROMMERS: Mr. Aronoff?

MR. ARONOFF: Mr. Roderick, as I understand it, it is the opinion of the agency to, number 1, provide an information system that has its primary goal of crime detection but at the other end to protect the individual rights of citizens.

And you also indicated that there were changes that
you would abide by should Congress enact them.

I would like to know what your feeling is in terms of the obligation of the agency to help develop the legislation that you think is necessary in the area of confidentiality, rather than merely reacting to legislation that is passed.

MR. RODERICK: Well, the FBI, in its function, does not recommend legislation. The Department of Justice recommends legislation.

We are frequently asked for our views on their recommendations, which we furnish. But we as an agency do not recommend the legislation formally.

Now we have and we do constantly in certain areas have constant conversation and liaison between the Department, of course, and the FBI, where these things are discussed.

But, as a formal procedure, that would originate with the Department of Justice.

MRS. GROMMERS: Mr. Dobbs?

MR. DOBBS: You touched on the controversial aspects of the control of NCIC terminals by so-called law enforcement agencies. And my question is, granted that that is policy, that the outputs must be requested by a law enforcement agency and received by a law enforcement agency, is it not the case that having received this hard copy record that that agency then, under its own state laws and statutes, is free to do with that information what they will?
MR. RODERICK: Well, this has gone back and forth, beginning with the Minard decision that Professor Miller mentioned, where we were precluded from disseminating anything to an outside agency other than law enforcement.

The permission to make certain dissemination was re-instituted, I think, in December, through a legislation where it was restricted to those users authorized by state statute and approved by the Attorney General.

Now the Attorney General has to approve of disseminating in accordance with that state statute. So we would not automatically, just because a state statute has been enacted, authorize that dissemination.

But the states have furnished us the various statutes that they are compelled to comply with in disseminating this information. The Attorney General in turn has authorized certain ones that that is okay.

MR. DOBBS: Let me make sure that I understand in an explicit fashion.

What you are saying is that if in fact a law enforcement agency got an output with this kind of information on a terminal that was tied in to NCIC, and then in fact took that hard copy output and took information derived from it and entered it into another kind of system which was not explicitly by virtue of your guidelines one which qualified, that they then would be asked to leave the system?
MR. RODERICK: This would be illegal or unauthorized use, and they would be at this time questioned on it. Service would be discontinued if they did not --

MRS. GROMMERS: Professor Miller?

MR. MILLER: Yes, one of the reasons I asked that the committee be furnished with the Minard papers was to get some feel for this problem you just explored.

Prior to the Minard decision -- check me if I am wrong -- NCIC would respond to a state inquiry for criminal history identification. If under state law that kind of inquiry through the state and local police agencies was permitted, for example, under a licensing statute, a man applies to be a member of the bar of the State of New York, at least in the old days they did an arrest record check on him under state law and that inquiry would come through the New York authorities to NCIC.

Now Minard and Mitchell really didn't involve that kind of an inquiry. It involved an attempt to expunge a record. So now I gather the situation is that you will run a check pursuant to a state inquiry where the state law authorizes a check of a man's arrest records or non-arrest records, if there is such a law, and if the Attorney General authorizes it?

MR. RODERICK: Plus one other condition, that it must be channeled through the state agency first.

MR. MILLER: It comes through the state agency down to your operation and you check the Attorney General's list?
MR. RODERICK: Right. And I might say that this thing is changing from day to day. There is a bill pending again to set up the specific guidelines following procedures we just talked about as a separate piece of legislation. It is an area that has gone back and forth in the last six months. We have been doing it. We haven't been doing it. These were the conditions by which we operated during the interim period between the legislation and the coming legislation.

MR. MILLER: Without trying to pass judgment on this, because there are obviously many, many situations in which I personally would say that it is perfectly appropriate to run a check through NCIC as a condition to state employment, or for licensing, or the ability to practice a profession, nonetheless, I think, as Tade was indicating in his comments, it puts -- or at least in the past it did put -- the NCIC at the mercy of the lowest common denominator in the states in terms of what one would run a check for.

And I believe in an appendix to the Minard vs. Mitchell opinion there is an interesting list of some of the curious things that state law requires and arrest records check for.

It can run anywhere from massage parlors to casino operators in the State of Nevada. And it is not surprising that this thing is having a yo-yo effect, because it is very hard to draw lines.

MR. RODERICK: I might say we are fortunate because
NCIC did not become operational until after the Minard decision.

So, actually, what was involved in all of these controversies was our manual identification operation.

MR. MILLER: If I could just ask another question?

MRS. GROMMERS: Yes.

MR. MILLER: I gather there is no legal inhibition at the moment on the computerization of the investigative files within the Bureau, and their linkage to the NCIC system?

MR. RODERICK: There is no legal provision that says it could not be done.

MR. MILLER: If the Attorney General so ordered it, it would be done?

MR. RODERICK: Yes.

MRS. GROMMERS: Mr. DeWeese.

MR. DE WEESE: One question. Some state statutes don't have any connection really with the law or the courts. For instance, in Denver, Colorado, the state statute authorizes fingerprinting of all people who apply for a driver's license, for instance.

And in Provincetown, Massachusetts, a criminal record check is made on all people who are non-residents of Provincetown, Massachusetts.

So often, the state statutes don't have any real nexus with law enforcement. That is the real danger.

MR. RODERICK: This was the reason, of course, for
requiring the approval of the Attorney General in these various categories.

MR. DE WEESE: I would be interested in seeing which he has approved and which he has not.

MR. RODERICK: This is a function actually which is in our manual identification bureau, and is being pursued constantly. I will see if I can determine that. I am not sure, off hand. I will look into it.

MRS. GROMMERS: You will see if you can supply us with the current status?

MR. RODERICK: By the way, I would appreciate it if you would jot these various questions down and let me have a note to that effect.

MRS. GROMMERS: We are doing so.

MR. RODERICK: Yes.

MRS. GROMMERS: Did I hear a clear "yes," you were going to see if you could supply us with a current list of what the Attorney General has approved?

MR. RODERICK: I will check into this issue. I have not seen such a list myself, but I will be glad to check.

MRS. GROMMERS: And let us know if there is a list or not, and, if so, send it?

MR. RODERICK: Right.

MRS. GROMMERS: Mr. Martin had a question.

MR. MARTIN: Inspector Roderick, I wonder if I could
draw you out a little on the decision-making process relative to
the establishment of the Center and modification of it.

My impression had been, before your presentation, and survives and reinforced by your presentation, that the
system -- and particularly in any detail -- has been created as
an act of exercise of authority of a very general sort within
the Justice Department.

Congress hasn't said how the system had to be or how
it could not be. Is that a fair statement?

MR. RODERICK: Well, the system evolved, as I say, through user involvement. If you want to use that term.

These policies were developed, they were forwarded
by the FBI to the Attorney General, and approved by him.

When we received the "go ahead" to proceed with
developing the system, the necessary funding, of course, was re-
quested from Congress and Director Hoover's budget testimony did
include a pretty detailed description of the operation, particular
in the criminal history area.

So in the testimony to obtain appropriations, there
is much detail placed before Congress as to the system itself.

MR. MARTIN: But the decisions reflected by the
Director's testimony were his decisions, or whose?

MR. RODERICK: The systems decision, approved by the
Director and the Attorney General.

MR. MARTIN: What I am reaching for, pursuing questions
that have been asked, is what really as a practical matter is
the inhibition on the system's changing at its own initiative
as it came into being without sitting back and saying, "We can't
do anything until Congress acts." You create the impression that,
unless Congress acts, your hands are tied.

MR. RODERICK: No, I wouldn't say they are tied.

Let's use as an example that the entire criminal justice com-
munity recommended that these records, any record, be taken
out of the system after a period of 10 years had elapsed, and
no record be retained at the national or any other level.

This recommendation would come to us. We would con-
sider that, put our recommendations on it, and go to the Attorney
General. It would be his decision as to whether we could at this
point in time do this or whether it should go to Congress for
consideration.

MR. MARTIN: Even though you are talking about a
national system, and I have always perceived the FBI as proud
of the fact that it is a leader in these matters, not being
pushed about by the 50 states. The way you have characterized
the process, it seems to me to be out of keeping with what the
realities are.

MR. RODERICK: No.

MR. MARTIN: If the national government, the Justice
Department, the FBI chose to exercise leadership to cause this
system to have certain characteristics, are you suggesting that
it couldn't by that process achieve the result which it wished to without congressional support?

MR. RODERICK: No, the final decision as to what is going to take place on the system today would rest with the Attorney General, providing it was not contrary to existing legislation.

Now, I don't -- you talk about leadership. I hope that our users consider that we have exhibited leadership. I think they do. But we also are very proud of the fact that we have developed this system and it is the first functional system that has crossed local, state, and governmental lines through cooperation, and we have deliberately planned it that way, so that we would have full user involvement in the development of the system, a system that would meet their needs.

Because, after all, the local, state police and criminal justice agencies are the people that need this information, and we did not set out to develop unilaterally a system that we will shove down their throats. We won't do that today.

But, by the same token, I use the term advisory policy board. It is an advisory policy board. They will recommend to us policies, and we will certainly consider their views. If we have opposing views, we will also make those well known.

MR. MARTIN: So there is a fair margin of opportunity to act without congressional authority?

MR. RODERICK: I would say providing it is not contrary
MR. MARTIN: And I think you said earlier there were no obstacles to any of the actions that were being explored in legislation today?

MR. RODERICK: No.

MRS. GROMMER: Mr. Ware, and Senor Anglero?

MR. WARE: Given the sensitivity, at least in some people's minds, of the data you deal with, and the psychologically chilling effect that the existence of your system even has, I guess you have gone out of your way to monitor and find out how it performs, and now you have five years of performance.

The question is, what do the records show on system leakage? How many times has information gotten where it shouldn't have been? How many times has the system unauthorizedly divulged information?

MR. RODERICK: As far as the criminal history file, we have no reports or allocations of any misuse of information obtained from that file. Now that, of course, has been operational only seven months.

On the other files, the wanted persons, the stolen property files, we have had -- oh, I believe, two or three instances. Actually, they did not involve misuse. It was misidentification of the individual, really the fault of the users, because the fact that a stolen report exists or a warrant exists cannot be really misused to any extent.
MR. WARE: I wasn't thinking of the user doing something wrong. I was thinking of the system voluntarily giving information to the wrong person.

MR. RODERICK: The only time we have had misdirection on traffic is on multi-drop lines where we had two or three instances where it went to the wrong drop. But, being completely dedicated in our communications system, we never had any problem with the information going to some other agency.

MR. ANGLERO: Mr. Roderick, before I heard you talk about planning, and you mentioned that planning is made through the state advisory board.

After the discussion, I feel that this kind of planning is a planning of the system, the planning of the NCIC. But you have seen here and because of availability of information, I see that you have a lot of information that is in some aspects socio-economic in terms of the individuals. And this kind of information could serve the planning agencies or administrative agencies that have to deal with crime prevention more than really dealing with crime as such, crime prevention and delinquency prevention and many aspects of that -- LEAA, and all these agencies.

And the problem at the state level for the agencies, given the relationship that I think exists between the FBI and the intelligence offices and state offices, what use is being given to the information that you have at the state levels for
these purposes of this kind of planning?

MR. RODERICK: Well, as I mentioned earlier, the
statistics, of course, are used by the FBI in publishing our
annual reports on certain criminal careers or follow-up on
careers. We have had other requests for statistics from which
the identities were stripped in certain areas. I mentioned
earlier that should any request be received, with identities
included, they would have to receive NCIC approval as well as
the advisory policy board, who would certainly look at these,
and it would be approved by the Attorney General probably, if
the request were that detailed.

We would certainly want to see it used to good advan-
tage, provided that the privacy issue was not violated.

MR. ANGLERO: In terms of aggregated information, you
do not prepare any kind of publication by state, let's say?

MR. RODERICK: Well, in our annual uniform crime
reports. These are strictly offense counts and arrest material.
Yes, they are published annually.

MR. ANGLERO: If I would like to know who is -- who
could be a law offender, what kind of the population, from where,
in order to make our delinquency prevention planning, how can
the FBI or this system help me?

MR. RODERICK: Well, the first document that would
be at issue extensively is the one I mentioned, the Unified
Crime Report. This system itself could not do anything to
benefit you to any great extent because of the smallness of the
data base. Eventually, as the system is developed, I think that
it would provide this type information, it would be of value.

MR. ANGLERO: Is it part of the planning of the
End Tape 4
system to provide for this?

MR. RODERICK: Yes, it is a statistical byproduct,
Tape 5
and we are using this in the annual publication, which is a very
derailed breakdown on arrest data by age and so forth, and this
will be used from the system. Right now, it is not, but it will
be used in the future from the system.

MR. GROMMERS: Mr. Impara?

MR. IMPARA: To go back to Professor Weizenbaum's
line of question for a moment. In terms of the way somebody
gets into the file. You indicated in the hypothetical situations
that he described to you that it would be up to the local agency
to examine a set of criteria to determine whether or not this
information should be — this record should be transmitted.

Are these criteria established by the local agency
or by the FBI?

MR. RODERICK: Well, as I mentioned, the criteria in
broad categories are created within the system, and we exclude
drunk, suspicion, investigation, these types of things.

Some states have mandatory reporting laws where it
is more specifically set forth as to what action would be taken
and Dr. Gallati can probably assist me on this as to who would
be printed in the State of New York.

There are specific categories, I am sure, that are included and excluded.

So it would differ from state to state in accordance with their state laws. Now, the contribution to the NCIC national file is a voluntary contribution. There is no mandate that any state will submit anything. So we are really accepting what the state is submitting in accordance with their internal practices and legislation.

MR. IMPARA: What I guess disturbs me slightly is the possibility of the different levels of the severity of crime that may be included.

For example, if I were in Florida, and if I were arrested with under 5 grams of marijuana, it would be a misdemeanor, and I would not get in the file. But in Texas, with the same amount, it would get me on your files. So the different states have different values.

MR. RODERICK: Well, this is very true, very true. And, as I say, we only exclude by category, and it does not depend on a misdemeanor or a felony, because what is a misdemeanor in one state is a felony in another state.

MRS. GROMMERS: Mr. Roderick, we have seen in a number of instances which, as I must say -- I am like Jane Hardaway, I am very pleased that the FBI is certainly protecting my rights and my family's safety -- we have noticed here, through a number
of systems which were set up for one very good purpose, and that probably because they weren't looked at from that point of view of privacy or confidentiality, certain improvements, let's say, might be made that would probably not be inimical to the purposes for which the systems were designed.

Would there be any mechanism whereby members of this committee or some other public advisory committee would work with your advisory board to try to negotiate some kind of confidentiality and safety implications that you by administrative decree --

MR. RODERICK: Well, I certainly think that really there hasn't been any coordinated effort in this area, among, to my knowledge, any groups. We have our security committee. Some other organizations dealing with computers have their security committees.

We would certainly welcome input from all of these committees, and, as I say, there is no formal arrangement for this, but, certainly, it would be considered, and, on an informal basis, we would welcome it.

MRS. GROMMERS: We could try and work this out then?

MR. RODERICK: Because through the interaction between this group and other groups, I am certain that there will again -- I don't like to keep falling back on poor old Congress -- but somewhere along the way somebody has to take a stand and resolve some of these issues.
MRS. GROMMERS: Well, what I meant was, with informal advice and certain points being made, perhaps by administrative action, some of these things could be organized without the necessity of going to Congress. We could work out some kind of mechanism. Could we go back to you for pursuing this further?

MR. RODERICK: That would be a good point to start with, right.

MRS. GROMMERS: Mr. Dobbs had a question.

MR. DOBBS: Simply a comment, which relates to the point that you are addressing. It turns out that in several places in the country at levels below the state, that is, the county and municipal level, there are springing up systems funded with federal money with characteristics which are very similar to the one just described, that is to say, systems which in fact at the local level contain arrest and/or criminal history information for use by local level law enforcement agencies, with probably not nearly the care and attention devoted to the confidentiality and sensitivity issues that we have seen here.

I just make that point in passing to point out that the problem is a broader one than we see in listening to the discussion of the NCIC's system, to the extent that the local agencies attempt to emulate the technology which is a viable one without a complete understanding of some of the byproduct kind of implications.

MRS. GROMMERS: Thank you. That is excellent.
MR. RODERICK: I have one comment. I agree 100 percent. You know, the legislation that is pending concerns LEAA-funded systems, but it is unlikely that this would remain to pertain only to LEAA funded systems, I would think, because if you enact legislation such as that, it should go across the board to encompass all systems in carrying out that function.

MRS. GROMMERS: Senator Aronoff?

MR. ARONOFF: Yes, if I am not mistaken, you and Dr. Gallati serve on a national committee or some kind or other -- I don't know the name of it.

MR. RODERICK: Mr. Chairman -- ?

MR. ARONOFF: I notice that Dr. Gallati was quietly sitting there. As I further understand it, the subject of confidentiality and privacy and so forth is occasionally discussed at the national level, too?

MR. RODERICK: Occasionally? It is a full-time job?

MR. ARONOFF: Although you don't have coordinated effort, obviously, you are beginning to get from all kinds of sources some of the same questions that are being put forth here in this committee. And just to reinforce the comment that has been made several times, it seems to me that internally, although you are not a policy-making organization yourself, you certainly can influence the course of the internal changes that can be made within your own system and the area of correcting data, expunging data, purging data, and a whole long series that
Arthur Miller could speak eloquently upon for hour on hour.

And I wonder whether that wouldn't be an obligation that you would have after leaving this meeting today to transmit this kind of feeling that committees such as this are wholly behind the purposes of crime detection that you have and don't want to deter that in any sense but hope that you will begin to develop standards yourself in the area of confidentiality, because really you ought to be experts in that area.

MR. RODERICK: Well, I would hope that the group here does not think we had not considered this problem before today. We have since discussing this file on day 1 back in 1966 considered this to be one of the most important aspects of developing any file. And the procedures and safeguards that have been established arose out of those deliberations.

So it is not a new thing. And contrary, Professor Miller, to some reports that may have come out in some of the trade publications, at no time was it stated in connection with this program that there would be no additional safeguards.

This was a prominent misquote that appeared in some of the publications a couple of years ago, which we attempted to refute. But there have been serious considerations ever since the program was even talked about that this would necessarily have to be the prime consideration.

MRS. GROMMERS: Mr. Muchmore? We haven't heard from you at all. We only have time for a couple of questions, of
no resolution of the charge whatsoever.

And we have had to go back to our own CIC in California in order to get that cleared.

Would you explain why this happens and what a person can do? What can an individual do?

We have an employee, as an example, who just went through four weeks ago, who came up with a suspicion of arrest, and it is still in the record although he was cleared within 40 minutes of the arrest. And yet it shows in his record because the local agency apparently transmitted it to you.

What can he do?

MR. RODERICK: What he should do is go to the local agency and ask them to request that record be removed and it will be.

I might comment a moment. The record you are speaking of is the manually prepared records that have been used for years and years and years. The very purpose of this program is to eliminate this problem. And the very purpose of the detailed record we have is to build a collection machinery to collect these dispositions to show a complete record, exactly what happened to the man. We don't want the garbage in there that we know exists today.

MR. MUCHMORE: Explain technically -- and this is a minor point, again -- I am curious because of seeing the look on that guy's face when I told him exactly what was involved --
what technically will your equipment now do that was not possible
in a manual situation?

MR. RODERICK: In a manual situation, of course, what
they would do is the police chief would mail the communication to
the FBI and they would take the record out of the manual file.
Today that would go to the state agency, directly interfaced
with our equipment, on a line system, removed from the terminal
in this state agency.

MR. MUCHMORE: So you are dependent upon someone else
for the clarification?

MR. RODERICK: Yes, in all instances we are dependent
upon the state agency responsible for the identification.

MR. MUCHMORE: Even though we come to you for that
information, sometimes directly to you, we might still get an
incorrect information because the state agency had not notified
you?

MR. RODERICK: Under the procedure, the state agency
should at all times notify us on-line. In other words, every
update to that state file also would remain on our file.

MR. MUCHMORE: The idea, of course, as I understood
the last meeting, is that the court systems don't cooperate
extensively.

MR. RODERICK: This is the problem, obtaining court
dispositions. We are advocating mandating court systems.

In the identification division, the Bureau has issued
documents along this line.

MR. MUCHMORE: To me, it is one of the most important things which you have, and that is expunction from the record of incorrect data for your own protection as well as the protection of the individual, and also it would reduce your operating costs and reduce the taxes and make elections, therefore, unnecessary.

MRS. GROMMER: Mr. Gallati?

MR. GALLATI: I wanted to follow up a little bit on what Don was bringing up. And the implications of it.

I think one of the things we have to keep in mind with NCIC -- CCH, is that it is very much dependent upon the states, and to overlook the dimension of the states themselves and what they do in terms of legislation and what they do in terms of the security and privacy and confidentiality is to ignore the basic fundamental problem.

Because the federal government can do so much, and they can control, for example, by federal legislation what is in and out of NCIC. But this does not mean that the states are going to necessarily be bound in terms of their record keeping by what NCIC is bound by.

For example, an arrest at a state level will be kept in the state files according to state law. Now, it may or may not be transmitted to NCIC. And data may or may not be received from NCIC.
But what is kept in the state files is up to state law. There is not anything that I can conceive of that the federal government would be likely to be able to control to any great extent through the concept of the use of LEAA funds. This is a new concept, in other words, because you have accepted LEAA funds, that the federal government therefore has some control over how you use those things which have been in some way affected by LEAA funds.

But there is still a tremendous role for the states to play here and a tremendous responsibility for the states. And as I think was brought out several times here by Inspector Roderick, to a great extent NCIC must depend upon the integrity of the state operations.

MRS. GROMMERS: Professor Miller?

MR. MILLER: I trust by now everybody in the room realizes that NCIC could perform one of the most magnificent functions of the 20th century law enforcement, not only in terms of basic crime, administration of criminal justice, but getting rid of or at least reducing some of the improprieties that exist under the rap sheet system where the percentage of non-dispositions is very high indeed and which you have these sheets circulating -- or have them -- with many people who had been cleared, who were not prosecuted, simply arrested.

And I assume you are achieving some success there. You are narrowing that gap between the arrest and disposition.
And as Bob says, clearly mandatory reporting laws and a variety of other prods on states to report to you would assist. But aren't there things you yourself do to increase or improve the batting average in getting dispositions into the record when they have been disposed of?

MR. RODERICK: On the current record, certainly, and this is part of the program to go back for dispositions after the expiration of a certain amount of time. We just talked about six months, 9 months. Nothing has been said, but certainly this will be a part of the program itself, to take a run, say quarterly, and see where you lack dispositions, go back to the agencies and say, "Here, you are, get these in."

We can't do that on current charges. The problem is the garbage, the older material that is in there, and it is a physically impossible task to go back and get it on each one, although the states are encouraged and some of them are doing it, that any time this man comes into the process currently they are going back and picking up the old disposition.

So it is being cleaned up. But I am saying you cannot -- it is a physical impossibility -- to go through the entire file and obtain all this information.

Now, bear in mind we have in our manual files roughly 20 million individuals represented by criminal charges under the manual file category, which excluded nothing. Under the computerized criminal history concept, we estimate we will have
no more than 5 to 7 million.

So you are in effect cleaning out the other large group of non-criteria arrests and this type of thing. And this will eventually purge itself.

But we are in a difficult time right now trying to go through the conversion stage.

MR. MILLER: Something that occurs to me -- I haven't really thought it through. At the risk of bringing images of Miranda, and all that jazz to your eyes, would it help at all if the individual at the point of acquittal or non-prosecution somehow were informed that probably a categorization, a file has gone forward on him and he has the following right to request disposition be indicated by pursuing a certain procedural pattern.

MR. RODERICK: Again, the procedure would involve the state.

MR. MILLER: Agreed. All I am saying is, would it help you clean up things if the individual were able to bring to the state authority the fact that this disposition took place?

MR. RODERICK: Certainly, because the state would then take it out.

MRS. GROMMERS: You could even do a pre-punched card. All they would have to do is bring it to the local agency and you could have a duplicate.
MR. RODERICK: Some would start --

MRS. GROMMERS: I am sure you could solve that security identity problem. Mr. Allen?

MR. ALLEN: This is back on the files that you indicated, part within the NCIC and the investigative files.

On the interaction between those that aren't in such as that one, and the operation of the NCIC, and the extent to which they are safeguarded by some of the kinds of policies that you describe here, can you tell us something about the form that they are in and whether, for example, NCIC members have access to such files?

MR. RODERICK: No, they do not. They are strictly a manual internal file and not accessible outside the bureau.

MR. ALLEN: They don't go out to California? If California made such a request?

MR. RODERICK: Not the investigative files.

MR. MILLER: Just to Jack Anderson.

MR. RODERICK: He is on a separate list.

MRS. GROMMERS: I want to thank you very much, Mr. Roderick. I think we will invite you to join us for coffee. And thank you, Mr. Lofgren, for spending this time with us this morning. We will follow up on our requests to you.

(Recess.)

MRS. GROMMERS: I want to read to you just quickly before we start who some of the people are who are sitting in
the back room, so that you will all know. We have a gentleman from Computer World.

We have a lady from the Institute on Law and Urban Studies.

We have a gentleman from Honeywell.

We have a gentleman and a lady from FCC.

We have a lady from the Office of the Secretary of HEW.

We have a member of the general public -- a lady.

We have a lady and a gentleman from the National Public Radio, and, for anyone who does not know it, this day is being taped as a program to appear on National Public Radio.

We have someone from the National Research Council.

And someone from the Retail Credit Corporation.

Computer Services of HEW and the Office of Education and the Bureau of Health Manpower Education.

You all have on your agenda the names of the people who are going to be presented. They are Mr. William Simmons, Director of the Student Loan Program, Bureau of Higher Education, Office of Education, Department of Health, Education, and Welfare; he is sitting opposite me in the center.

Mr. Harry Lester, Branch Chief, General Education Data Systems, Division of Automated Data Processing, Office of Education, Department of Health, Education, and Welfare.

Mrs. Alice Hansen, Chief of the Reports and Analysis,

Mrs. Carol Wennerdahl, Administrative Director, Illinois Guaranteed Loan Program, Deerfield, Illinois.

I am missing one person's name who is here on my list.

MR. SIMMONS: Mr. George Matthews, who is with the Chief of our Processing Section in the Division, and Edward Nasel, who is also with the Division of Automated Data Processing with Mr. Lester. They are just to my left and rear.

MRS. GROMMERS: Thank you, very much, Mr. Simmons.

I have told Mr. Simmons and the other people from the Office of Education that our method will be that if they will give us a short, really short presentation, really a highlight presentation, that we will in our questions try to elicit some of the more specific information that is not available in the checklist-type questions.

And that they will try to make their initial presentation brief, and then we will direct our questions to specific points of interest.

Mr. Simmons?

MR. SIMMONS: Thank you very much.

Let me say also that we appreciate the opportunity and we appreciate your invitation to have us with you today to talk about the Guaranteed Student Loan Program.
I think first it might be well that I sort of attempt to identify where the Division of Insured Loans stands within the bureaucracy, within the Department of Health, Education, and Welfare.

The Division of Insured Loans is a part of the Bureau of Higher Education, which is a part of the deputyship for higher education under the Commissioner of Education within the Office of Education. And, of course, a part of the Department of Health, Education, and Welfare.

We do have with us, as was mentioned, Mrs. Carol Wennerdahl, who is the executive director of the Illinois State Guaranteed Student Loan Program, who will speak with you also from the standpoint of the state agency.

For a moment, to give you perhaps a little overview of the program and something about the scope and magnitude and growth of the program, when the program was authorized by the Higher Education Act of 1965, which was signed by President Johnson on November 8, 1965, there have been a number of amendments during that period. We have just gone through that process recently and, as a matter of fact, there was activity in the House of Representatives as late as two o'clock this morning; perhaps on the floor of the Senate this very moment some more things are being done.

But this has sort of been a way of life with us.

When the program first began, the law asked the Commissioner,
instructed the Commissioner of Education to encourage state or private, non-profit guaranteed agency programs. Our first effort was to establish such programs, state or private guarantee agencies throughout the United States.

That was done in early 1966 -- mid-1966.

The law provides also that, if a state could not provide a program of state insurance, for various reasons, lacking resources in some cases, others where there were constitutional prohibitions under state law, it did provide a program of federal insurance.

So, today, without going through all of the details of how we came to where we are, we do have across the country 26 states that are operating by state agencies or by private non-profit agencies. We have 28 states that are serviced by the federally insured Student Loan Program.

Now, I know that 26 and 28 equals more than 50, but we accord under this program state status to the Commonwealth of Porto Rico, the District of Columbia, American Samoa, the Virgin Islands, and the trust territories of the Pacific. So we come up with more than 50 states for this program.

We think this program has had remarkable growth. We are today at the point where we have insured something in the neighborhood perhaps exceeding five million loans. This involves $4.6 billion.

Participating in the program are approximately 20,000
lenders. These are banks, savings and loan associations, credit
unions, insurance companies, some of the educational institutions
or lenders.

We have in excess of 8,000 educational institutions
participating in the program or that are eligible for their
students to participate.

We have some 500 of those schools located in some
55 foreign countries. So the program has grown, we think,
rather remarkably, not only in dollars. This involves something
in excess of three million individual students who have been
able to obtain financing through guaranteed loans.

The growth this past year ending June 30 -- our
fiscal year -- we insured approximately one billion, three hundred
million dollars; this was our second billion-dollar year, the
first being the prior fiscal year.

As I mentioned, we are at the point of $4.6 billion
and going at the rate of something in excess of a billion dollars
a year.

The program provides that any student who is attend-
ing or has been accepted for enrollment and is in good standing
in an educational institution, one of the eligible institutions,
may borrow to finance his education.

Prior to June 30 or prior to July 1, the maximum
for an academic year was $1500; the total aggregate was $7500
during the college career or educational career, because we
service trade, technical, business, vocational schools as well as colleges and universities.

That legislation was adjusted on June 23 by new legislation which became effective about eight days later, on July 1. We have had some difficulties. I don't know that some of you may have heard about it. As a consequence, President Nixon sent a message to the Congress the day before yesterday asking that they adjust the legislation.

The Senate responded immediately within probably 30 minutes, rolled back some of the provisions. The House responded last night or this morning -- I think it was around 1:30 or 2:00 a.m. -- Mrs. Wennerdahl called me at 2:00 o'clock to let me know about it.

We will go back to the Senate, we hope about this hour, so it will be adjusted so we can get the program moving again.

But I think in the area of your concern -- and certainly we share that concern -- we have a considerable data bank, as I mentioned, involving 5 million loans, 3 million individual students, 20,000 commercial lenders, and 8,000 educational institutions.

I hope that gives a rather brief overview of the program that we are involved with, something of the scope and magnitude of it, and perhaps it would be well if I asked Mrs. Wennerdahl to fill in any of the areas that I might have
overlooked and speak to you from the state standpoint.

Carol, would you like to add to that?

MRS. WENERDAHL: Thank you, Bill.

Bill explained to you a little bit about how the state agencies came into being. I would like to emphasize that even though the state agencies are run by the state, we also have a very close connection with the Office of Education.

We are both responsive to the Higher Education Act of 1965, as amended. As Bill told you, back at that time, the Act encouraged states to start their own state agencies. Many of them did. We have 26 of them now.

Although my agency is a state agency, and it is governed by a commission of seven people appointed directly by the governor, and perhaps I should hesitate here, and say that while I am not unique, not all the other state agencies are necessarily structured the same way. Some of them are under their boards of higher education, some of them are private corporations, working within the state.

In my particular case, the governor set up an independent commission and that commission in the state is charged with administering two major financial aid programs. Our gift assistance program and the program that I am responsible for, which is the student loan program.

Under the Higher Education Act, in exchange for meeting certain criteria, the federal government offers certain benefits
to the students of our state. To amplify on that, in other words, if we would offer loan amounts of a certain nature, at certain interest rates, to be repaid within certain repayment provisions, the federal government said we will pay the interest on behalf of certain of your students, we will reinsure a portion of the obligation that you bear as insurers.

And so in a way my particular job sits and faces two different pieces of legislation. I work under the Higher Education Act of 1965. I also work under our Student Assistance Law in the State of Illinois. Thankfully for me there is no conflict there at all.

We also have a fairly significant data bank, with approximately 125,000 students now. Our specific use of this data -- and I am not going into a great amount of detail now, because I was delighted to learn from those of you that I spoke to that you would much prefer we respond to questions rather than take the chances of getting at what we think you want to know -- but to give you a brief idea of what we use our data for, the prime use of our data bank is for determining student eligibility.

The student application form comes in, which is our document. The computer goes through the specific routine eligibility checks required of our state, required of the federal government, and we use the computer as a medium for transmitting this information through printed output back to
the student, notifying him of our approval of his application, 
the school of his attendance, and the lending institution, and 
this particular piece of paper serves as our notice of guarantee 
to the lender, which in effect tells the lender that if this 
student cannot, or will not in some cases, honor his obligation 
to repay you at a future date, in my case the State of Illinois 
will insure or reimburse you for 100 per cent of the principle 
and interest and some late charges.

Beyond that, the main use of our data bank that we 
do keep is for reconciliation with our lender files and for re-
search purposes.

And I do have some description here of the information 
we contain in our files that I will be happy to pass out when 
you feel the time is appropriate.

MRS. GROMMERS: You might just mention that.

MRS. WENNERDAHL: Would you like me to go through it? 
Let me pass these out down the line immediately. It is much 
easier for me to refer to something that you have in front of 
you.

You will notice I have broken down the data by 
groups, trying to give you an indication of what we feel is 
the major use for each field that we contain on our magnetic 
tape records. These are in some cases groups of information. 
For instance, student identification, name and address is 
separate fields. Separate fields for zip code, state, et cetera,
but I have included that all under address.

So the tape record does contain more fields than this but within student identification alone it contains 70 or 75 digits of information, and I have tried to make it as brief and as easily read as possible.

Beyond the student identification, the eligibility criteria is the critical information that we must have on our application form before we can process it to the extent of learning whether or not it meets the minimum eligibility requirements that the state and federal statutes require.

The citizenship code is merely a "yes" or "no."
The law requires that for eligibility in our program the student be a citizen or permanent resident of the United States, and this must be indicated to the computer.

Total educational expenses, total financial aid.
The law requires that we not insure a loan which exceeds the amount of the student's educational expenses, because the law does require that these funds be used solely for that purpose.

Therefore, this data is entered into the file and one is subtracted from the other, and the computer will limit our guarantee, if not further limited by another item, to the total educational expenses minus the student's financial aid.

Of course, the amount the student requests and the amount the lender would care to lend or approve also is a limiting factor that must be taken into consideration.
School and lender code numbers are merely there for the computer to look at this information and search its files to make sure we are dealing with eligible institutions.

And then the academic year of the loan is incorporated because we have maximums for individual academic years that must be indicated.

The computer stores -- I am going to the second column for a minute -- computerizational output. It will store the amount it has approved for this loan that we are currently approving. It will give us an amount approved accurately because this will have an effect on future applications, and we do have aggregate maximums that the student can borrow.

We have fields for reduction or rejection codes in case a student does not obtain the full amount of the loan he requests. It can either be reduced or the eligibility criteria might indicate that it must be totally rejected.

Our output form does write on there for the student’s information why the computer had to reject his application or reduce the amount he requested. This is stored in code form on our tape record.

The date of first guarantee, the date of last guarantee, and the date and type of last record activity.

We also keep some critical information on student status, update entries, date their repayment begins so we will know the student has converted from in school period to his
repayment, the amount he has repaid, and we have a one-digit field which gives a status of the account, tells us whether the student is in school, on deferment, out of school but not currently paying for reasons of military, et cetera, whether it is totally repaid, whether he is in his repayment process, et cetera.

Then you will note that we also pick up on our application some data that we use for statistical use only.

Now we do summarize these statistics by total agency statistics. We also run a profile once yearly on each one of our schools and each one of our lenders to see if there is any odd pattern that is occurring.

As far as my memory serves me, none of this statistical data is ever printed in detailed form for any output, given to anybody other than a summarization.

Student's marital status is summarized. His race.

His county -- which we use interchangeably with zip code for a geographical analysis within our state.

Dependency type -- this merely indicates to us yes or no, whether the student is dependent upon his parents or emancipated.

The date of birth, so we can get an indication of the age of the borrower populations we are dealing with.

The student's sex, the term of the loan which for my purpose we merely summarize to see how many of our students are borrowing for just one semester, whether the majority are
borrowing for the full academic year, whether it is a summer
school loan, what academic term is this loan for.

The other guarantors -- we have a question on the
application to ask the student if he has another educational
loan outstanding. Occasionally this can be critical information
because the federal Higher Education Act requires that we not
guarantee in excess of $1500 a year for one student.

Now there are many agencies covered under this Act.
And this question on our application will tell us if perhaps a
student has another guaranteed loan through another guarantor
for the same academic year.

It is quite rare that this happens, but we must ask
this information. We do keep a record of it. Mainly it is for
our statistics and interest.

The student reported grades. I would have to tell you
this is probably one of the best pieces of fiction I have ever
read since Grimm's Fairy Tales, but we do ask the students to
give us an indication of what he feels his grade level is -- A,
B, C, D, or failing. Or he has not had any college record to
date.

This is not critical information. We would not send
back the application if it was not completed, and basically
what it serves is to provide us a source of humor occasionally
when we do look at our summarization, because we have come to
find it is totally worthless.
The inter-subsidy eligibility of the student. I told you earlier that the federal government under certain circumstances -- and these circumstances were prior to June 30, and we are waiting to see if these circumstances change the minute that the Senate moves within the next hour -- basically if the student's family income as adjusted by a $675 exemption for each taxable IRS exemption, and a straight 10 per cent deduction, is less than $15,000, the federal government has been paying all the interest on behalf of the student while he is in school. Then the student assumes his interest obligation during the repayment period.

We do carry on our records for our statistical use whether or not this student is eligible for federal interest benefits. Then we do carry on our records that adjusted family income figure that qualifies the student for these interest benefits.

Now I must emphasize to you that this income figure is the income figure of the parents. The parents are not identified in any way on our data records. On our magnetic tape file.

So there is no way that this could be used for other than statistical purposes, because there are no parent social security numbers, etcetera.

Our main interest is to find out if we are adequately serving the low-income students, if we are adequately serving
the middle income student, how much of the higher or higher-middle income students we are serving.

   Basically, that is it. I will yield back to you, Bill, for questions.

   MR. SIMMONS: I think if we have questions at this point, we will do the best we can to answer them for you.

   MRS. Grommers: I would like to start with Professor Allen.

   MR. ALLEN: I pass for the moment.

   MRS. Grommers: We will come back to you.

   Mrs. Lanphere?

   MRS. LANGEHE: Yes, I have one question.

   In reading the memorandum you have, in regard to the confidentiality of the student records, a pledge of confidentiality is not made, is that correct?

   MR. SIMMONS: Well, the records that we maintain, you mean is there a written certification on our form pledging confidentiality?

   MRS. LANPHERE: Either that or verbal. Do they have the understanding that these records are confidential?

   MR. SIMMONS: There is no written phrase of this sort. This come through a commercial lender. It is sort of just a sort of basic of the industry that they do not disclose. They would be subject to penalty for disclosure of that sort under state statutes.
tell the youngster to get their money some other way, they don't want the government to have all that information. This is the complaint we hear in the state.

Now if in fact you do not retain those records on the family in detail, why then do you ask for the Social Security numbers and why did you ask for some detail on the family if you do not retain that?

MRS. WENNERDAHL: I am afraid I misled you. The interest subsidy eligibility -- these students must qualify on our application, which happens to be a federal form and does require students' parents to list their income, name, and Social Security number.

This is merely a form collected by our lender in my state and passed on to the federal government who is paying the interest benefits, to determine student eligibility. I never see that.

The only information that comes on the form I get happens to be an adjusted family income figure.

MRS. HARDAWAY: That is my concern. I wanted that distinction made. That you may not retain that in your state but it is, in fact, retained at some point, is it not?

MR. SIMMONS: Perhaps I better take up from that point where the federal government becomes involved. We do ask for it, to determine the adjusted family income, that the family report from their prior year's income tax what their
adjusted gross income was. That comes generally I think from line 11 of the prior year's Form 1040.

From that, they subtract 10 per cent and also $675 for each exemption permitted by the IRS.

They arrive at a net figure. If that is less than $15,000, we pay the interest benefit for them. If it is $15,000 or more, they may get a loan, but they pay their own interest from the inception.

When you say whether the mother and father are working, if it be a joint income tax return, only one has to sign and indicate the Social Security number.

We think we do have to have this because this involves a considerable liability on the part of the federal government and the law specifically states that those under $15,000, we pay the interest for, and we must have some signature. We go no further behind that than just the figure and the signature that that is what they earn. It does permit the federal government to take a look at their income tax return if there be some question about it, because again in paying 10 per cent interest and you may have a thousand each year for four years, and that may run for six years, that runs into some federal responsibility for payment.

But the only figure we really use from that in recording in our computer is -- well, we do record the adjusted and gross family income, not identifying them by name, just for
statistics, to see what portion of our loans, so we can make
some sort of a forecast of what we are going to require by way
of appropriation.

MRS. HARDAY: I understand that, but that is not
my question.

My question is, once I fill that out, I am of course
giving it to you willingly because if I want my youngster to
have that loan, I must fill that out.

What I am asking is, where do you retain it? Do
you in fact retain it and when in fact do you expunge it? When
is it gone and what do you do with it in the meantime that
concerns my Social Security number.

MR. SIMMONS: I think I will ask Mrs. Hansen from the
Reports and Analysis section to respond.

MRS. HANSEN: I wanted to add a few things. Yes, we
do require the appropriate Social Security number in the event
the total family income has to enter into the determination for
interest eligibility.

Now on our forms -- the 1154 form for the federal
program and the 1070 form for the state agency phase of the
program, there is a question concerning total family income
which must be considered and where all signatures are required.

Now if the student has not resided with the family
during the preceding 12 months or has not been claimed as a
dependent for federal income tax purposes, or has not been the
recipient of an amount in excess of $600 from one or more of
the parents, the family income then only becomes the student
income. In other words, that student is independent.

Secondly, in the event the student must report all
of the income of his family, we do require the Social Security
number of each parent in order that we may go back to the
Internal Revenue to verify. But we do not capture that in the
computer. We only capture the Social Security number of the
student.

We then retain copies of the reports which are
filed with all our other source documents. But we do not, as I
say, put this information on magnetic tape.

During the past year, we have gone to Internal Revenue
for the purposes of determining whether or not people are
reporting income on these forms as they are reported on the 1040.
So we have used the information that we have been requiring.

MRS. HARDAWAY: I am sorry I have to ask my question
again. Do you retain that? I am not talking about computer
or hard copy?

MRS. HANSEN: Yes, we do retain this information.

MRS. HARDAWAY: For how long and how do you use it
while you retain it?

MRS. HANSEN: We have retained all the source documents
since the inception of the program. Would you like to comment,
MR. LESTER: I think really if you go into a collection that calls for or needs information on people, and the parents, you have that information available to you.

MRS. GROMMERS: I believe you are saying it is never expunged, is that correct?

MRS. HARDAWAY: You are saying it is always there?

MR. LESTER: On the actual form itself. It is never put into the system itself. Of course, being on the application, as long as you retain the application, it is there.

MRS. HANSEN: Let me say because of the relative newness of the program, which really started just in 1966, for this reason many of the loans are just entering into matured status. That is where there is an obligation to repay. And some of these loans will or have gone into default.

At that time, it is often necessary to research all the related documents for that particular borrower.

In such cases, we can go to our store area of the source documents, the 1070, the 1154, to get all the appropriate information.

MRS. HARDAWAY: May I ask, Madam Chairman, that this application be made available to this committee. It is a most -- do we have that?

MRS. HANSEN: I furnished some copies of our application.

MR. SIMMONS: I think you have the federal application,
and the 1070, which is used by the state agencies, which has
the identical information. Now the states have a little dif-
ferent form.

MRS. HARDAWAY: Let me ask my question again.
What do you with that parent's financial statement
while you are retaining it?

Does Internal Revenue ever come in and look at that
very detailed application?

MR. SIMMONS: No. Only where we feel that there
would be some question. I might add this has been extremely
rare.

We did some checks with some 300 with Internal Revenue
Service this past year -- a very small percentage -- about one
per cent, Alice? -- we found differences.

MRS. GROMMERS: Mrs. Hardaway is asking the opposite
question. She is wondering if Internal Revenue comes and looks
at your files?

MR. SIMMONS: No, they do not.

MRS. HARDAWAY: Is that a matter of written policy
or only because you feel they should not?

MR. SIMMONS: They don't come and inquire. It would
go the other way. We would inquire of Internal Revenue. We
never had Internal Revenue -- I would suppose if it became
significant to Internal Revenue because of a tax matter, they
may want to take a look at our records.
MV-100

MRS. HARDAWAY: Is there a written policy that would govern that, or would you make that decision at that time?

MR. SIMMONS: We have no written policy. If it ever developed, we would certainly develop a policy on it. We have no written policy. We have never had a request from Internal Revenue.

MRS. HARDAWAY: Do you have any plans of expungement of those types of records at any certain time?

MR. SIMMONS: Certainly when the loan has been paid and possibly within three years after, following total liquidation of the obligation, certainly we would destroy the records. I see no reason to keep them in perpetuity.

MRS. HARDAWAY: There is no written policy that they will be expunged at that point?

MR. SIMMONS: There is a policy, and I believe it is three years following the use of that record, and after it becomes no longer of any significance at all, then it would be destroyed.

MRS. GROMMERS: Thank you.

Senor Anglero?

MR. ANGLERO: I was looking through the information we have from the staff, and from your application, the federal application, and I figured out that you got -- it says somewhere that if it is lower than $15,000 the people are eligible for help.
Do you have any idea of the income brackets of the people who are actually -- of those applicants and those who are beneficiaries?

MR. SIMMONS: Of what income categories we serve?

Yes, we do.

Alice, do you have those figures? We can quote them. If we have copies, we will be glad to provide you with them.

We have the national averages, which include state and federal, and, of course, they vary geographically, I suppose you might say.

We select this information both from the gross income and from the adjusted income. Let me, if I may, run through these.

Zero to 299, or under $3,000 adjusted income, 24.2 per cent of the student borrowing comes from those with less than $3,000. Gross, that amounts to 10 per cent. The adjustment makes a significant difference.

In the $3-6,000 adjusted, 21.8 per cent; of the gross 14.6 per cent.

$6,000-$9,000, 22.7 per cent; adjusted.

$9,000-$12,000, 17.8 per cent; adjusted.

$12,000-$15,000, 10.2 per cent.

$15,000 and over, 3.2 per cent.

So we sort of look at it that the program has accommodated a heavy percentage in the lower income categories.
MR. ANGLERO: This is somewhat a follow-up to the same question. How did you assess or how conceptually can the whole program assess the potentialities of an individual?

MR. SIMMONS: Potentialities of an individual?

MR. ANGLERO: Yes, economically, and in terms of future performance, and in terms of investment.

MR. SIMMONS: In terms of investment -- I think that would be an individual judgment.

I don't think there is a better investment than education.

MR. ANGLERO: In terms of conceptual framework of the whole program, not each individual. It is headed towards some kinds of individuals? Are you trying to help the intellectually privileged? Are you trying to help through the framework those who are less privileged in terms of trying to get a balance?

MR. SIMMONS: Let me make an effort to respond to that, and if I don't do it properly, let me know.

The program originally conceptually was to accommodate the middle income categories. We have a number of other programs, educational opportunity grants, National Defense student loan programs, and many, many others, all targeted at the dire needy.

This is the one program that is across the board, regardless of income, where they may participate and borrow from a private commercial lender.

And I might point out that this is private money. We
have no money to lend to anybody. We only pay interest on it and insure it, and we charge a premium for the insurance. But it is across the board. And one of the reasons we have been very much pleased, when I mention the under $3,000, 24 per cent of our students are in that category, and we have been pleased, of course, that the commercial bankers and savings and loan business men have accommodated people from those income categories. I don't think at the outset that many people felt that that would happen. We have been very much pleased that it has been across the board to the lower incomes as well as the others. But it has not been a program that has been targeted to any particular income group. We like to keep very detailed records as we go as to sex and race and income and year in school and age groups to see who is being accommodated under the program. Where we feel that from this data that a certain segment of our population was not able to take advantage of it, perhaps there are things that we can do to see that they can have the advantages to. I don't know if I responded.

MR. ANGLERÖ: Very good. Thank you.

MRS. GROMMERS: Mr. DeWeese?

MR. DE WEESE: I am afraid I am going to have to pass this. I already jeopardized my chances to become an FBI agent,
and I have to keep my student loans.

No, that is very facetious. I do have a couple of questions. I guess I find my grades as humorous as you do.

Do the banks, if a student defaults in a loan, do they supply this information to the credit bureaus the same as they would an ordinary loan, even though they are paid by the government?

MR. SIMMONS: I think this is a matter for the individual policy of a commercial lender, whether a bank or whomever might make the loan. I would expect, in my experience over the years in working with banks, that they probably wouldn't supply that to the same extent they would an unsecured loan, because it is an insured loan.

I think many of them, -- again, it depends on the policy of the bank as to whether they provide the credit bureau with this sort of information.

MRS. GROMMERS: Can you give us any information about that particular point, Mr. Keating, who is here somewhere from the Retail Credit Corporation? Are you still here?

MR. KEATING: I couldn't hear you.

MRS. GROMMERS: We were wondering if you could give us any information on Mr. DeWeese's question, which was whether or not, if a student defaulted on the loan, it would be supplied to the credit bureau?

MR. KEATING: I think the question has been answered
by him. It would depend on the bank policy. I would say in large measure, no.

The credit bureau would have no reason to have it. They don't want it either.

MR. MUCHMORE: I would disagree. If we were asked, we would include a student loan as any other type of loan. It would have to be a specific case. We would not mail a list to a credit union of all of those that defaulted -- of which we have a great number, by the way -- we don't like your program.

MR. DE WEESE: Because it is 100 per cent guaranteed. You get paid.

MR. MUCHMORE: The process in collecting it, the loss factor, the timing, the 7 per cent guaranteed interest becomes in reality about 5 per cent interest. We automatically make a number of loans in this category on an executive committee decision at the beginning of a year, assuming that that is our function to do some of this type of thing, and we set a certain number of dollars that we are going to loan to that. We don't like the program, but we feel we should participate, and we do.

MR. MILLER: The voice of the public spirited California bank.

MR. MUCHMORE: Who unfortunately has to stay in business in order to pay interest.

MRS. GROMMERS: Mr. Ware?
MR. WARE: Nothing.

MRS. GROMMERS: Mr. Dobbs?

MR. DOBBS: I have one question which has two parts. The first one is in terms of the eligibility checks for information which you do collect. Do you routinely check everyone whose adjusted gross income is in fact under $15,000, or do you sample that?

MR. SIMMONS: No, it has to be done on an individual basis.

MR. DOBBS: So any applicant then will go through the IRS file check?

MR. SIMMONS: There is no IRS file check. It comes merely in to us, and if that figure is less than $15,000, they are eligible. If it is $15,000 or more, they pay their own interest.

MR. DOBBS: Okay. When it is under $15,000 is that not the time at which you try to verify that income figure?

MR. SIMMONS: No.

MR. DOBBS: You don't ever do that?

MR. SIMMONS: Oh, we did this past year. Now, after about six years in the program, it occurred to us, and we had some task force say, "Are you paying interest for students from families with $50,000 incomes?"

We said that our reports showed that it is $14,500. We did a sampling check and we found a very small percentage --
I think it was one or two per cent --

MRS. HANSEN: 1.6 per cent.

MR. SIMMONS: But we had some reported on federal income tax of $35,000. They had different figures here -- down to $14,500.

Now our application, as you see, carries a standard government phrase for failure to report correct information because what that brings about -- in taxpayers' money, if I may add -- paid on behalf of someone who does not qualify under the law --

MR. DOBBS: I understand the purpose. I am trying to find out specifically if it is done on a sampling basis rather than everyone.

MR. SIMMONS: Oh, yes.

MR. DOBBS: If that in fact is the case, and is used for purposes of your monitoring, why does the lending institution have to capture that same information?

MR. SIMMONS: Well, the lending institution accepts that information and sends it to us, so we may determine whether it is eligible for benefits, and whether the lender may bill us for interest benefits.

MR. DOBBS: There are in fact two forms. One the lender supplies and one the student supplies.

MR. SIMMONS: No, it is a form in the federal program, a four-part snap-out form.
MR. DOBBS: What is the difference between the 1070 and the 1154?

MR. SIMMONS: The 1154 is used in the federal program. It is longer, as you see. It has the regular application form, and we have printed into that the 1070. The same information.

State agencies have their own application form, but they use 1070 which supplements that and which comes to us to supplement the report of income, because we pay the interest, whether federally or privately or state agency insured.

MR. DOBBS: I am sorry I seem so dense, but there are two separate forms, as I understand it, both containing the same kind of information essentially.

MR. SIMMONS: That is correct.

MR. DOBBS: They are collected at the single point in time.

MR. SIMMONS: I think we better go back. The 1070 is the same as the 1154. The 1154 is used in the federal program, the 1070 is used by the state agencies.

It is true that the 1154 information and the 1070 information both come into the Office of Education. It is reported to us that is the basis upon which we pay interest benefits.

It simply tells us whether that adjusted family income is less than $15,000, or $15,000 or more. If it is under,
we pay the interest. The lender is still insured by the state or federal government.

MRS. GROMMERS: Are they both ever filled out on the same applicant?

MR. SIMMONS: No, no.

MR. LESTER: They are different borrowings.

MR. DOBBS: The lending institution does not have access to this?

MR. SIMMONS: Yes, the lending institution -- it is given to the lending institution and they sent it to the federal government, to avoid as much paperwork as we can.

Under the state agency program, some have incorporated into the state application. Others have state applications and they use this as a supplement to that, and it comes direct to us from the lender, because the lender is the one that bills us for the interest, so the lender sends it in to us.

MRS. GROMMERS: Do you have a follow-up question?

MR. MILLER: Yes.

If you look at the two sets of forms in the material the staff provided us, I think it will clarify Guy's problem.

The 1070 and the 1154 are technically used in different programs, but they are both under the loan program. Look carefully at the foot of the pages on the form 1070. You will see printed in the right-hand corner -- copy 1 is marked "OE Copy.

Copy 2 is marked "Lender Copy." Copy 3 is marked "Guarantee
Agency Copy." Copy 4 is marked "Student Copy."

Thus you should not be misled into believing there is one copy of the form. There are four copies of the form.

Leaving to one side the student copy, we have to be concerned with what happens to the other three forms, one of which goes to OE, one of which stays at the bank, and one of which goes to the guarantee agency at the state level.

Now, under the procedure adopted by the committee, unless the chairwoman allows me to pursue that, I will pursue that when it is my turn.

MRS. GROMMERS: The chairman will allow you to do so, but I think we had better come around to you.

Mr. Aronoff?

MR. ARONOFF: In view of this, I pass a half question to Professor Miller and a half question to Joe Weizenbaum, who will pursue Professor Miller's question.

MRS. GROMMERS: The Chair accepts the designation.

MR. BURGESS: I will pass a half also, so you can have a whole.

MR. MILLER: I think what Guy was driving at was the problem of how much information is created by this loan and where does it sit, and I think it is shown just on the forms themselves that the guarantee agency has a copy, the bank has a copy, and OE has a copy.

Now, let's put a couple of things together. Correct
me if I am wrong, Don. I say that knowing that I will be right.

Under Public Law 91-508, the euphemistically called "Banks Secrecy Act," this lender's copy which the bank holds, they are required by federal law to microfilm and maintain for five years.

That copy maintained by the lending institution and preserved for five years, and by the way, organized by Social Security number, is vulnerable to any court order, state or federal or local, issued to produce that lender's copy now in microfilm.

It is also vulnerable to any subpoena, lawfully issued by any state, federal, or local agency. And you all must appreciate that subpoenas very frequently are issued on an administrative basis, not by a court. An FBI agent, a state police agent, walking into a bank and requesting to see this filled-out document with all the data about income -- if the bank says, "I don't want to show it to you," that investigative agent can reach into his briefcase, pull out a printed subpoena, sign it, and hand it to the bank, which the bank will then comply with.

On the third level, there are now hearings currently before the Senate Subcommittee on Financial Institutions chaired by Senator Proxmire. I must admit I testified before that group on Monday as did the Justice and Treasury Departments and Jack Anderson. It is well known, well known, that because of peculiar symbiotic relationship between bank security officials and state
and federal law enforcement agencies, that in many, many
instances this lender's copy, filled out now in microfilm and
retained for five years, will be turned over to investigative
agencies, even without the minimal safeguard of an administrati-
drawn, let alone court ordered, subpoena.

Now I think that shoots down any notion that this
lender's copy on this 1070 is in any way secure from anybody.
It is open to welfare agencies, state police, local police.
There is testimony in the hearings that led to the Fair Credit
Reporting Act that in some instances it is open to private
investigators, credit bureaus, and quite obviously to Jack
Anderson, which has its own frightening characteristics.

Now turn to the guarantee agency copy maintained at
the state level. I would submit that this, too, is virtually
unprotected, under the existing rules, with regard to adminis-
trative subpoenas and the complete absence of any confidentiality
scheme at the federal level, let alone the state levels.

Here is that funny situation -- funny, ho, ho --
where the federal government pursuant to legitimate federal
business requires legitimate information to be gathered and
preserved but then fails to take the additional step and mandate
the protections for the federally created information.

The federal government has created this data, and
it leaves it at the mercy of anybody who can get at it under
state law.
The OE copy. The OE copy is at the mercy of the federal subpoenas. It is doubtful that any one like your friendly local sheriff is going to try to subpoena the OE copy. Why should he, when he can get it from the bank or the guarantee agency?

The OE copy, however, is probably vulnerable -- admittedly so. It is checked frequently with the IRS. But it is not the OE copy we are really worried about. We don't really even care whether OE computerizes it. That is not the danger point.

The danger point is the lender copy and the guarantee loan copy.

The student copy we don't have to worry about, because modern students are so sloppy that they will lose it the day after they fill it out.

MRS. WENNERDAHL: I don't know if it is going to assuage all your fears on this, -and I can't speak for all the states, but in my state I have not provided a school copy or guarantee agency copy. We just have the lender copy to worry about in Illinois.

MR. MILLER: I guess in 26 or 28 states this Form 1070 has to be filled out. The 1154, by the way, also has a lender's copy, an OE copy, and curiously a lender's file copy. The lender gets two of them.

MR. SIMMONS: That is when the lender sends the other
three to us, so we may issue the commitment on the upper right-hand corner, and they keep a file copy so when it comes back they can destroy the file copy.

MR. MILLER: They can't destroy it under federal law.

MR. SIMMONS: We ask that they send that along with the check to the educational institution.

MR. MILLER: The educational institution has one, too?

MR. SIMMONS: They may receive one, yes.

MR. MILLER: Another point of entry. That is overkill.

MRS. GROMMERS: Could I get a clarification on the amount of money we are talking about in interest? That is, what is the cost or the price for which these copies are now on file? If it was a 10 per cent interest rate or -- if it's only 1500 a year, that is the maximum. So that for four years that would be $6,000 and 10 per cent of that -- $600. Is that the maximum amount of money we are talking about?

MR. SIMMONS: You are speaking of the amount of interest annually?

MRS. GROMMERS: Per student. It couldn't be more than $600, could it?

MR. SIMMONS: Let me give you this. Last year we spent $192 million.

MRS. GROMMERS: I really don't want -- I want to know per student.
MRS. WANNEFORD: If a student borrowed the maximum under the program of $1500 a year for four years --

MRS. HANSEN: You have to think in terms of a freshman who borrows in each of his years as an undergraduate, and then goes on to graduate school, and then we didn't explain, but there is a grace period of 9 to 12 months after the student either graduated or drops out from school.

So you could be talking on the freshman loan of four years in school, his year of graduate school, and his year of grace period. That is six years at seven per cent per annum, let's say on $1,000.

Then you would have to look at each of his other succeeding loans. So it can get quite costly. About $11- or $1200 per student over the life of that loan.

Then in the earlier years of the program, any loan made prior to December 15, 1968, there was a three per cent subsidy during the pay-out period. So there would be partial benefits on those loans during the whole pay-out period which can run over 10 years.

MR. SIEMILLER: 7 per cent statutory.

MRS. HANSEN: I cannot exceed 7 per cent.

MR. SIEMILLER: Don could lend at 6 per cent.

MRS. HANSEN: Yes, he could lend at anything under 7 per cent.

MR. MUCHMORE: Just like you would work for $1.40 an
hour instead of $2.50.

MRS. GROMMERS: I would like to get some good figures -

MR. SIEMILLER: I wondered was that 7 per cent a
statutory requirement. Whether it had to be 7 per cent or
whether it could float with prime or it was up to the lending
agency to do less if they wanted to. We got the answer.

MRS. GROMMERS: Mr. Burgess?

MR. BURGESS: In Illinois, do you do any investigating
work with respect to the forms that are filled out? Do you
try to verify those?

MRS. WENNERDAHL: No, the income information would be
the only thing subject to investigation. We get nothing except
the adjusted figure for the total family.

MR. BURGESS: How do you know the students lie about
their grades?

MRS. WENNERDAHL: Because they are significantly
different from what the colleges across Illinois have told us
is the average grade of their population.

MR. BURGESS: How is that related to the loans that
are given?

MRS. WENNERDAHL: The grade information is totally
superfluous. At one time we decided to build it into the
system.

MR. BURGESS: I am trying to find out how do you
know that the grades you receive are not accurate reports.
MRS. WENNERDAHL: We have not investigated that on individual students, but it differs. Our statistics differ so totally from what the colleges say is the average grade distribution of their students.

MR. BURGESS: That is because you are dealing with a different population.

MRS. WENNERDAHL: Not really.

MR. BURGESS: You expect the parameters of the student loan group to be different from the parameters of the statewide college group.

MRS. WENNERDAHL: Not really.

MR. BURGESS: Well, you would. I mean, from the data he has already given us, we know the kinds of people who apply for student loans are different from the general population. That is 23 per cent of the students in the state are under $3,000 and in city colleges.

MR. WARE: That doesn't mean their IQ's are under 90.

MR. SIMMONS: These are national averages.

MR. BURGESS: Why do you get the grade information if it is not used in the determination of eligibility?

MRS. WENNERDAHL: Neither is sex, but at one time we thought it would be a viable way of sampling the type of student we would assist. We determined it is not much use. We have not taken it out.
MR. BURGESS: Why is congressional district required?

MRS. WENNERDAHL: It is not on our form. It is on the federal form, and I believe they use that for geographical distribution.

MR. SIMMONS: We don't gather it anymore. At one time, you know, we do have a Congress and some of them like to know what is going on in their districts.

We found that in the city of New York and Chicago, you walk across the street and you are in a different district, and the banks had to put in a map because the students didn't know what their congressional district number way.

We thought at one time we would ask them to put the name of their congressman in, and then we would be in trouble with the Senate, so we abandoned the whole thing. We don't ask the question anymore for collection.

MR. BURGESS: The only reason I ask the question is because I think the statement of eligibility is straightforward enough and yet the number of questions that would be required to determine eligibility would be much fewer than the number of questions in fact that the applicant has to respond to.

And I would suppose that those would be used for analysis purposes. Has any analysis -- has any thorough evaluation of the program been undertaken using the data that are not required for eligibility but for evaluation?

MRS. WENNERDAHL: I can tell you in your statement,
as I showed you on the list of the things we contain in our file, the data that is used for statistical use only, much of that is just printed out in one big print-out student population sample at the end of the year.

Some of it we like to sample or survey our schools and our lenders each year to determine what type of population they are lending to.

For instance, I have a format that is printed out for each one of my lenders that surveys this historical student profile, with their students' filings for new borrowers for the last 12 months. If I found out all of a sudden a lender had totally cut off low income loans in the last 12 months, this is nothing that I legally or authoritatively can do anything about, but it certainly is a point of information we would like to know.

What is happening in that geographical location to the lenders in specific cities? I could tell in the last year, for instance, if a lender has chosen not to loan to any female, and if 75 per cent of his loans historically were to females, it would be indicative of a change in that lender's attitude. It might be a change in management.

But we would like to be advised as to the pockets drying up in a state if it happens, or significant lending pattern differences in our state. Do certain types of students have an extreme amount of difficulty in certain areas of the state?
At that time we might be disposed to talk to our state bankers association and say, "We are having trouble in South Overshoe and let's have a meeting with the guys." And our statistics show in that area of the state this type of student can't get a loan. And this is basically what we use this statistical information for.

MRS. GROMMERS: Mrs. Silver?

MRS. SILVER: On this data, I have a couple of questions, one of which in view of what Professor Miller said is pointless on this data for statistical use only.

When you use this for statistical purposes, do you extract this information separate from the name and address and number of the students for statistical purposes?

MRS. WENNERDAHL: There is nothing that we print out with a student's number on it except two things. Number one, his eligibility -- the results of his eligibility determination. Our letter of guarantee that has his name and how much we have approved, the date we have approved it, et cetera.

And then once a year we print out a student reconciliation that goes to the lenders for status check and that has the name and address on it.

But statistics information is never printed by our program attached to student name in detailed form.

MRS. HANSEN: I was going to say that holds for the federal program, too. For any kind of statistical data, the
lowest level of aggregation that we do is at the county or down
to the city and presently down to the school level, but it is
strictly in terms of numbers, not by individuals.

As far as reporting that out from OE to the outside
sources, we have two basic reports.

One is the Loan Transaction Statement which goes out
monthly to lenders having activities, and the students' names
are reflected on this. This would be any new loans reported to
us by the lender. And we just then cite the basic loan informa-
tion, Social Security number, name, loan amount, and loan date,
and, in the case of the federal program, the amount of insurance
premiums that are to be collected by the Office of Education.

We also report out to the lender on the same document
the latest student status information reported to us by the
school, that is whether the student has dropped out or is less
than half time or has changed his status to study abroad.

This information is sent out so that the lender can
be aware of the fact that there may be a change in the status
of the student such that repayment is required to begin.

Now we get this status information by going out with
the second report that we have which lists individuals. This
is our Student Confirmation Report that goes out twice a year
to the schools, reflecting the Social Security number, name and
date of birth of all students who are according to our computer
file still at least half-time, and this is listed such that the
institution notifies us of any changes in the status.

And those are the only reports we have where the
individual demographic data is reflected.

MRS. GROMMERS: Mr. Muchmore?

MR. MUCHMORE: I have two queries. First, Mr. Simmons,
have you on a sampling basis ever gone or do you ever go to IRS
for verification of income standards?

MR. SIMMONS: Yes, we did this past year.

MR. MUCHMORE: Specific cases or groups?

MR. SIMMONS: We took what we thought was a representa-
tive selective sampling of the loans we had insured and sent
those to IRS.

MR. MUCHMORE: Approximately how many were there?

MR. SIMMONS: Alice?

MRS. HANSEN: Slightly under 1500.

MR. MUCHMORE: You checked the name, family income?

MR. SIMMONS: We pulled the application on them.

MR. MUCHMORE: And you sent that for verification.

Second, has your program or the state program ever
considered what many universities are doing, sending anybody who
applies for a need statement, sending along a sheet which says,
"Would you please sign this and this will authorize us to get a
copy of your IRS form from the IRS, and also send $1 along with
it so we can pay for it."

MRS. WENNERDAHL: As the state agency, as I said, we
are not responsible for any income verification. We are interested in telling our state government what sort of student they are serving. We collect this information. It is put into our computer. We have no way of verifying it, and so we would have no reason to go after the income tax form.

MR. SIMMONS: The 1070 and the 1154 both over the signatures authorize the Commissioner of Education to look into the income tax returns. It does not ask him to pay a dollar for it, but that is what the charge is. This time they didn't charge us anything, but next year I am sure they will.

MR. MUCHMORE: You are going to do it on a yearly basis then?

MR. SIMMONS: Well, we will do it whatever time we think it is appropriate. It don't think there is a regular schedule for that.

MR. MUCHMORE: I think that is a point that should definitely be made a part of the record.

The second thing that I think is important, one which is implied here, is that the colleges and universities are adopting a system under financial need statement which requires the filing or permission to request the total income tax form filed by the parent the previous year. That becomes the property of the college, and the college in my opinion can make use of that for anything they want to do because it becomes a loose document once it reaches the college administrative headquarters.
MR. SIMMONS: That is new legislation.

MR. MUCHMORE: Yes.

MR. MILLER: Am I still entitled to a question?

MRS. GROMMERS: Okay, yes.

MRS. HANSEN: May I add one thing? I did want to say in terms of our requirement for income, I mentioned about the inclusion of parental income with a question -- with the answer to those three questions. We have found that roughly 25 to 30 per cent of our students are classified as independent. So this would have some impact on what we are talking about with the total population required to submit all income information.

MR. MILLER: A certain number of those loans go bad and under the guarantee structure they end up on the back of the OE.

How does OE -- what procedures does OE have for the collection of these delinquent loans?

MR. SIMMONS: Under the federally insured portion of the program, of course, we pay the lender 100 per cent of it. The states pay their lenders that they insure.

We have no responsibility for collection under state programs. They collect. We do have a reinsurance. We will pay 80 per cent. They return 80 per cent of what they collect of the student.

Under the federal programs, these accounts are referred to our field offices. We have 10 regional offices. We have
collection personnel that have been placed there within the past four to five months. They contact these students by letter, by telephone, or by whatever means we feel is some way we can contact them. And we let them know we have become the holder of a note that they signed, by assignment to us by the lender. It is an obligation that must be repaid. We will take into consideration whatever the circumstances may be and attempt to work out some arrangement within their resources and ability to repay, and we collect the loan.

MR. MILLER: If all that fails, do you or Illinois or any other state programs then turn it over to private collection agencies?

MR. SIMMONS: No, sir, we don't in the federal program. I don't think that the states that I know of do.

MRS. WENNERDAHL: Our ultimate action is one of our own. We will work with our Attorney General for suit in some cases.

I have to tell you in all candor that we will only sue if we have discovered that the student has assets, the ability to pay, and is just telling us in very creative and colorful terms what we may do with our paper.

MR. MILLER: I know some of those students.

MRS. WENNERDAHL: We would never sue anybody because of inability to pay.

MR. MILLER: All I was getting at was whether there is
a siphon-out at the other end in which some of this data might
end at a credit bureau or collection agency by assignment to
them.

MR. SIMMONS: We have never used it, but there has
been thinking that this should be done. Our legal counsel tells
us I think that we cannot do that. We have judgmental decisions
which must be used in dealing with a student as to whether you
can collect 10 or 15 a month or whether you can compromise, or
as Carol mentioned, in the federal government we do the same,
we send to the Department of Justice.

But that is rare. We have a few of that sort, un-
fortunately.

MRS. GROMMERS: Senator Aronoff?

MR. ARONOFF: Just a comment that the age of majority
being lowered to 18 in 20 states and moving right along will
help you significantly, will it not, in that they are now an
adult when they sign themselves and, therefore, as they earn
income at a later stage you have 15 or 20 years in order to
collect?

MRS. WENNERDAHL: In our particular enabling legisla-
tion in our state, those under the age of majority for purposes
of this program have the same rights, privileges, obligations,
of those that were of majority. So we have never had a dis-
tinction there under our state law.

MR. SIMMONS: That varies across the country. In
some states, educational loans are declared to be a necessity and, therefore, liable regardless of age.

Generally speaking, I think across the country today most young people who borrow for educational purposes are responsible. This is a valid and enforceable obligation.

MRS. GROMMERS: Mr. Keating, could you comment, please, on Professor Miller's question, whether or not credit agencies are ever brought in, to your knowledge, or will be in the near future brought in to help claim a defaulted loan?

MR. KEATING: I can only say that I think credit bureaus have been brought in to the degree of location of the individual. John Jones goes to school and he gets out of school and moves to California and we worry about him in California. We may try and locate the individual. I doubt seriously that we would do any collection work. It is not our game.

MRS. GROMMERS: Do you get paid for the collection? For the location?

MR. KEATING: For locating, yes.

MRS. GROMMERS: Professor Miller, do you want to pursue this?

MR. MILLER: I have already dealt with what happens to the information as it comes in. I was just exploring with Mr. Simmons what might happen at the terminal point of the loan. And there is a marginal conflict, I would say, between
the representative of retail credit and what we are told by the
governmental officials.

MRS. WENNERDAHL: I think the marginal conflict is
caused by the way the question was phrased. Are they ever turned
over for collection? No. I think there are some state agencies
that do use the services of a credit bureau or a collection
agency for locating the student.

They do not contact the student. They do not in the
cases I know of even know the amount of the debt.

MR. MILLER: That was the natural next question.

What information do you give the private locator to help him
locate? Do you give him these forms? Not that it really matters.

MRS. WENNERDAHL: We give the last known address and
the date he graduated from school. That is about all. If we
know more than that, generally we can find him ourself.

MRS. GROMMERS: What information does the credit agency
keep?

MR. KEATING: What information does the credit agency
keep?

We would keep in file the nature of our investigative
efforts, what we did to try and locate the individual and that
is all. We would have nothing on income or anything else.

If we had identifiers such as date of birth, that
would be retained for probably 13 months.

MR. MILLER: You realize, of course, that that process
creates a credit bureau entry which means -- I am not condoning
the non-payment of the student for God's sakes, but when the
student applies for a job or insurance or what have you, then
they run a check on him through the retail credit and up pops
the fact that the retail credit went out to locate the student
for a guaranteed loan organization, and you draw your own con-
cclusions as to what that was all about.

MRS. GROMMERS: Miss Noreen?

MISS NOREEN: I have just one question. I was won-
dering if you allow researchers outside your system to ever use
the data you have collected from individual students?

MR. SIMMONS: Individual students?

MRS. WENNERDAHL: I can think of one instance in our
program where a researcher did use some of our tapes which we
had reproduced with all student identifications stripped, and
this was one instance in seven years that I have been with the
agency.

MRS. HANSEN: On the federal side, we do not make
that information available.

MR. SIMMONS: We have had numerous requests, and
turned them down.

Many students studying for the doctorate, and things
of this sort, want to study the program and would like to know
things about individual lenders. We say it is not available.

National averages, trends, volumes, yes. Things of
MR. GALLATI: I would like to make a slight observation, and then ask a question.

The first point I would like to make is that I am not sure that adjusted gross income is necessarily a good indicator for loan purposes, even though I assume the adjusted gross income is obtained yearly in this program, is that correct?

MR. SIMMONS: Each year, yes.

MR. GALLATI: Even so, it is not necessarily the best indicator of ability to repay or of the need for the program, the need to have the loan, and, therefore, the eligibility.

Perhaps a much better indication of eligibility would be net worth. And I would like to know, since I do know as a matter of fact that some lending institutions have in the past had forms which required net worth, whether or not you have any control over the lending institution who in the filling out of this form satisfies you, but in satisfying its own desire to become a lender, might go into net worth.

Do you have any control over this? Do you attempt to control the lending institution from using this system as a method of getting additional information which they think they require for their own purposes?

MR. SIMMONS: We do not limit them. They may use the information if they would care to supplement it. I have heard of one or two who do get a credit bureau report or have
attempted to, but what it works out to as a practical matter in so many cases we are talking about is a young man or lady who may be 17 or 18 years old --

MR. GALLATI: Then it is the net worth of the young people.

MR. SIMMONS: No credit experience, they have never owed a dime in their lives in many cases.

MR. GALLATI: But it is the net worth of the parents that they ask the questions about.

MR. SIMMONS: We don't make loans to parents. These are students. It is a rare situation. I have heard of some very conservative banks that have gotten a credit bureau report.

MR. GALLATI: I am not asking about credit bureau reports. I am asking about the form I have to fill out, for example, in order for my child to obtain this guaranteed loan. The bank says to me, "You have to fill out this information which is required by OE or the state, but you have also to fill out this other form," in which I have to give out all my net worth, which is, I think, a very grave impingement upon my rights.

So I ask you the question, to what extent is there any guarantee that I wouldn't be required to divulge this other information which I may or may not want to give in order to obtain the benefits?

MR. SIMMONS: There is no guarantee. You won't be asked that.
MR. GALLATI: Has OE ever attempted to control the lending institution to prevent them from using another device other than the one which you have approved to get this guarantee?

MR. SIMMONS: No, sir, we never have.

MR. GALLATI: Has this been considered?

MR. SIMMONS: Yes, sir, we have not done it.

In the first place, you have to recognize this is a voluntary program on the part of the lender, of private money representing depositors' money. They don't have to participate in this program at all.

We have statutes and laws, but if they feel they would like to supplement this form, I think it is rare, but they may supplement it.

MR. GALLATI: But they could conceivably, if you have no control, they could deny a guaranteed loan program which is a right under the federal legislation to a person because of his color, creed, national origin --

MR. SIMMONS: No, that is prohibited.

MR. GALLATI: But they can ask any questions and deny the loan?

MR. MUCHMORE: That is very simply answered. If you don't like one bank, you can go to a different bank. They all have different policies.

MR. GALLATI: Well, I would hope so.

MRS. GROMMERS: Mrs. Gaynor?
MRS. GAYNOR: I just have visions of them running from bank to bank.

MR. WARE: It pays to shop.

MRS. GAYNOR: It depends on what you are shopping for.

I was interested really in the whole question of accessibility to records and the interchange of information. And I think we have explored some of it, too, but in relationship to the Office of Education, is there any kind of policy as to who, for instance, from your state or from the federal level, who has access to the files of the student loan program? In other words, are there any policies that are set up in relationship to obtaining information or access to the files?

MR. SIMMONS: We have a disclosure of public information statute and regulations, and then we were given the opportunity to make exceptions to that. We have excepted disclosure of information on any individual student, lender, school, on an individual basis to anyone. As far as anyone having access, I think, as was mentioned a moment ago, certainly I am sure we would honor a subpoena. We have never had a subpoena, but I suspect if it were issued legally, we would honor it like anyone else. We would refer it to the Office of the General Counsel.

As to anyone coming in and asking for information, we don't permit it. We don't give out the information. If anyone would want to take a look at the application, we don't provide it.
MRS. GAYNOR: Do you have this as a written policy somewhere in your organization?

MR. SIMMONS: In our exceptions to the public disclosure, we do provide for these areas where we do not disclose this on an individual basis. That goes throughout, whatever activity or documents we have.

MRS. GROMMERS: Mrs. Cross?

MRS. CROSS: I want to follow that particular question. That seems to differ so much from what is written on page 6, that I just cannot resist asking whether you have read it. And this pertains particularly to the information we were given on the maintenance of the files in the Office of Education.

Let me just read a few of the things for the benefit of the committee.

MRS. GROMMERS: This is a staff paper which you will have had a copy of. Our staff paper.

MRS. HANSEN: We have never gotten a copy, but if I may comment, Mr. Simmons was talking about access to individual information, but I think you're question was more as far as --

MRS. GROMMERS: Would you wait a minute, so the question can be posed?

MRS. CROSS: The data files held in the data ... (reading) ... almost anyone familiar with the data management procedures, personnel who work in the Center and contractors who work with programs like the Guaranteed Loan Program have
relatively uncontrolled freedom to make requests for information
An individual who knows the serial numbers can make requests for
computer runs. There is no established criteria or personnel
listings that exist that limit who may have such access."

Now, it seems to me, unless I drastically misunder-
stand your answer to Mrs. Gaynor's question, that that is in
direct contrast to what you are saying now.

I am asking for clarification.

MR. SIMMONS: I had not seen that, of course, but I
did hear -- we do have contractors who we have to go to to help
us assist in the processing. The contracts we have with them
provide for penalties of a fine or five years' imprisonment for
disclosing this sort of information.

Our files, records, and so forth, and the government
facilities are subject to the normal security with guard service
at the doors, penalties provided in contracts for disclosures of
this information -- any government information.

MRS. CROSS: Are you telling me then that this does
not really present a fair picture? The statement that appears
here?

MR. LESTER: We are saying it could occur.

MR. SIMMONS: But there would be a penalty for it.

Just like somebody can give a fictitious name and get a loan
and we turned it over to the FBI. This could occur, yes.

MRS. CROSS: But it seems to me the candor on page 6
is really remarkable in saying that you take very little precau-
tion to see that it doesn't occur. It is almost tempting be-
cause there is no established criteria for who may have access.

MR. SIMMONS: Here you might want to comment on our
contractors, the security maintained, the provision of our
contracts and penalties provided.

MR. LESTER: As Bill stated, all contracts carry
the penalty clause. All contractors have to secure building
passes, the same as the government employees.

This individual certainly would have to make an
effort to get the information that would make him understand
what data is really in the data bank.

He would have to get the data analysis. He would
have to get access to the computer tape vault. He would have
to get access to a terminal to get into the computer. All of
these things are possible.

The normal precautions are taken, and other than that
I don't know. But we feel that we have covered the normal pre-
cautions of security of the files.

MR. DOBBS: If I could just follow that up -- relate
it back to Arthur's comment. It turns out that the form he
described which is held in the lender's institution permits
computer processing and one of the services that many of the
banks and/or lending institutions offer to the university in
terms of not only providing money is in fact computer processing
of information which is on the form in support of their own business.

So that the information that Arthur describes, which is on the hard copy, not only exists in hard copy in the bank, but may exist in computer processable form because that is an easy way for the institution to do its business.

And that, I think, ties back into the question that Pat was addressing in the sense that the bank in that sense is different than the contractor that Mr. Lester describes in terms of what they have done.

MR. MILLER: A link to the links. The questions Florence and Pat asked with regard to page 6, if I read the staff report correctly, deal only with what goes on in OE. Whereas, most of what I was talking about deals with what happens to the records maintained at the lending level, the state level, and, as Don added the footnote, in the educational institution.

MR. DOBBS: Whatever is going on in OE with regard to security is replicated in those several lending institutions who, in fact, put the information in computer processable form, and to whatever extent they do or do not have security precautions and protections wholly, to that extent that information is available there.

MR. LESTER: Yes, I would agree with that.

MRS. CROSS: But it seems to me, in taking that
approach, we let OE off entirely too easily. Because the whole
system is a sieve, doesn't mean every part of it should be.

MR. DOBBS: I am just pointing out that the problem is
a much broader one than just the one located physically in the
OE facilities.

MRS. GROMMERS: Professor Weizenbaum?

MR. WEIZENBAUM: This is an entirely different
question. I got the impression earlier from what was said that
the decision to approve or not approve the loan is fully auto-
matic, is made by the computer; is that so?

MRS. WENNERDAHL: In my case, it is, yes.

MR. WEIZENBAUM: I take it occasionally you turn a
loan down?

MRS. WENNERDAHL: Yes.

MR. WEIZENBAUM: What appeal does the student have
whose loan has been turned down?

MRS. WENNERDAHL: As I said earlier, any turndown
on our loan would be for a student not meeting a specific
eligibility requirement. Now, if indeed that requirement has
not been met, it is statutory and there is not appeal.

If a student believes a mistake has been made, cer-
tainly we get appeals from the lender, the student and the
school almost simultaneously.

To guard against that in our shop, anytime we have
a letter of transmittal going out where there is a reduction or
a rejection, my staff automatically takes that file and checks
to make sure we have not coded it wrong or keypunched it wrong
and occasionally we still will get an appeal and the school has
marked it wrong or the student put down the wrong figure, and,
of course, we correct the data and put it back through the
system.

But if there is an appeal because the student was
turned down because he has already borrowed his maximum and he
wants to appeal that, I would send him a letter of regret. I
can't exceed that statutory maximum.

MRS. GROMMERS: Mr. Davey?

MR. DAVEY: I would like to broaden this to include
Don much more in this particular question. That is the problem
of turning -- not turning down -- but when a loan matures and
goes into default, what kind of percentages are we talking about
and what are the procedures that one institutes at that time,
probably first from the bank's standpoint and then through the
state or the Office of Education?

Could we follow through the procedure?

MR. SIMMONS: The statute requires an our regulations
provide the default specified is 120 days. Four payments, let's
say, are missed.

The statute further requires that the lender must
exercise care and diligence in the making and collection of this
loan. If this takes place, and, of course, it has, and then the
loan goes into default, the student doesn't pay, that is submitted to us with the original commitment that is given to him, with a note endorsed to us, and we ask them to give evidence of whatever collection action they take -- letters, copies of those sent, collection cards, attempts to contact by telephone, whatever it might be.

Our examiners take a look at that and, if diligence has been exercised, we pay the claim.

If it has not been exercised in our judgment, we return the claim.

And you mentioned what is the default ratio? At the moment, our latest figures on a nationwide basis -- and this is on matured paper where the obligation to repay has arrived -- is running about 4 per cent. It is a little above that at the moment. I hope it isn't, but it is around 4 per cent.

MR. DAVEY: Could you comment on that at all, Don?

MR. MUCHMORE: I couldn't comment exactly on that. I can say that the percentage is much higher for us, and I won't give you a correct percentage because I can't give you a correct pinpointed percentage. But I can say that what has been said by Mr. Simmons is a very simple statement as to the procedures that are to be followed in the state, that they are much more difficult than that, and due diligence in collecting is sometimes at variance, and variance sometimes enters going back to this record, and making this record, taking it off microfilm, making
it available to four or five people in our office to track down
the information.

We do not use the credit bureau. We do our own work.

But the thing that is important is that that document
suddenly becomes available to more than one person, and usually
to a person who did not have access to it in the beginning.

MR. DOBBS: And that is critical from your point of
view?

MR. MUCHMORE: Right.

MR. SIMMONS: That is the application?

MR. MUCHMORE: Yes.

MRS. GROMMERS: Professor Allen?

MR. ALLEN: Back on the cost question, in light of
the minute fraction of the loans to students from families
with adjusted gross income of over $15,000, in evaluating the
total cost involved in the program where you are getting at the
cost of administering the enforcement of the interest benefits
criteria, and the additional benefit costs, were there no
$15,000 ceiling limit, so the benefits would be to all students
to what extent in evaluating the total cost in benefits of this
aspect of the program is there recognition of the social costs
to individual privacy in creating the personal data file with
all the potentialities for leakage that is involved?

To what extent is that taken into account?

MR. SIMMONS: I think perhaps of significance on
this point is legislation just passed by the Congress which will in a sense abandon this concept of automatic entitlement for under $15,000. There has been now required a needs assessment, and the eligibility for interest benefits would be affected by that and the school will make a recommendation to the lender based upon the needs assessment and an estimate of what he thinks that family can contribute.

Now this has caused quite a hiatus in the program and, I might say, a crisis or chaos across the country. And, as I said, the Congress is adjourning tonight, and they met until two o'clock this morning, to try to roll this thing back for the difficulty it has caused.

MRS. GROMMERS: What you are really saying is it is going to be worse. A higher social cost.

MR. SIMMONS: I don't want to say worse, but there would be further inquiry into the financial affairs of this family.

MRS. GROMMERS: Could I get back to my original question that I was asking you. How much money it would cost. I was given a figure of about $1,000 interest over a 10-year period. This amounts to approximately $10 a month, and that is about what -- the cost of the true problem that you are talking about for which you are requiring these families to give this information.

Has any consideration been given to one of two other
types of solutions? One, for example -- and this would be to
the disadvantage of poor people -- offering a family an option
of paying $10 a month for the privilege of not having to reveal
their data.

MR. SIMMONS: A family may waive interest benefits
right across, regardless of income, and they don't disclose
anything.

MRS. GROMMERS: Good.

MR. SIMMONS: We don't require them to do that. I
am sorry, we should have mentioned that earlier.

MRS. GROMMERS: Good. The other alternative --

MR. MUCHMORE: I would say we'd be happy to take
your suggestion. It is an excellent one.

MRS. GROMMERS: The other kinds of alternatives might
be that we are talking about a small amount of money and there
is so much work to be done in this country that is not really
being done that other countries put in a kind of work-fair
program. Could it not be possible that the student in return
for the loan that he is getting and his education produce some
useful work that OE also wants to have done?

MR. SIMMONS: You mean in return for the interest we
pay?

MRS. GROMMERS: Simply as an alternative to requiring
a high social cost. Is it not possible to do what Professor
Allen suggested -- look into the true cost, the true social cost
of what is being asked as opposed to what is being gained, and
to figure out some other program that might be nearer to the true
cost of the program?

MR. SIMMONS: I would think -- you mentioned three
per cent of the volume on which we don't pay interest benefits.
If we decided to pay interest across the board, we have many
millionaires that may borrow, too, as long as it is free. You
would never get it through the Congress to pay interest benefits
to everybody. I wouldn't think it would be economically feasible.

MR. GALLATI: Many of them could get it with this
form.

MR. SIMMONS: If we paid interest to everyone who
borrowed the money.

MR. GALLATI: Right. Now a millionaire could get it.

MR. SIMMONS: He would pay his interest.

MR. GALLATI: Oh, yes, he would pay 7 per cent, but
it would be 7 per cent money to him which is less than his ad-
justed family income.

MR. SIMMONS: He could borrow the money all right,
but if the adjusted income is $15,000, he would pay his own
interest.

MRS. GROMMERS: Mr. Martin has asked to make a final
comment. First, Mr. DeWeese.

MR. DE WEESE: There is a relevant question about
when this loan actually goes into default. Mr. Muchmore had
said that when the student doesn't pay his bank, if a credit
bureau inquires at that time, they tell the credit bureau that
the loan is in default.

But as I understand it, you then go on with the other
procedures, and oftentimes you get into a situation where the
student agrees to pay you according to some method that you
worked out.

I venture to say at that point in the procedure I
am a deadbeat to the bank in California, I am a deadbeat to the
credit bureau, but I am paying you according to an agreed upon
formula.

And I venture to say you do not go back and correct
the bank and credit bureau records or whoever they may have sent
the reports to in the meantime, while I am delinquently paying
off the loan.

MR. SIMMONS: I think the fact remains that the
student borrower has an obligation to pay the lender. The law
states that, if he fails to do that for a period of 120 days
and that situation exists for that period of time, the period
of default has arrived. We don't require a lender to file a
claim. But there are very few that don't. They are losing
money.

MR. DE WEESE: Do you tell people this when you enter
in this agreement for them to pay you back that they are legally
in default, uncorrectible, apparently?
MR. SIMMONS: I think they must know that. The bank has told them, been after them for four months, and if they haven't, I can't.

MR. DE WEESE: I hope you see the problem. Because they are not in default.

MR. SIMMONS: They defaulted with the bank. We purchased the notes and it has been endorsed.

MR. DE WEESE: And the fact that I am paying you makes no difference to you?

MR. SIMMONS: The bank has lost the interest and they have a defaulted loan.

MRS. HANSEN: May I add to that?

We don't, to my knowledge, have a form letter such that when the student begins repayment that there is a notification out that the student is actually paying.

However, when he fulfills his obligation to the United States, he is furnished with a letter stating that he has honored his obligation and he may show this to prospective creditors.

MR. SIMMONS: When he has paid the obligation to us, he gets his cancelled note.

MRS. HARDAWAY: I am concerned about an immediate problem. Are you set up for the crisis you are in right now, and are we going to get quick action on our student loans?

MR. SIMMONS: I think Chairman Perkins -- Congressman
Perkins -- asked me yesterday in hearings before the Subcommittee on Education what would I estimate would be the backlog that built up, and I made a conservative estimate of two to three hundred thousand applications.

He asked if this law were passed could we clear that up in 30 days?

I told him yes. I am sure I will hear from him if I am not correct.

I think we can, through the federal processing center, and I am certain the state agencies will. We will put every resource necessary to put these out.

MRS. HARDAY: We have one state university that had over 2,000 student loans last year and only 18 or 20 have been approved, and they open up on Monday and they are frantic.

MR. SIMMONS: That is not untypical. We have a chaotic situation.

MRS. HARDAY: Our students are frantic.

MR. SIMMONS: I don't know how many of you can recall the Congress acting -- both houses within a 24-hour period.

MRS. GROMMERS: Mrs. Cross?

MRS. CROSS: I just want to ask a quick question of fact. This is, if a student and his parents did not choose to give you access to the IRS, would you not process the form?

MR. SIMMONS: If they waive interest benefits, if the interest benefits are not applied for, they don't have to.
MRS. CROSS: Okay. But, to get the benefits, they must give you permission to access the IRS files?

MR. SIMMONS: Yes, they must.

MRS. GROMMERS: Mr. Martin?

MR. MARTIN: There is an old saying, I don't know who authored it -- "Oh, what a tangled web we weave when first we practice to deceive" -- something like that.

What I sought to say in my comments about HEW last evening might better be summarized as, "Oh, what a tangled web we weave as we try to good."

The Guaranteed Student Loan Program started off my pen in Massachusetts in 1957 when I wrote a law which was enacted by the Massachusetts Legislature creating the first Guaranteed Student Loan Program in the country.

It was a very simple program. It wasn't designed to pay interest. It wasn't in any way restricted as to who could or could not borrow.

Therefore, it generated no information base requirement in order to be sure the program was administered in response to very detailed and precise targeting efforts in the authorizing legislation which characterizes the Guaranteed Student Loan Program.

The loan program we started in Massachusetts was known as HELP -- the Higher Education Loan Program -- a private, nonprofit corporation which is not the guarantee agency in
Massachusetts, and is caught up in this wonderful web.

With private funds, it issued a guarantee to banks on loans they made to students up to the cost of going to college.

I guess it was less than that when we first started. And the idea spread to a lot of states and then got nationalized under the auspices of a national foundation -- USA Fund -- and then after efforts had been made successfully to expand the base for student assistance and the National Defense Education Act of 1958, along in early 1960s, I guess, President Johnson got the idea that it would be good to do something for the middle income parents and students.

And the idea of expanding on a bigger scale the guaranteed loans as a way of doing that was invented or re-invented or expanded.

And a ceiling had to be put on it, so $15,000 was put on it as a ceiling.

And now the latest thinking, reflected, I think, by both HEW and the Congress, is that as the resources involved are growing to aid the students, they ought to be targeted on the neediest students. If there is only X dollars to spend to help students to go to school, whether a work-study program, as Chairman Grommers was reaching for, which does exist, or under a scholarship program, or an out-and-out loan program or guaranteed loan program, those resources ought to be targeted on the people that need it the most.
And the only way to administer a program like that is to generate data bases and then you have all the problems of what you do with this.

This isn't to say we don't have to be very sensitive to what we do with data bases, but it is fascinating to see how the problem of information arises out of efforts to do very sensible and desirable things.

And one final little comment, to take Mr. Simmons a bit off the hook, because he isn't all of OE and to try to impact on HEW's data system behavior including the Data Management Center, which is a part of the Office of the Secretary, I am ashamed to say, and not part of the Office of Education -- this is something Mr. Simmons couldn't do alone if he tried. How many alliances he could build within the Office of Education to impact on the management of the Data Management Center is another question.

I think while there is lots of reason to be concerned, really the reason for the concern is that we have in the course of trying to do lots of good things built a very tangled web that we don't fully understand and this program is a relatively new one and is caught in that web, as we see.

MRS. GROMMERS: We will now have some lunch. Will you be so kind as to join us for lunch?

Thank you very much.

(Whereupon at 1:35 p.m., the meeting was adjourned for lunch to be resumed at 2:00 p.m., the same day.)
MRS. GROMMERS: This afternoon we have a kind of a
double-barreled presentation, which is aimed at two points, also.
Tomorrow morning we are going to have, we hope, Sheila Smythe,
talking -- making her presentation on the universal identifier
and the proposed ANSI standard.

Some other systems, as you of course well know, are
also using the Social Security number and the General Electric
Company, as part of its company records, does use the Social
Security number for certain things, and is considering using
them for others.

They also have a wholly-owned credit corporation,
which is considering using the Social Security number.

It is in the light of those two kinds and sides of
the problem that Mr. Schlenker and Mr. Delay are going to be
speaking to us today.

Mr. Schlenker is the Chairman of the General Electric
Corporation Information Standards and Codes Committee, and he
is in the gray suit.

Mr. Delay is the Manager of the Informations System
Operation of the General Electric Credit Corporation.

I will start with Mr. Schlenker.

MR. SCHLENKER: Thank you, Madam Chairman, and thank
you very much for inviting us here today. We appreciate being
a part of this and making our presentation.

As the Madam Chairman said, my name is Walter Schlenker. I am a consultant with the corporate accounting operations within General Electric, which reports to the Comptroller of the company.

My associate is Emmett E. Delay, who comes from a non-consolidated affiliate, wholly owned, of the General Electric Corporation, called the General Electric Credit Corporation.

I plan to briefly discuss the work of GE's corporate Information Standards and Codes Committee and then to discuss some of the reasons or specifications which led us to select the Social Security number for an employee identifier.

Mr. Delay will be discussing a more specific application which we would like to have in the future.

Now, in the middle of the 1950s, as most companies did, General Electric began to use large-scale computers, and during the time until now, General Electric has put in and installed 300 major-sized computers in its various businesses.

Now this decade and a half was devoted to applicational development, production scheduling, purchasing, the general accounting system, the ones you are so familiar with. And we didn't, I must admit, spend a great deal of time trying to determine how computers could interchange information.

And towards the end of 1960, our then chairman of
the board, who had paid for these out of the investment funds of the General Electric Corporation, was a little astonished that we could not get information as rapidly and inexpensively and as quickly as we thought we should.

There was some sand in the machinery. And essentially that was the way people in the various components of the company described the data elements or the master files of the data base elements of their system.

The chairman elected to call this the "code explosion," where such things as sex, which is used for reporting quite heavily, as you know, in employee-related systems, was coded in every variation we could think of.

The media that the chairman decided to use to correct the code explosion was that of the Information Standards and Codes Committee, which is under the leadership of the Comptroller.

The objective of this committee in standards application -- and you will find it in other organizations throughout the country -- is basically to improve the accuracy of the data that we have, to reduce the cost of aggregation, which is getting more and more expensive as government requirements and others increase, increase the speed with which information can be obtained, and enhance data interchange.

Our committee in General Electric is inter-functional and we have many components who participate in this work. We deal with marketing codes, we deal in technical and quantitative
codes, the legal type of coding, we have a group whose interest
is entirely related to employee data.

We have geographic codes and we have financial codes.
And finally we are working on the standardization of business
papers, invoices, checks, deposits, things of this nature,
which, when they are out of control and out of hand, can cause
a great deal of inconvenience to our customers and vendors as
well as to our own internal employees.

We have 40 employees doing this work on a part-time
basis within the General Electric Company. We ask them to
change from working committee to working committee so the
way you develop this information, the way codes are used, the
standards can be widely dispersed.

We have 30 major standards under study. We have
released 15. We have rejected 7. There are many more we have
to work on, including a data dictionary.

One of the information standards which have been
released is in your hands right now. It is called the Employee
Identification and Employee Name.

GE has, as you may know, 300,000 -- over 300,000 --
employees in every community of any size in the United States.
And the payments of those employees is on a decentralized basis.

In other words, we have 130 payrolls paying 300,000
domestic employees.

However, we have central files that are essential for
the benefit of the employees, and we have the central files
for such things as savings and securities and benefit plans,
pensioners and pension information. We have a central file for
United States Bond purchases. We have shareowner and dividend
records.

We have a file for education, skill, and compensation
of our salaried employees, so that we know that if our salary
plan is being administered fairly across the company.

And, of course, we have to report centrally for FICA
and withholding tax to the federal government. And we also have
the additional requirement of reporting centrally for the multi-
ple state taxes.

Now, each of these 130 payrolls that I mentioned
before supply data to these central files on a monthly basis
for all participating employees in our plans.

I don't think it is necessary for me to say that be-
cause we do have a lot of transfers of employees and they are
numerous, that we do need positive and continuous and low cost
employee identification. That is essential to our use. I am
sure you have heard these words before.

Before searching for an identifier for the employees,
the employer-related group set the following specifications.

I want to state at this time that Miss Smythe, who
as I understand is a member of your association body here, was
quite helpful in helping us establish this specification.
But the specification was as follows: First of all, provide for the unique identification of an employee in any application, and an application in this case could be payroll and employee-related type of formats.

Another specification would be to provide for an assignment of identification by an organization already established and operating.

And the third specification was to provide for continuity and not be affected by such factors as turnover of people, change in place of work, or change of organization structure.

Our review of alternate identifiers, after having set these specifications, were primarily within General Electric and the federal government, and these specifications indicated that only the Social Security number met our criteria, and, therefore, it was adopted as a General Electric information standard.

There is one last thought. Payroll and employee information within General Electric is kept extremely confidential with only those with a need to know, such as the Paymaster, or the employee's manager, having exposure to this information.

Other data is aggregated for decision making and manpower planning.

The Social Security number has greatly assisted us in maintaining file accuracy, not only for management's purposes,
but to make sure that the employee's data for pension and savings and benefits is kept accurately.

At the time, I would like to introduce Emmett Delay from General Electric Credit Corporation, and I want to thank you for this opportunity again. Emmett?

MR. DELAY: Thank you. As stated earlier, I am the manager of Information Systems Operations for General Electric Credit Corporation, and I report to the Vice President of Finance of the General Electric Corporation.

My principal responsibility is the operation of four service centers or data centers throughout the United States, and these four centers serve the four components of our Consumer Products Financing Department.

At the present time, these centers are in Stamford, Connecticut; Canton, Ohio; Atlanta, Georgia; and Oklahoma City, Oklahoma.

These employ 250 people and they perform the following services:

Process and record new contracts.
Process revolving credit sales documents.
Process approximately 30 million customer payments annually.
Answer customer correspondence -- about 750,000 letters annually.
Process changes of address -- about 900,000 changes
annually.

Identify and clear unidentified payments.

Prepare and mail notices to delinquent accounts.

Advice branches of delinquent accounts.

Prepare, review, and mail customer billing statements -- about 21 million statements per year.

Perform related general accounting work, including journal entries, accounts payable, issuance of related management reports.

Also, perform mail audits of selected accounts and provide data entry and computer processing services for the field organizations and corporate staff components.

I attempted to edit this talk down to something much smaller in the last three minutes, and, therefore, it may be a little disjointed -- in fact, probably will be.

A total of three million customers is being served from 700 offices in the four data centers I mentioned previously.

At the present time, we are investigating the feasibility of replacing our present sequential computer system with random access, on-line processing capability.

This would, of course, involve installation of a communication network connecting our offices. The present computers would require replacement in the mid-1970s, and real time will overcome the shortcomings of the present system.

Although we haven't settled on design or hardware,
it appears that a centralized data base is the best overall solution to our needs.

This means that all necessary information related to our three million customers will probably be contained in one central file or data base. Offices and service centers will access that base as required.

In connection with our preliminary planning and investigation of the new system, we have discussed at some length the possibility of utilizing Social Security numbers to insure most positive identification of customers, identification of those who have more than one account with us, and for data base inquiry purposes in the absence of an account number.

I would like to explore each of these possible uses with you a little more thoroughly. As I mentioned, we process about 30 million individual payments annually. Most of these payments are made against the customer's account with no difficulty because the customer has total use of the account number.

However, we do receive in excess of 100,000 payments annually which we know nothing to do with at the time. So we maintain a separate record on them until we can identify the payment from our files by correspondence with the customer.

If we had a second identifier, such as the Social Security number, that we can inquire of the customer, we could probably post that payment more readily than we do at the present
time.

We also receive payments from customers which should be applied to more than one account, but they don't tell us that, so we unwittingly apply against one account and the other account or accounts appear to be delinquent. And the customer will receive delinquency notice from the service center and possible contact from branch offices.

This is typically corrected by customer correspondence, account reconciliation work, transfer between accounts, write-offs of incorrect finance charges, and, unfortunately, unhappy customers.

Using an identifier such as the Social Security number to identify and call to our attention possible misapplication of accounts would be a help to both us and the customer.

The other thing I mentioned is that as we increasingly find different financial plans and offer them to the general public, there is an ever increasing opportunity that we are serving a customer for more than one of his needs. For example, we are in the mobile home business, and a customer may be financing a refrigerator with us in one of our other businesses.

He or she may also be a customer of one of the revolving credit merchants whom we serve.

At the present time, we have no idea of our total exposure with that customer. We would like to be in a position to know, so that we could set a credit limit or review point for
each customer.

I don't think we're doing ourself or our customers any good by extending credit beyond his or her ability to pay, and we would like to be in a position to be able to do that.

One other thing that happens in our business quite commonly is the customer will call the local office or service centers inquiring about the account, but he doesn't know the account number. So we have to spend time going through lengthy alphabetic listings which have the customers names alphabetically to find the account number and then go to the account file and tell the customer what she wants to know.

If we had an identifier such as the Social Security number, which we could enter into the data base, immediately, without breaking the conversation with the customer, we could answer their inquiry. We would like to do so.

Just by way of interest, to show you, we have three million accounts. We have taken all the names of the people on the committee, the surnames of the people on the committee, and they are shown there.

The first column will show you the number of times the surname appears in our file. The name "Allen" 9,192 times. The next is the name and the first initial. So we have whatever Mr. Allen's first initial is, 489 times -- that is with the initial and surname.

The next is where both initials agree, and the
surname agrees, and the last -- I guess you call it a hit -- the first name, middle initial, and last name.

Mr. Miller -- I guess he wouldn't suspect otherwise -- is the most common. Unless we had a Johnson or something like that.

One thing I might mention is that last year we did consider using the Social Security number as a number on the credit card, and we corresponded with the Commissioner of Social Security, Robert M. Ball, and he pointed out there was nothing about the use of the Social Security number that was illegal. It was rather clear from his response that his office was decidedly against that usage, and so we forbode and deferred.

He mentioned, too, at the same time, that this advisory board, I believe, was about to be appointed and it is in connection with that that we have followed the activities of this committee, trying to find out exactly what it is that you people might recommend, whether or not there will be some legislation.

We are not in a deciding point at this time. We still have, before we design our system, another year or a year and a half. But it will be in that time frame that we are going to have to make decisions whether or not to pursue the Social Security number.

I might mention that we do not have Social Security numbers in our files at the present time. Our credit application
forms have a provision for it, but we do not key enter it and make no real use of it.

I think that sums up what I was going to say, Madam Chairman.

MRS. GROMMERS: Thank you very much. I think you will have a chance to amplify some of the other points you might have wanted to make as answers to questions which, as usual, we have to limit one to a customer.

I would like to start with Mr. Davey, and if you gentlemen could, the question would be addressed to one or the other of you, or, if you both have something to contribute, and we also ask you to make your answers relatively more brief than you might have liked just in the interest of getting a lot of ideas on the floor.

MR. DELAY: We have a plane to make, too.

MR. DAVEY: I pass.

MRS. GROMMERS: Mrs. Cross?

MRS. CROSS: I pass.

MRS. GROMMERS: Mr. Weizenbaum?

MR. WEIZENBAUM: I pass with apologies.

MRS. GROMMERS: Mrs. Gaynor?

MRS. GAYNOR: I would like to know why do you feel that you need to use the Social Security number as the identifier? Why can't you use another number for identification purposes?

MR. DELAY: We do. We have an account number, and
we don't propose to abandon that. That is the only identifier we have at the present time.

We would like a cross-identifier. Most people, if you are talking to them, can give you their Social Security number from their wallet or memory, but not their account numbers.

MRS. GAYNOR: If you use the Social Security number, would anyone else have access to your files in relationship to your employees?

MR. DELAY: There is no need for anyone to have access. These are our customers and our customers' customers, and we guard that we a great amount of security.

MR. SIEMILLER: You don't furnish Westinghouse?

MR. DELAY: No.

MRS. GROMMERS: Mr. Gallati?

MR. GALLATI: I presume that one of the things in the back of your mind, although you haven't expressed it, is that you will have, using the Social Security number, a number which you can link to other files elsewhere, either now or in the future, whereas your unique account number, of course, will have no linkage capabilities, presumably.

I assume that you have given some thought to this, and did you make a decision, or are you thinking of this in terms of your future decision, the linkage possibilities?

MR. SCHLENKER: Let me address this only from the
employee-related files.

You will recall that I gave you a list of some centralized files we have in the company. Unfortunately, they are mostly separate files, and this gives us a great deal of trouble in trying to maintain from 130 sources to have them all accurate. It is our intent, sir, to have those as a central file sometime in the 1970s and then we will be able to access them as one common file.

The Social Security number would still be as the identifier.

MRS. GROMMERS: You didn't speak to his question. He wonders whether you wish to link to other files like the IRS or others of that type?

MR. GALLATI: Or credit bureaus?

MR. DELAY: At the present time, we feed information into credit bureaus. We do it by name and address only, since we do not have the Social Security number in the file.

I am not personally acquainted to what extent credit bureaus currently have Social Security numbers. Some may have.

To the extent we feed data, we do not do it with the Social Security number. It is entirely possible if it were not illegal that that could be a possible use.

Even if it became illegal, we could still find within our own operation an opportunity to use it, so we are
not going with that in mind, because personally from a systems
point of view I can see that fraught with more difficulties and
much more possible charges of evasion of privacy than the use
which we choose to make of it.

MRS. GROMMERS: Miss Noreen?

MISS NOREEN: Pass.

MRS. GROMMERS: Mr. Miller?

MR. MILLER: How many of those 987 Arthur Millers
write plays?

(Laughter.)

MR. DELAY: That is A. Miller. There are 16 A. R.
There is only one Arthur R. in our file.

MR. MILLER: Unique again.

MR. WARE: You made the point you don't need the
Social Security number. You are unique.

MR. MILLER: He could pick me out, but not A. Miller.

Have you given any thought -- this is the converse
of Mr. Gallati's question -- have you given any thought not
simply to the possible linkages, if you use Social Security, to
other systems that would benefit you, such as feeding through to
credit bureaus or other organizations, but the possibility that
if you organized by Social Security number you might then become
a more attractive source of information to other organizations
that also organize by Social Security number, such as governmental
organizations that may then become manageable for them to dip into
your files, because you have got the same sort of identifier structure that they do.

MR. DELAY: I personally have not, nor has anyone in my operation, done that. Or even given it much thought.

Actually, the way we are organized in Credit Corporation, our field organization is responsible for any arrangements they may make with credit bureaus. I perform the bookkeeping function, if you will. I am looking at it from a system point of view on how to back up that field organization, not extraneous to that.

So, if they were going to try to enhance their collection of data on an individual, that is something that we really haven't explored with them.

MR. MILLER: To the extent that you are asking us to react to your problem, I would simply suggest that you might be vulnerable to some criticism at some point if it became apparent that your files became more vulnerable to others because you use the Social Security number.

MR. DELAY: This is one reason why we have stayed away to this point, and we are watching the activity of this committee and the government as well as to what legislation or recommendations would be coming down the road because we can live without it, but it does --

MRS. GROMMERS: Would you want to be more vulnerable?

MR. DELAY: Certainly not. The only linkage that I
can think of: that is of benefit -- off the top of my head -- to us would be the credit bureaus, where we get information on new accounts, and we feed information to credit bureaus as well, and at the present time we can misidentify people even though we have their name and middle initial.

MRS. GROMMERS: If you knew you were going to be more vulnerable because of doing so, would this prevent you from taking that step?

MR. DELAY: That is a moral question, I think.

MR. MILLER: Is it out of place because it is a moral question?

MR. DELAY: No. No. I myself feel the insidious grasp of government into my privacy, and I don't want to enhance that in any way.

I don't know if that answers it. I wish to protect the individual's privacy. I think we are doing that today with our customers.

Our files are not accessed. We do not pass information from them other than the information we pass to credit bureaus, and that is with respect to our experience with that customer.

In some respects, I would like to have any information passed on about me at least accurate. If it is going to be passed around, I would like to have it accurate. I would rather live with that than be misidentified.

MRS. GROMMERS: Mr. Muchmore?
MR. MUCHMORE: Just a statement, that I urge you to continue the work you are doing and also I would personally like to see you use the Social Security number, because I think it would be a much more protective device for me rather than the worry Arthur may have about the government intrusion into a number. I feel like you, I would like accurate information. I am in favor of a common identifier and a readily accepted one that is pretty far along as the Social Security number.

MRS. GROMMERS: Mrs. Silver?

MRS. SILVER: I want to ask when you say your "customers", are these usually businesses or are these both businesses and individuals?

MR. DELAY: The vast numbers are by individuals. Our customers in the true sense are the dealers from whom we purchase the time sales paper.

We serve revolving credit businesses, and we have revolving charge plans, and the coupon book plans. But the files are by individuals.

Now, we also have a commercial industrial side of our business, which is corporate loans and leases, and this kind of thing, but I am addressing myself really to the more public sector, if you will.

MRS. GROMMERS: Mr. Burgess?

MR. BURGESS: Could you tell us just a bit about the kind of employee data that you maintain and how that -- what
portion of that would be diffused to others?

MR. DELAY: Employees within the corporation? Walt, I think you can answer that best.

MR. SCHLENKER: Diffused to others in what way?

MR. BURGESS: Would you give information about your employees which is keyed by Social Security number to outside agencies?

MR. SCHLENKER: Absolutely not unless the federal government has ways of getting into our employee records, or any type of records, I guess, anywhere. I think you mentioned that they had ways of subpoenaing.

We keep our payroll files in vaults, so that even our data processing people have to have key passwords and access to get them out, so the payrolls are prepared.

You are probably well aware of the tight controls we have on payrolls anyhow.

Now, the data we do carry is a man's hourly pay, his date of birth, which is related to when he can retire, the number of days of vacation he has had, and I am not going to cite them all, but there are 5,000 characters of information that we normally key on a person.

Because of our Economic Opportunity requirements, we are carrying the last few jobs that a man has been one, and the type of skill and job rate, the job code that he had, when did he get his last increase, the level of assignment that he is
on, where does he report in the organization, his name and address
Social Security number, on and on and on.

Now that data is not given.

MR. BURGESS: Is medical data included?

MR. SCHLENKER: No, it is not. That is a privacy
that is honored by the person. If he has a medical examination,
the industrial clinics that we have treat that quite confidential:
and --

MR. DELAY: Nor are the dollar amounts of claims.
That is a separate file.

MR. SCHLENKER: Claims are entirely separate --
the fact that a man may get reimbursed for any medical illness
he can have. I am not sure that answers your question.

MRS. GROMMERS: Mr. Siemiller?

MR. SIEMILLER: I can testify that the information
given here is absolutely correct about the confidentiality of
the rate of pay that General Electric has for its employees.

(Laughter.)

MR. SIEMILLER: Having sat across the bargaining table
from Virgil Day in several negotiations that we had, and also
having testimony come in from our side of it from even salaried
employees who say, "My supervisors gave me a raise but cautioned
me not to tell anybody in the department what it was because
ey they will want the same thing."

But then, on the other hand, it has some good aspects
to it, too, that you would have, providing it is kept in the company and not redistributed to the general community.

I have no kind of question. I just wanted to make that comment. It is factual. You just don't get a rate of pay out of GE. From the company. You have to use other sources.

(Laughter.)

MR. DELAY: IRS would be very easy.

MRS. GROMMERS: Senator Aronoff?

MR. ARONOFF: Yes. In the information that you collect, do you have any data on the performance of the individual on his or her job?

MR. SCHLENKER: Let me answer that, if I may, Senator.

In General Electric, it is common practice -- I think it is done also in other corporations -- to use a performance appraisal much like you do in most of the public sector as well.

Those are not put into any of our data bases. They are kept in the employee relations part of the company. They are not related to social security number or any identification except the man's name.

The employee relations man has a copy. The employee has that reviewed by his manager, and the employee is given a copy of it as well, and he signs that right at that time, right at that particular point in time, so that there is no way of subterfuge that we know of.
But it doesn't get into the data base.

MR. DELAY: Walt, we do have promotability. But that may be time, as well as performance. He may not be promotable because he hasn't been in the present job but three months.

MR. SCHLENKER: In some parts of the employee system -- not universal throughout the company -- we might have a code that says Walt Schlenker is promotable, but he is not promotable until December 31, 1972, because we just got on the job a short while ago.

MR. ARONOFF: Would you also have Walt Schlenker not promotable?

MR. SCHLENKER: Yes.

MR. ARONOFF: Would that get in the data base?

MR. DELAY: It is usually yes or no. It is not: Is he promotable because of performance? It is: Is he or isn't he? And it might be for a lot of reasons.

MR. ARONOFF: But, with that little check mark "not promotable," would that end up in the data base?

MR. DELAY: I think it is in ours, but it is not relied upon. It is used as a sorting-out technique when we are looking for people to promote to jobs.

MR. ARONOFF: May I ask one more question?

MRS. GROMMERS: Yes.

MR. ARONOFF: Supposing Walt Schlenker had a very
aggressive record so that he had six assaults, or was assaulted six times in the period of 18 months. Would that find its way into any of your records?

MR. DELAY: Maybe in the personnel record, but not in the data base.

MR. ARONOFF: No linkage between the personnel records and the data base at all?

MR. DELAY: Not something like that.

MR. SCHLENKER: Those are quite confidential. The same with the garnishee. Those are put into the dossier.

No, not that I know of.

MRS. GROMMERS: Mr. Dobbs?

MR. DOBBS: My question relates to the criteria which you have laid out in your standards for the selection of the code, and you mentioned that no code other than the Social Security number met the present criteria that you outline.

We have heard testimony from the Social Security administration people that certainly in terms of criteria, number 1, that the Social Security number does not provide a unique identification of an individual, certainly not for particular universals, much less any.

Secondly, the second criterion says that you want the mechanism for the assignment of identification to be by an organization already established, and which I presume is the Social Security Administration.
MR. SCHLENKER: That was the selected organization.

MR. DOBBS: So there is some presumption that their continued operation and use of a number has some governmental sanction?

MR. SCHLENKER: Yes, as a matter of fact, it did, and we did check with the Social Security and told them, gave them a copy of the standard, and informed them of that beforehand.

MR. DOBBS: And they in turn then told you that as far as they were concerned they were willing to accept the responsibility for a continued assignment of the number for this kind of use?

MR. SCHLENKER: No, not for this kind of use. We just asked them if we could use this information because we transmit to our FICA, to the Social Security number agency on a quarterly basis anyhow. And the redundancy of putting another number was asked to them, and they said, "Surely if you want to use this as a common identifier to collect FICA information, by all means do it."

MR. DOBBS: To collect FICA information?

MR. SCHLENKER: Yes. And to collect FICA information you have to go through a payroll.

MR. DOBBS: There is a little difference than using that number to identify. And I guess it is that distinction.

MR. SCHLENKER: I don't know what the distinction is,
but you would have to clarify that for me. You have to have an identification, an employee name and number, and a more positive identification than just one.

I am sorry, I really can't answer your question.

MRS. GROMMERS: Do you want to try making that distinction?

MR. DOBBS: No, I guess it really would take too much time. I guess the issue I am trying to get at is that it seems to me that a case is being made that the Social Security number, in terms of the criteria as outlined here, is the best at least of the potential kinds of identifiers or systems of this class, and I guess I would argue that certainly in terms of the first criteria it fails.

And that, secondly, in terms of the second criteria, to the extent that the assignment of that number is in fact under control of another agency for some very specific and limited purposes; it fails.

And that is all I was interested in trying.

MR. SCHLENKER: I guess that is a matter of interpretation. We didn't feel that it failed that criteria.

MRS. GROMMERS: We can perhaps try to -- maybe Mr. Dobbs and you two gentlemen might talk about this as soon as we finish going around the table here.

I think there is not a communication between you as to what he means by failure there.
Mr. Ware?

MR. WARE: To continue Guy's point a moment, I must admit, as one reads this, he gets the flavor of a solution in search of a problem. That this was structured to fit the answer that was a priori decided was convenient. That is essentially what you are saying.

For example, if I were going through this exercise, the criteria I would want is error correction or detection. It is missing. So I conclude that it is conveniently missing in order to fit some convenience that serves your internal purposes.

So I am essentially siding with Guy, that this doesn't look like a very well based exercise from a technical point of view.

MR. SCHLENKER: Thank you. I will tell our employee relations.

MR. DELAY: It turns out to be very practical, none-theless.

MR. WARE: I agree it is expedient from some points of view.

MR. SCHLENKER: And it is quite accurate.

MR. WARE: I'd like to comment on this exercise which is amusing but in some sense a red herring. I would much rather have seen that data coupled, for example, with our home towns or our zip codes or something, and then see what the
resulting ambiguities were, and they would have been less.

That leaves me to ask you how much experimenting have you done to conduct an identifier that is not the Social Security number that is based on things that people easily recall and is satisfactorily unique.

MR. DELAY: That is a very easy question to answer. None.

It is nonetheless a good point and we have talked somewhat about zip codes and names, but the way our population moves around, we process 900,000 address changes a year into our own file.

MR. WARE: Have you talked to the magazines? Because they have the exact same problem on subscription lists.

MR. DELAY: No, we haven't.

MR. MUCHMORE: They haven't solved it, either.

MR. WARE: I know.

MR. BURGESS: With a six months leave time.

MR. WARE: I would also like to call your attention to the fact that Los Angeles Power and Water, which must have a file approaching your size, although I don't know in terms of transactions, but in terms of customer accounts certainly, do not have unique identifiers.

They have a pretty snappy on-line system. The girl is at a terminal, talking on the phone, and she can identify in rapid order. It is a 20-question kind of game.
MR. DELAY: It is a business servicing that address regardless of who is in it.

MR. GALLATI: Not necessarily.

MR. DELAY: Maybe she can access by address and not by name.

MR. WARE: I don't know the details, but I am pointing out there are other ways than Social Security.

MRS. GROMMERS: Let me ask a question -- how many telephones do you think there are in, say, the City of Boston -- the metropolitan Boston area? It might be a population of about three million. Could anyone give me a rough estimate of the number of telephones?

MR. MUCHMORE: It wouldn't be a good identifier because 79 per cent of the people in the United States don't have a telephone.

MRS. GROMMERS: I am not speaking about that. Would a million be a good number anyway? Nobody would argue too much? Wouldn't you say there was a unique identifier associated with each telephone? Not the instrument, but --

MR. DELAY: No.

MRS. GROMMERS: Could two people have the same telephone number in the metropolitan area of Boston?


Or you can't find my name anywhere in the United
States under a telephone number.

MRS. GROMMERS: I am not looking for your telephone number, but I am talking about whether or not a series, a 7-digit number on which the first three digits are letters and the second four are numbers, doesn't uniquely identify about a million different things -- that is not put very well, but I believe it is a unique identifier.

MR. WARE: But you have the nitty-gritty point: that the same telephone number exists in a different part of the country, so a mobile population gives you misery.

MRS. GROMMERS: I am just talking about the question of how many numbers or letters you need to have, and I am sure Professor Weizenbaum, with a little thought, if he doesn't know already, could tell us how many numbers plus letters are necessary to give a unique identifier for whatever large population you want. It is really not a serious problem. It is just a mathematical one.

MR. DELAY: When I say Social Security number, I am taking a little liberty. We discussed using the name and the last four digits of the Social Security number, but we consider that the Social Security number nonetheless.

MRS. GROMMERS: But I am talking to a different point. The question raised by the gentleman on the left is whether we had to use the Social Security number as a unique identifier. I am saying any combination of letters and digits more than a
certain size, depending on what size sample you wish to enumerate, is sufficient, and it is a mathematical problem of telling you what set of numbers and digits gives you a unique identifier.

MR. DOBBS: Mr. Delay made a significant statement, however, which is a new one in the sense that he has just said that he is not using the Social Security number as an identifier, he is using the last four digits of the Social Security number in conjunction with the name.

MR. DELAY: I said that is one of the possibilities. We don't need a 9-digit record. If we have the first name and middle initial, we feel we would have a unique identifier if we had four last digits of the Social Security number in addition to that.

MR. MUCHMORE: But to go back to previous testimony, that is something easily recalled by people. So you would have to require the entire number to be asked.

MR. WEIZENBAUM: I can't give either, but I can give my birthdate. Why not the first and last name and the birthdate?

MR. DELAY: That is a good point. One thing we don't like about the Social Security number is the fact that it doesn't have a check digit.

We use check digits on our account numbers to avoid entering incorrect information into the database, and that is one thing the Social Security number doesn't have.
We would like it to have one if we used it.

MRS. GROMMERS: In other words, the problem is really, when analyzed, it is more complicated than just a unique identifier, but certain other characters not yet defined clearly which you want to also have, one alluded to by Arthur, that is linkage, and a second is the check digit, and there have to be others.

Let me go on to other questions.

Mr. DeWeese?

MR. DE WEESE: Pass.

MRS. GROMMERS: Mr. Anglero?

MR. ANGLERO: I hope there are other countries in this world that do not use Social Security, that don't have it, and that do have information systems and data banks and other things. Okay.

My question is, how do you update credit files?

MR. DELAY: We don't maintain a credit file per se. When a contract is presented by a dealer for us to purchase, we may take a credit application over the telephone and then determine whether or not we want to buy that particular contract.

If we buy it, that piece of paper is filed in the branch office, and we have 700 of those.

The only information that comes in to the data center is enough information for us to set up the account which is the name, street address, city and state, and, of course, the
amount and terms of the payment -- monthly payments, and so on.

We don't really update that file. We may refer to it again if another dealer or the same dealer asks us to accept still another credit for the same customer. But we don't keep it updated like the credit bureau does. We rely on the credit bureau, really.

MRS. GROMMERS: Mrs. Hardaway?

MRS. HARDAWAY: One request. Will you leave your chart so we can have a good time with it?

And my question is, as to employees of General Electric, does it bother you personally that your personnel records are being filed under your Social Security number?

MR. SCHLENKER: Our personnel dossiers or records are filed by name.

MRS. HARDAWAY: Yes. I mean the information you are accumulating. You are eligible for promotion, or you are not, or whatever data you are collecting. Does that bother you that it is under your Social Security number?

MR. DELAY: Not as long as it is accurate.

As a matter of fact, we used to have a pay number and Social Security number. I no longer have a pay number, and I do have a Social Security number, and I know what that is, and my paycheck has it on there instead of a pay number. I think it is great.

MR. SCHLENKER: Let me give an illustration of what
happens if you don't have a unique identifier in any organization -- federal government or any other.

If a man is assigned a payroll number which is completely arbitrary but unique within that one organization, and he moves to organization B, and it is assigned another number, then all of his records have to be transferred under the new number, and very often it is difficult to make accurate transfers and especially difficult when you are trying to get the same information into a central file.

You see, you have to change numbers all the time, and there is a trail of numbers that has to be kept to allow you to be absolutely accurate.

And this is what we try to avoid by not having a separate number assigned in each particular organization, and we settled on one unique number which happened to be the Social Security number which is used for reporting purposes to the federal government, so we used it in two ways.

MRS. GROMMERS: Mr. Impara?

MR. IMPARA: Following up on Senor Anglero's question, do you expunge the information periodically? Do you clean it up in essence, once the billing is completed?

MR. DELAY: Yes, I am not familiar in detail with our record retention practices. However, we have instructions on that for each document we happen to have.

Off the top of my head, I would say that we probably --
at the time we accept a contract and have the related credit information in the branch -- it is more than likely accumulated that way and will be destroyed at the pre-determined date, and that takes into account the term of that particular loan or transaction and the additional period to cover extensions of the account or whatever.

MR. IMPARA: I am just curious, because I am the only James C. Impara in the country and I don't have an account with you.

MR. DELAY: We have you on file.

MR. IMPARA: Yes.

MR. DELAY: You have determined that you are the only one? You must be accessing some other data bases?

MR. IMPARA: Mine is the only family of Imparas in the country and I am the only James C.

MR. DELAY: Is that right? Do you have any accounts?

MR. IMPARA: Not with you.

MR. DELAY: Are you sure?

MR. IMPARA: Not that I know of.

MR. DELAY: A lot of people don't know. We service a lot of revolving credit merchants and a lot of customers. We tell them and they disregard it and don't realize that we are in it.

MR. IMPARA: All I have is BankAmericard.

MR. DELAY: We don't serve BankAmericard. We are
MR. MUCHMORE: I wish to heck you did.

MR. MILLER: But when the bill comes, you better pay it.

MR. DELAY: If you would like to write, I will determine whether or not I can give you that information, after discussion with legal counsel.

MRS. GROMMERS: Professor Allen?

MR. ALLEN: Apparently there are some advantages in using the Social Security number, and I wonder just how valuable that is in the sense of how much you would be willing to pay. That is, how much of a tax put on the uses of the Social Security number would be enough to discourage the use, or would even the uncertainty of how much such a tax might be, be enough to discourage its use for the customer identification purposes?

MR. SCHLENKER: I never thought of that question before. That is a good question.

I am sure there is a price that would discourage you from the use of any one common identifier. I have no idea what it might be.

I might say this, that, even if it had cost us money to go to the Social Security number in General Electric as a common identifier, I think we would have done it, because of the speed with which we are able, and the accuracy which we do obtain from that particular identification.
Remember, that is associated with the name as well, so that we have the two.

MR. ALLEN: I was really trying to get at whether it was a slight advantage, although enough to lean you in that direction, or whether it was a substantial one.

MR. SCHLENKER: In the employee data field, it is a substantial advantage.

MR. DELAY: Having not used it in the credit corporation, I find it difficult to say whether or not it would be substantial. I think it would be neither slight nor great, probably, but of some use, and probably for the vast majority of our customers never used. It is like most of the customers whom we serve over time who come to us and leave and we really have not much to do or say to them. They send in the payment and we apply it, and everything is fine.

It is the people who dispose of the account that we have difficulty with, people who don't pay in accordance with the obligations. It is only those two probably where we would be using the Social Security number.

The vast majority pay in accordance with the agreed upon terms and it is never used.

MRS. GROMMERS: Mr. Davey?

MR. DAVEY: I would like to come back now -- I was formerly with Credit Data Corporation, one of the companies you do supply information to.
MR. DELAY: CDC?

MR. DAVEY: Yes. And you in the process of working with our company in the time I was there— I am no longer with them -- there was a great deal of consideration on the part of General Electric as to whether to participate in the file or not, and one of your people was on our advisory board to help assess policy and things of this nature.

It was done very carefully from General Electric's standpoint, and I think that a very good system was set up, largely through their efforts, and others who likewise were concerned about how this data is to be used and handled.

You do have Social Security numbers on your applications, and I think your credit people, when they call in, use the Social Security number, and it is used as a secondary identifier in this particular credit file, and has proven to be quite helpful.

Again, it is not necessary, but it does help to identify an individual and has been very, very helpful from that standpoint.

So, from my own personal viewpoint, I would like to see the use of Social Security as you propose that it become more and more a part of the record.

MR. DELAY: I wasn't certain whether CDC -- I had heard that TRW had commenced accumulation of files with that number, but we don't feed either file with the Social Security
MR. DAVEY: No, it is not fed. It is only phoned in at the time the inquiry is made, and that is a linkage. About 75 per cent of the files have Social Security numbers. It is a secondary identifier, not a primary one, but a secondary.

MRS. GROMMERS: You both said you wanted a unique identifier because you wanted accurate records. You wanted to be able to locate people.

Could you give me two other things that you think are important that would require you to use the Social Security number other than a unique identifier? What other advantages does it have? Could I have two?

MR. DELAY: I think I stated the reasons. That would sum it up, I think.

MRS. GROMMERS: Could you repeat them?

The obverse of the question is would any other unique identifier do as well as long as it was unique?

MR. DELAY: Yes, I think so.

MR. SCHLENKER: I would agree with that.

MRS. GROMMERS: Why don't you create one?

MR. DELAY: Why don't you create one? We have account numbers.

MRS. GROMMERS: Why isn't that number enough?

MR. DELAY: It is a secondary one. But too many customers have more than one account number with us.
MRS. GROMMERS: So you want more than a unique identifier, you want one that the customer can remember.

MR. DELAY: Yes. Either from memory or from his wallet or purse, which most people can with the Social Security number, I think. I can remember mine.

MR. MARTIN: Supposing you invented a number and printed it on a little card and sent it to the customer to keep in his wallet. Why wouldn't that be as conveniently retrievable by the customer as the number on the card that somebody else has gone to an expense of sending?

MR. DELAY: We have three million customers now. In a year we probably will pass another million through that file. Our next customer is one we have never had before and the last one we will never have again, probably. I don't think we have a group of customers that is anywhere near static.

MRS. GROMMERS: What difference does that make? You can have a large set of numbers. You don't need to redraw from the urn.

MR. MUCHMORE: I think if I may answer for you, you wanted something that was commonly used by others as well, and to give them something to carry would be something they would probably not carry.

MRS. GROMMERS: Why do you want it commonly used by others as well?

MR. MUCHMORE: Because they would have to remember
that just for GE. If they didn't carry it with them, which
they wouldn't probably, because it would be only a once-every-
three-years use of the GE number. They wouldn't carry it and
they wouldn't memorize it.

I find that I have four cards other than Social
Security that have my Social Security number on it.

MR. WARE: How many times do you quote it?

MR. MUCHMORE: How many times have you written in
forms and that type of thing? Oh, gosh, I am in the banking
business, you know.

MR. WARE: I know.

MR. GALLATI: Madam Chairman, I would like to see
if I can get this straight in my mind. You are planning, or
you now use, and would presumably plan to continue, a name and
four digits of the Social Security number?

MR. DELAY: We don't use that presently. That is
one way we might use the Social Security number. Just the
last four digits.

MR. GALLATI: You are not considering using Social
Security number as an entire number?

MR. DELAY: Well, we may have it in the file, but
we may not use it necessarily to identify that person.

I don't know that it would ever be to our benefit
or to anyone's to not put the whole number in.

What I am saying is, when we use it, we would use the
last four, probably.

MR. GALLATI: If that is so, it seems to me that any four numbers that a person can readily recall and which are somewhat unique at least to him would be adequate for your purposes, and, therefore, if I give my name and last four digits of my telephone number, you would have the same results.

MR. WARE: Birth date is better.

MR. DELAY: Your telephone number would probably change. That is not the access in our file. Our file would be the old number.

MR. GALLATI: I might know the old number, too. I can use any four digits. You need to use the four digits of the Social Security number -- any four digits that you can recall.

MR. DELAY: Actually, the four digits -- thinking back in my experience -- was an Army thing. My serial number, the last four digits of the serial number plus the initial of the last name was used to mark all laundry and personal goods in the Army. And it was actually that that caused me to think that we could get by with four digits of the Social Security number.

MRS. GROMMERS: One last question.

Mrs. Gaynor?

MRS. GAYNOR: Am I to understand that at present your employee files are filed by Social Security number?
MR. SCHLENKER: Yes, ma'm.

MRS. GAYNOR: Plus names. Are there any governmental programs that you are involved in at GE at the present time that you maintain a separate file on?

MR. SCHLENKER: Could you give me an illustration of what you mean by a "governmental" program?

MRS. GAYNOR: Well, training programs where the federal government is funding you for maintaining them.

MR. SCHLENKER: Yes, we are.

MRS. GAYNOR: And they are kept in a separate file?

MR. SCHLENKER: Yes.

MRS. GAYNOR: And they are filed by Social Security number? Does the government have access to this information or what type of reporting is there?

MR. SCHLENKER: I would imagine they could do so. I don't know the answer to that. Do you know, Professor?

MR. MILLER: No.

MR. SIEMILLER: I am with the National Alliance of Businessmen. They do have access when they have a training contract. Not only the GAO has access, but HEW has. If they finance it, they have access.

MRS. GAYNOR: Does the employee who is involved in the program know this?

MR. SCHLENKER: That the federal government has access to this information?
MRS. GAYNOR: Yes.

MR. SCHLENKER: I can't answer that question, either.

I am sorry.

MRS. GAYNOR: Thank you.

MRS. GROMMERS: Thank you both very much. Would you join us for coffee? We are going to have a coffee break now.

(Recess.)

MR. MARTIN: I have a couple of business matters.

There are now being passed out stapled documents, three sheets together, with a special tag in the corner, which are the arrangements for tomorrow.

Tomorrow's agenda, which tells you where you are meeting tomorrow, together with a map showing you where our location is. We cannot meet here tomorrow. But, it is very clearly stated in the papers being distributed to you where the location is -- Building 31-C, Conference Room 6, on the 6th Floor.

We will have a box lunch over there at the luncheon break. The implication of that is that all the members should take all their papers away with them tonight when you leave at the end of the day. Take all your files and papers with you, because we will not have access to this room or building tomorrow.

Finally, it comes to our attention that a number of
members might wish to eat their dinner this evening at some other location than the Holiday Inn at Bethesda. If you wish to do that, please turn in your dinner ticket for the Holiday Inn to Beverly Ann Garfield in the orange desk in the reception area on your way out tonight so that we will not be charged for the meal that you do not eat at the hotel in Bethesda.

MR. WARE: How about tomorrow morning? Suppose we defer --

MR. MARTIN: Suppose we defer that decision until after we have left here tonight.

(Discussion off the record.)

MR. MARTIN: So any unused tickets return to us. And be sure and take all of your papers with you. And then I would like all the members of the staff of the committee to plan to meet here for 15 or 20 minutes after the members have cleared it, following this session, so we can be sure we have ourselves organized and the papers to go over to Building 31-C.

MRS. HARDAWAY: Will there be cabs?

MR. MARTIN: There will be Barwood Cabs at the Holiday Inn to bring you to the new location.

(Discussion off the record.)

MRS. GROMMERS: We have three other guests in the audience, and I will tell you what their organizations are. There is a gentleman from the National Bureau of Standards, a
lady from the Florida Drug Abuse Program, and we have a lady from the National Welfare Rights organization.

In addition to the other people, not all of whom are still here, that I mentioned this morning.

Now, this afternoon, we have a really heavy program here. It is, however, an idea rather continuous to the discussion we had been having in the last hour.

The main point of this particular discussion with SRS and the Social Security Administration is supposed to be centering on the question of the problems of enumeration of the Social Security number and the questions of the need for and the use of a unique standard identifier.

So, if we can limit our questions to that area of discussion, we will have other opportunities to talk with SRS and Social Security on other matters.

Mr. Roach, may I ask you, would you be so kind as to introduce yourself and the other gentlemen for us.

MR. ROACHE: Yes.

I am the Acting Assistant Administrator for the Program Statistics and Data Systems in the Social Rehabilitation Services of the Department of Health, Education, and Welfare.

On my right is William Cleaver, who is the Senior Computer Systems Analyst in that same office.

On his right is Harry Overs, Assistant Bureau Director, Bureau of District Office Operations, Division of
Operating Policy and Procedures, Social Security Administration.

And on his right is Mr. Richard Bridges, Assistant Director, Assistance Payment Unit, Division of Family and Child Services, Department of Human Resources of the State of Georgia.

And on his right is Mr. Paul Skelton, Director, Division of Administrative Services, Department of Health and Rehabilitative Services, State of Florida in Tallahassee.

Are you desirous of some opening remarks?

MRS. GROMMERS: Yes, let me tell you gentlemen the way we have been operating here. If you all could make -- one or several of you, as you so choose -- some kind of a presentation of about 15 minutes in length, an overview of what the problem is that we are discussing today as we see it, and what background information, since it is essential just for orientation.

We have read all of the background information you have given us. Then we will proceed around the room in one fashion or another and ask one or two questions.

In the course of the answers to that, however, if you all can be rather concise, more than you would perhaps like to be, in order that we can really get a chance to go all the way around the room, which we often find difficult to do, and you can help us by having brief answers and we will try to make our questions brief.
At any rate, we will go on until it is time for the social hour.

So, would you like to start, Mr. Roach?

MR. ROACHE: Yes, I would. I think it may be interesting, if you are not already aware of what Social Rehabilitation Services is all about, if I could give you a quick overview and what our involvement has been in the use of the Social Security account numbers.

We are the welfare side of Health, Education, and Welfare. We are dealing with the disadvantaged population, which is now about 15 million. We spend about $18 billion a year to administer programs dealing with the aged, the blind, disabled, and families with dependent children.

We have in SRS six programs or bureaus. They are, quickly, Assistance Payment Administration, Administration on Aging, Medical Services Administration, Rehabilitation Services Administration, Community Services Administration, and Youth Development and Juvenile Delinquency Prevention Administration.

My office is a support office of these activities. The Programs that we administer we administer through state agencies and the monies that are spent are spent through those agencies in the form of formula grants and project grants.

These agencies are not controlled in terms of information systems design other than a requirement to comply with the reporting requirements of our agency.
In other words, we are making money available, we want to know what the money is being used for, and therefore they have to comply with these reporting requirements.

We have seen an increased need for data interchange on individual clients. We have it today and we see a continuing need for it.

Our administrator, Mr. Twiname, therefore directed that we started immediately investigating the adoption of some common identifier for individuals and also a common identifier for families. We have been working very closely with states and with Social Security Administration and with people involved in the new welfare reform planning to determine what these interchange requirements might be and what common identifiers we might adopt.

We were in kind of unanimous agreement that the problem of identifying a family and, in fact, even designing a family in terms of our legislative authorities is a bigger problem than that of individuals and that we should not delay our progress on identification of individuals until we solve the family problem.

So we have proceeded to look at the numbering systems that exist in the states. We concluded that, if records are to be interchanged, there is a need for a common number. There is today a common numbering system in being where numbers are assigned under the control of a national authority, and that to
develop another number which would be under -- which would be common and non-duplicative, would require some other national authority, and so we have felt that we should go with what has been what we call a de facto standard anyway, that is, the Social Security account number.

We are in the process of developing regulations which, before they would be issued, would be sent to state agencies as proposed rule making and hopefully with the concurrence of the Social Security Administration ultimately issue a regulation which would require all welfare clients to be identified by this common Social Security account number.

This is a general attitude of the agency on this and, if you are interested in some of the progress we have made where we stand, I can turn it over to Mr. Cleavers and he will give you some of the detail on that.

MRS. GROMMERS: One thing we certainly would like to know is where you stand as far as the enumeration, the sample enumeration.

MR. ROACHE: Where we stand as far as enumeration is concerned today?

There has been a five-state pilot test and that is under the sponsorship of the Social Security Administration, and I would suggest that Mr. Harry Overs brief you on that.

MR. OVERS: Would you prefer to move on to Mr. Cleaver, or would you prefer to hear about the five-state pilot?
MRS. GROMMERS: Mr. Cleaver would be speaking about what specifically?

MR. CLEAVER: Primarily about the status of the regulation itself.

MRS. GROMMERS: Why don't we hear the five-state plan first?

MR. OVERS: I would like to preface my remarks by telling the folks in the room that I am not a systems man, that I believe Mr. Friedman was here, and he is a systems expert.

The bureau that I come from, the Bureau of District Office Operations, is primarily responsible to the central office component of the Social Security Administration. It supervises some 936 Social Security district offices.

(Chart.)

The five-state pilot was developed in the latter part of 1971 as a joint project between the Social Security Administration and the Social and Rehabilitative Services. And the purpose of the pilot was to try to identify problems that we would jointly encounter at an early stage because we were confronted with the possibility of legislation that might require us to quickly enumerate welfare recipients across the country.

(Chart.)

And to assess then the various methods that might be used for the enumeration of welfare recipients. The pilot
states -- Idaho, Wyoming, Kansas, Delaware, and six counties in Georgia -- were deliberately chosen because of their size, the manageable kind of workload that these states would represent, the receptivity of the people in the states to such a pilot enumeration, and the fact that almost all these states had relatively sophisticated computer systems.

In spite of the fact that there was some common characteristic in these states, the early negotiations we had with the states stressed the need for flexibility, because we recognized that they were all different in their capabilities with respect to computer systems and certainly all had different preferences for completing any kind of enumeration.

And we gave them a variety of options and as it turned out, they have all proceeded with the enumeration in a variety of ways, exercising those options.

In Social Security district offices across the country, states are furnishing technical assistance and guidance to welfare offices and many of them are actually assisting with the processing of the applications as they are fed into the central office for processing.

(Chart.)

The basic agreement between the Social Security Administration and the SRC provided that the enumeration would include, first of all, the verification of the numbers that were already in the state files, that is, numbers of the welfare
recipients that the state had on record, and that the Social Security Administration would issue new numbers to existing recipients that are on the rolls who didn't have any yet, and that we would also be issuing numbers to new applicants who needed them as they were coming on the rolls and that we would notify the state of all such numbers, that is those verified and those that are new.

An important aspect of the enumeration from our point of view was that the information provided to the states would have to be retrievable from their records at a later point in time and that was assuming that at a later point in time, depending on the legislative picture, that the Social Security Administration would have to go back to the states during any kind of a conversion process, and they would have to give us the numbers back in some form.

Now each state, as a part of this agreement, furnished to the Social Security Administration a master magnetic tape record of all of their cash recipients who were on the rolls at the time the tape was furnished.

They also agreed to begin enumeration of all new applicants. And again, let me stress that that they agreed to maintain the Social Security numbers in their computer record.

Now the thing they furnished to us on that magnetic tape record was the name of the recipient, the address, the welfare case number, the type of assistance, the Social Security
number, the Social Security claims number -- and there is a
difference between the Social Security number and the Social
Security claim number -- the sex and the date of birth.

Our Bureau of Data Processing, which is our computer
operation in Baltimore, then used this tape listing to attempt
to verify the acknowledged Social Security numbers that were
listed against the records that we had in Baltimore. The states
were then notified by magnetic tape record of all the numbers
verified, individuals for whom we were unable to verify any
number, and we gave the states back the names of individuals
for whom no number was acknowledged.

So now what the states had were the verified numbers,
non-verified numbers, and a listing of the people who didn't
allege a number.

Where the Social Security numbers were not verified
by the Social Security Administration, the states mailed to those
individuals a specially designed form, application for Social
Security number, and these were then completed by the recipients
and returned to the Social Security district offices where they
screened them completely and these were then sent back to
Baltimore, and we would then be going into the second phase of
issuing numbers to those people who submitted an application
through the second process.

As I said before, there were variations in the way
the states approached this. Some of them -- at least one of
them -- obtained the Social Security application by personal contact. However, most of the states sent the application to the welfare recipient with an explanatory letter.

I am not sure whether you are really concerned or interested in what sub-studies were done. I will cover it very quickly.

(Chart.)

In Chart no. 3, in the pilot for our own program purposes, that is, again for the possibility of future legislation, we were interested in the date of birth verification for old age recipients and an identity verification for some recipients in all cash categories.

In other words, what we were interested in determining was whether the date of birth in the state records agreed with the date of birth in the Social Security records for old age recipients.

And the identity issue is whether the name and Social Security number and claim number that may or may not be in the state records agrees with those factors in our own records.

(Chart.)

What we call the "age and identity study" involved a universe of about 15,000 cases and again what happens here is there will either be a match or there will be no match, and the way this thing has turned out is that there were approximately
I guess, around 1300 cases where we did not get an age match, and the difference between the 1300 and the 3800 that you see in the lefthand side are people who did not even furnish a number originally, and, therefore, we couldn't get any match, but those that didn't match will be sent back to the states and the states will be asked to tell us what they used for proof of age.

The other side represents 2100 cases where the identity factors didn't check and the states will again be asked to try to resolve those cases.

About 1900 out of the total universe of 15,000 -- age, identity -- matched.

The purpose of this particular sub-sample was to enable us to determine again, in the event that prospective legislation in H.R.-1 is passed, and there is a conversion of state rolls, whether or not the dates of birth in the state rolls is sufficient for us to automatically accept the state files for our date of birth determinations.

Next chart, Al.

(Chart.)

I don't mean to bore you with statistics, but I think one of the very, very important things is to understand that we deliberately picked these states because of the very, very small workloads they represent.

Any enumeration project is to us a definite workload
impact, and one that has to be controlled very closely because we are not equipped to enumerate across the board with all the pressures that are being put on Social Security Administration in terms of potential enumeration and potential use of the Social Security number for other purposes.

So you can see the total workloads only involve 283,500-some actions.

The potential, of course, is millions and millions of actions.

The next chart, Al.

(Chart.)

You may be interested in what happened in terms of those that were verified. Out of the 283,000 items that were handled in this pilot, there were 100,000, approximately, alleged Social Security numbers on the master tapes that were submitted and only 57,000 were verified by our records, which is about 20.3 per cent of the total workload of 283,000, and about 35 per cent of the 100,000 that were alleged.

Next chart, Al.

(Chart.)

MR. MUCHMORE: I don't follow that, I'm sorry.

MR. OVERS: Let me back up to the last chart, then.

The one before that -- Chart no. 5.

I believe the statistics are on there. The number of names involved in the magnetic tape records sent to the
Social Security Administration, 283,000.

Of that number, 100,000, approximately, Social Security numbers were alleged -- people were saying, "Yes, I have a number, and my number is --"

Of that 100,000 --

MR. MUCHMORE: 100,000 were non-verified at the time you started the study?

MR. OVERS: 283,000 were non-verified. These were numbers taken strictly from state records. These were people -- well, some people didn't have numbers -- 100,000 alleged --

MR. WARE: 183,000 said "We don't have any"? Okay?

MR. OVERS: All right.

(Chart.)

MR. OVERS: Okay. This is an indication of the relatively low number of on-going workload, that is, the new applicants who have submitted applications for Social Security, new recipients coming on the rolls.

And that is a relatively small volume that is represented there. That is just, again, some statistics for you.

The next chart, please.

(Chart.)

This is an indication of what happens when a state mails the form SS-58, which is the Application for Social Security Card, to the individuals for whom numbers were not verified or to individuals who alleged not having had numbers,
and the dates that they were mailed.

Kansas City mailed 68,000 applications asking the individual to apply for a card, to give the identifying information. 36,000 responded as of this time.

Wyoming mailed 7,000. 3,300 responded at this time.

Delaware, as I mentioned before, is making personal contact so those were not mailed.

I believe that is it in terms of the charts.

MR. MUCHMORE: Is this a one-time mailing?

MR. OVERS: A one-time mailing so far. I understand somewhere they are planning to follow-up. They must certainly follow-up if they plan to enumerate the total rolls.

The problem with the enumeration that we have run into is that it, of course, is moving much more slowly than we had anticipated. Some of the magnetic tape records we received from the states initially were not satisfactory. They were not compatible. They didn't compute, so to speak.

And another difficulty that we encountered was that some of our own equipment broke down as a result of Hurricane Agnes going through. Some of our facilities in Wilkes Barre, Pennsylvania, were flooded out to the second floor and some part of this enumeration process takes place there, and for that reason this process has taken longer than we anticipated.

MRS. GROMMERS: Mr. Cleaver, would you like to say a few words? We probably have room for maybe about 10 more
minutes of presentation.

MR. CLEAVER: Well, maybe I will talk backward then.

I was going to bring you up to date on how we got to where we are in the regulations. I can start out by telling you the status.

It exists in draft form, ready to go up to Mr. Twiname in a recommendation of specifications giving the content of the regulations which he asked us to develop a year ago.

It contains one of the things we found out, which is that we decided that it didn't make much sense to simply come out with a regulation saying that Social Security number will be a standard, because as soon as that hits the states, they want to know what to do with it, and, besides that, if we say, "Okay, you must do this," immediately Social Security has a problem.

Our effort could not be done in a vacuum. So the regulation has gone through three versions.

One of the problems that the states identified in responding to the program instruction which announced the pilot study was the fact that it is very expensive for them to have to maintain two Social Security identifiers, one being a claim number which identifies you to the benefits payments and necessary Medicare assistance, and the other is the Social Security number which identifies the individual for other purposes.

And the situation in the world is that most other
federal agencies use the Social Security number. So, since
most states had to have the claim number to go in for the
benefits payment to determine eligibility and entitlement, they
have to carry that number. They don't carry the Social Security
number in their automated systems. So the consensus of the re-
ponses from the states was, "Don't make us carry two identifiers.

Now, along about January of this year, in response to
some correspondence from Oklahoma, the Social Security announced
a system which they are implementing to cross-refer the Social
Security number and the claim number.

Now this provides the link where we can at some
future time hopefully release the states from the requirement to
carry two identifiers.

Now the drafting of the regulation, as it stands now,
and guidelines to go with it -- we don't think it is appropriate
that it be in the regulations -- would be language explaining
to the states that they don't have to implement until such time
as these identifiers can be switched or cross-referred unless
they so choose, by already having fields for both numbers.

We also are proposing to require that the Social
Security number be collected and that some temporary measures
be instituted in the states to take care of people until the
numbers come back.

It doesn't make a lot of sense to us to put it out
and request that the states use it. So, if that will do until
the questions come up, that is about where the regulation is.

MRS. GROMMERS: Mr. Bridges, would you like to comment?

MR. BRIDGES: I can make a brief statement. Mr. Overs covered most of the material I have.

We are engaged in the enumeration project, and, as he indicated, this is not a reluctant participation, because we are anxious to do so because we are convinced that we need a common identifier and we think the Social Security number is the one that we should use.

We have in our state office building in Atlanta computers on every floor -- and big computers -- none of which talk to each other.

And even within welfare itself, we see many examples and reasons why we need a unique number.

I would say that we also have been in the project four months and have had no resistance whatsoever to it.

Of course, we do have 25 per cent of these forms that we sent out that have appeared back again. I don't know whether that has anything to do with people who don't want a number. I don't know. No one has indicated a resistance to the program.

MRS. GROMMERS: Mr. Skelton?

MR. SKELTON: Madam Chairman and members of the committee, I realize that time is growing short, but since the Department of Health and Rehabilitative Services in Florida is
somewhat unique, we have handed out an organization chart to you so you would know the scope of what we are talking about as far as Florida is concerned.

I was appointed the Chairman of the Task Force on Confidentiality and Release of Information, by the Secretary of HRS last April, subsequent to the end of the legislative session.

And we have been working to develop a directive on the release of information and records, and I will be glad to provide the committee with a copy of the directive that we have developed after many hours of anguish between mental health and drug abuse and other areas within our department.

We have nine divisions. As you can see by the chart, that our program divisions with some 30,000 employees. This represents 40 per cent of the total employees in Florida.

This does not include the numerous county and local government agencies, such as county mental health centers, clinics, county welfare, adult and youth offenders, detention centers and jails, county health departments, drug abuse treatment centers, and many others which function in concert with our department, but are not accountable to the Secretary.

Within HRS, Health Rehabilitative Services, we have some 33 major institutions and rehabilitation centers containing 30,000 clients.

In addition to this figure, there are approximately
750,000 clients served directly by this department, who receive services which do not require extensive institutionalization. This includes welfare recipients and others.

It does exclude the Division of Health, which theoretically serves all the citizens of Florida.

Existing policy regarding confidentiality within the divisions of the Department have been comprised of numerous federal laws and regulations, state law and administrative code, internal divisional policy or any combination of the aforementioned.

And I have for the benefit of the committee a handout that you can distribute at any time you see fit.

MR. MARTIN: It would identify all of the records within our department and the labeling as to whether or not they are available or considered confidential.

For example, adoption records with the Division of Family Services, which is the welfare agency, are considered closed records and are not available for anyone to view.

MRS. GROMMERS: Do you have sufficient copies with you right there? You might just start passing them around.

MR. SKELTON: What our Task Force has proposed is not the answer as to how records should be handled when requests are received, yet we feel provides a starting point to build and revise as necessary.

I would like to cite for you some of the problems we
have encountered within this umbrella agency with a question of using a universal identification number.

The Task Force has barely touched on this question, as we had to first iron out the policy and procedure of basic exchange of information within our own department before we could even approach this issue.

I might pause here and say that the Department is only three years old. As a result of reorganization in 1969, we pulled together seven autonomous divisions, seven program divisions, and created a department, and you can imagine the chaos and trauma that goes on whenever you pull people together and say, "You are now going to work together instead of independently." It has been beneficial as far as I am concerned. We have people talking to one another that had not communicated previously.

Florida is now a pilot project state on two projects that I am concerned with. One is the model states project with the data center, and the other is the federal program financial planning project for which Florida is participating with HEW.

We have become keenly aware of the necessity for developing a universal identification system. Yet we all know that people are becoming increasingly hesitant to provide any confidential information to anyone if there is a possibility that the information will be programmed, systematized, and placed in a big computer.
I think that the uncertainty of not knowing what a computer is, does, how it works, who accesses it and who does not, and general lack of knowledge contributes to this hesitation.

Perhaps this is legitimate justification, as I am not always certain that all security controls work properly at all times.

However, I think we would all agree that in this day in time, in years to come, we are going to be forced into an automated system in order to adequately provide rehabilitation and health services to the millions in need.

To expedite our delivery of services, to eliminate needless duplication of time and effort, to reduce costs and to be accountable to lending sources and to the public, we will have to rely on an automated system which will have to contain a universal identifier.

The initial problems our Task Force encountered centered around existing federal and state laws which prohibited the release of privileged communication and information to anyone without the informed written consent of the client.

And then the release can only be made to specified sources. For example, admissions within our Division of Mental Health are governed by state statute called "privileged communication." This provides that information contained about a client by a psychiatrist or a psychologist shall not be
divulged to anyone and will be considered confidential information.

Strict interpretation would include divulging the fact that a person was seen by a physician or received services. I do not think that this particular statute is peculiar to Florida.

I bring this to the attention of the committee because of the fact that it was raised by the community health center when they began to participate in the program planning project of HEW. A form called the SSIS form, which is the Social Services Information System form, carried the requirement that the Social Security number be obtained on every client that came into a community health center whether or not he was eligible for services. This was the form to determine whether or not he was eligible under Titles 4-A or 16 of the Social Security Act.

There was immediately a hue and cry against the provision of Social Security numbers. They were afraid it would be reported to Washington, into a national data bank, even though we assured them the information would be retained within the community mental health center and not transmitted.

The same was true of the alcohol rehabilitation centers we operate where people prominent in the community might go to the alcohol rehabilitation center and be asked for Social Security numbers. There was tremendous reluctance on the
provision of the number for that reason.

So, unless a system can be devised which automates the use of informed consent, enables it to be more generously and rigorously applied, and unless state and national regulations regarding the use and security of automated data systems are developed, the attempts to establish a universal identifier will meet with little success.

The umbrella concept that I have recited to you for our department was designed for several primary purposes, one of which was to effect a more complete, faster delivery of related services to the citizens of Florida.

With this in mind, all existing data systems within the department were consolidated into one central automated data center under my supervision and control.

Since reorganization in July 1969, the HRS data center has increased staff by some 350 per cent. It is the largest such center within the state, both in terms of staff and capability, as well as hardware.

But it is still in its infancy, awaiting the designation of full-scale goals by the divisions and department.

Included within this entire framework is the need for some universal common identifier to be selected. To truly operate a completely automated data system for a department of our size and complexity, we find it will be almost mandatory that a common identifier be selected. This is essential if we
are to expedite services without reducing costs.

Yet we are reluctant to establish a common identifier. Since we are closely related to HEW, being a pilot state in several projects, we know it would be mandatory for both agencies to select and use the same identifier.

Of course, HEW has not made a decision on that as yet. As I understand, this particular area is one of the objectives of this advisory council.

Consequently, we are trying to wait and see what action is taken in turn by HEW. I would not presume to suggest to you any particular identifier, although the Social Security number is the most easily accessible to us, and already has been assigned to most of the people receiving services from us.

We have discussed the possibility of using birth dates, numbers, various coded numbers, combination of existing personal identifiers, and, of course, Social Security number.

My opinion and suggestion, however, is that something be decided as soon as possible in order for the reporting statistics and accountability to be uniform.

I am sure you know what it entails for data systems to try and operate on a scale of ours using a different common identifier for each large system.

It would also be my recommendation that strict regulations be established regarding security controls. Perhaps legislation should be passed by Congress which would govern
access to client information, thus easing anxiety that now exists in regard to national data bank concepts.

We have wrestled with this problem. We have discussed it with the community mental health center to a great degree, and we do have a very serious need to have this problem as soon as possible so that we can reflect the services that are being rendered to all of the people within the various divisions.

As you know, vocational rehabilitation is the service agency for all of the divisions within our Department, such as corrections, youth services, mental health, retardation.

It is imperative that the information about these clients be available to them through the use of some common identification.

Thank you very much.

MRS. GROMMERS: We will start with some questions. May I ask you -- we will be getting some kinds of questions that will be of the type, "Why do you need a unique identifier?"

Could you try to be very specific, not that you would like it to do such and such, but why a unique one rather than one which is not unique.

Mr. Davey?

MR. DAVEY: I would just like to explore for a moment the question of the individual versus the family. In the case of the family, do you assign numbers to each of the members of the family, and just how does that tie in? Can they be one and
MR. SKELETON: We are using family number in Family Services, which is the welfare agency, but it is the only division that does use the family number. The others use another designation.

MR. DAVEY: How would it be under the new or proposed system? Would you enumerate the people? Do you enumerate the members within the family also in these various projects, or do you give them Social Security numbers?

MR. ROACHE: First, I want to react a little, if I may, with your permission, Paul.

The Florida numbering system is a family number, but it does have also individual identifiers. The first seven digits have the family number and the next subsequent digit is the individuals in the family. The answer to your question is "yes," it would be the intent to enumerate every member of the family.

MR. DAVEY: So that in the statistics that were given here for the 283,000, those are heads of families or total family members, or what?

MR. OVERS: They are adults, children, wives -- everyone has a number.

MR. DAVEY: You would not expect then that kind of a system that you would get 100 per cent then of all of those who had Social Security numbers? You would expect a certain number
that would need to get -- that would get Social Security numbers
for the first time?

MR. OVERS: That is right, and I think I should
clarify, too, that the figures given that only 100,000 numbers
were alleged and 183,000 did not have a number are misleading
because the states submitted their tape listing from their
records only. They did not go to the individual involved and
say, "Do you have a number?" If they had done that prior to
submitting the tape listing, many of these might have said,
"Yes, we do, and this is what it is."

MRS. GROMMERS: Mrs. Cross?

MRS. CROSS: Pass.

MRS. GROMMERS: Mr. Weizenbaum?

MR. WEIZENBAUM: I think this may be the most
important topic that we have heard about, not just today but in
a number of meetings.

As I understand it, what we are talking about here
is the enumeration of welfare clients, a national enumeration
of welfare clients. Fundamentally, that is what we are talking
about. Okay.

I would like to start with asking a couple of questions.
One, in telling us about why you chose the particular states and
regions that you did choose for your pilot study, one of the
things you mentioned was the receptivity of the people.

What did you mean by that and, for example, did you
mean that you also went to other places and found people not receptive? And in what way did they display their lack of receptivity, if that is the case?

MR. OVERS: I was thinking primarily of the states and the ease with which they would be able to cooperate with us. Again, in terms of the computer systems, in terms of their being in the middle of acquiring computer systems or change in programs, the administrative problems that any such enumeration might pose for a state. I was not talking about receptivity of the recipients.

MR. WEIZENBAUM: I thought that.

One other question which I believe you are really not in a position to answer, though perhaps you may be. I would like to hear your reaction to this at least.

If one is going to undertake the enumeration of a very large segment of the population, then why start with welfare clients? Why not some other part of the population?

MR. OVERS: Well, I guess a part of that answer is that some of the provisions of H.R.-1 -- I believe this has been mentioned to you -- required that the Social Security number be used as an identifier. And we are phasing into the administrative problem of having to use the number for a potential piece of legislation that is pending.

MR. WEIZENBAUM: Yes, I think what you are saying is that you are, in fact, not the appropriate people to ask
that question of. Perhaps the authors of H.R.-1 or those who support H.R.-1 should be asked instead of you.

MR. OVERS: Of course, we are an administrative agency and we are doing the administrative planning that is required to implement potential legislation like this.

MR. WEIZENBAUM: I don't think I should push this questioning of you any further on this particular line, because I am pretty sure you are not the right people to ask.

Let me just indicate what I am leading to in any case, if I may.

MRS. GROMMERS: Please.

MR. WEIZENBAUM: I think the rationale for enumerating welfare recipients is that the enumeration, when completed, will make it easier to deliver services to the clients in a uniform way. It will make it easier to detect duplication of services, to detect fraud, and that sort of thing.

And ultimately, I think the basic consideration is one of efficiency.

And even more ultimately, beyond that, is that there is a saving of money involved. All these services could, in fact, be delivered without an enumeration. There would be some duplication if it were done as it is being done today without duplication, and that duplication, some of it fraudulent, and some not, would cost a lot of money.

Of course, the system you are talking about would also
cost a lot of money.

Now, we could take an entirely different attitude. One could, say, enumerate all people who file income tax returns indicating an income, whether taxed or not -- I forget what that is called -- gross income -- indicating an income of more than $20,000 a year. Enumerate those people. Okay.

And do all the cross-checking and so on that such an enumeration would then allow, and the rationale behind that would be that one would in fact collect a lot of money, where collection here is a kind of savings because in effect the people from whom we are not collecting this kind of money at the moment are getting the benefit -- perhaps illegal, but nevertheless a kind of benefit.

I suggest the phrase you used earlier, "the receptivity of the people," is in fact a very loaded phrase, loaded with meaning -- perhaps not what you intended but nevertheless it turns out that the people, the population we are talking about, that is, the welfare clients, are in fact receptive in the sense that they are in no position to complain.

They do complain occasionally, as pointed out that 25 per cent of the requests of one kind or another simply don't come back. That is a kind of silent complaint.

I think this is very near to the heart of one of the main themes that this committee should eventually be looking at, and I think that this is not something that you can decide,
and I don't think it is useful to push this line of inquiry further with you.

But I thought it important to at least put it on the record that this is what I have in mind.

MRS. GROMMERS: Mrs. Gaynor?

MRS. GAYNOR: Pass at the moment.

MRS. GROMMERS: Mrs. Gaynor, would you like to have someone else present a question for you so you don't have to use your voice?

MRS. GAYNOR: No, I will come back.

MRS. GROMMERS: Mr. Gallati?

MR. GALLATI: I just want to make sure I understood correctly. If I gather correctly what you gentlemen are saying, the main reason that you are going the route of the Social Security number is the imminent passage of the H.R.-1. This is your overriding consideration, is that correct?

MR. ROACHE: Yes. I don't know whether I agree with the word "imminent," but in any event, expected passage of the welfare reform legislation, let's say.

MR. GALLATI: And I haven't looked into all the ramifications beyond that. In other words, you feel you have a compulsion to do this because of this demand that would be made upon you in light of H.R.-1?

MR. ROACHE: I think it is stated earlier that it is really a question of efficiency, and this is what we are
looking for. Efficiency and economy in administration of the
program.

It might be useful, if you are not aware of some of
the provisions of H.R.-1 or some of the other versions of
welfare reform, that much of the administration would pass
from the states to the federal government.

And the need for interchange of data would increase.
And there are some required services that would be provided
which means that that interchange would be perhaps, we believe,
two-directional -- back and forth.

And whether you use Social Security number, or name,
date of birth, sex, or what, to identify the individuals, there
must be some common rules of the game so we can communicate
intelligently the information we are exchanging.

MR. GALLATI: There's no question about that in my
mind. The only question I have is this common identifier --
be it what it may -- is no longer considered an option to you.
You now have to go by Social Security number because of H.R.-1.

So, in effect, you are controlled by H.R.-1. This gets back to
what Joe is pointing out, that we shouldn't be really asking
you these questions because you are bound by H.R.-1, or at least
you feel you are.

MR. ROACHE: The provision of H.R.-1 is for the use
of the Social Security number.

MR. WEIZENBAUM: You have run out of degrees of
freedom.

MRS. GROMMERS: What are you going to do when H.R.-1 is not passed?

MR. ROACHE: Well, I made a statement earlier that we have an existing and we expect a continuing need for interchange of data. And we believe that there is a need for this kind of identifier, whether H.R.-1 is passed or not.

And, again, I am not sure we should talk about H.R.-1. I think we should talk about welfare reform. We don't know what is going to be passed. We have had so many different versions.

But we expect welfare reform legislation and we expect that will increase the interchange of data on welfare clients.

MRS. GROMMERS: But you are really able to do this on your own, independent of any welfare reform. Supposing welfare reform is abolished? You are still able to do this under your own authority. So I think probably questions could be addressed to this question.

MISS NOREEN: I pass again for the moment.

MRS. GROMMERS: Mr. Miller?

MR. MILLER: I am just curious whether you have any theory as to why you only had 57,000 correlations with the 100,000 Social Security numbers. That seems abysmally poor for something that is thought to be the great universal solvent.
MR. OVERS: I really don't have any theories at this point in time. We haven't evaluated the results because the whole pilot is not complete.

There are even considerable differences between states in terms of correlations. Mr. Bridges and I were talking about that this morning. The fact that in Georgia there were fewer verifications than in other states by approximately 20 per cent, and neither one of us have been able to figure out why at this point in time.

MR. MILLER: You can't figure out whether it is in your records or the state records?

MR. OVERS: No, we can't, or whether it is characteristic of the population or whether it is -- we just don't know.

MR. MILLER: It might ultimately tell you something about the utility of the Social Security number.

MR. OVERS: It might.

MRS. GAYNOR: I just wanted to ask what is the cost of this pilot project that you are going ahead on?

MR. OVERS: I can't answer that question.

MRS. GAYNOR: How could you do a project and not know the cost? I don't understand this. Don't you get funded for this?

MR. OVERS: I will be glad to furnish the group that statistic.
MRS. GAYNOR: Could you, please?

MRS. GROMMERS: Could we also know who was the decision-making focus? Who decided to go ahead with this?

MR. OVERS: I think we know that. It would be the Commissioner of Social Security and the Commissioner of SRS.

MRS. GAYNOR: The decision to go ahead with this was with the Commissioner?

Does this also come from the Secretary in any way?

MR. OVERS: The Secretary was informed, yes.

MRS. GAYNOR: He was informed, but the decision was made at the Commissioner level?

MR. OVERS: I am sure the Secretary concurred or it would not have proceeded?

MRS. GAYNOR: Is that true?

MR. OVERS: I must make that assumption. I wasn't privy to the discussions.

MRS. GAYNOR: Well, I am a little afraid of assumptions sometimes, that is the only reason I asked.

MRS. GROMMERS: Do you know when the decision was made? Just in terms of time?

MR. CLEAVER: I can answer as far as hard copy. The program instructions which announced the SRS concurrence was dated January 14 of this year, and there is other material which Social Security Administration put out which has another date on it prior to that, I believe, in December, because it
took a while for us to get our papers out.

MRS. GROMMERS: About the same time this committee was being formed. And after the testimony before the other committee.

Mr. Muchmore?

MR. MUCHMORE: Pass. Specifically because of the fact that I am interested in the project in a different way. Namely, the fact that we are verifying some of the work -- the company I am with.

MRS. GROMMERS: You are interested?

MR. MUCHMORE: I am an interested participant.

MRS. GROMMERS: Mrs. Silver?

MRS. SILVER: I have not so much a question as an observation. I was a little amazed at the number of alleged numbers that didn't check out. I was also interested in the letters you sent requesting the people to apply, and you got, as I remember, the statistics, roughly half of them back, which is not very many in a way, and in a way it is also an astonishing response to a mailing, because so often mailings of that magnitude you will be lucky to get maybe 10 per cent back.

I am not sure if subsequent mailings would help that much. You might have to go back and call and see them, or whatever, because you waste a lot of time with mailing.

MR. MUCHMORE: May I go back and pick up a question which follows hers? It is recipients in every case that you
dealt with, correct?

MR. OVERS: Correct. I think I need to make it clear that the mailing of the applications for a Social Security number for those people that we didn't verify, for those people that didn't have a number -- that did not come from the Social Security Administration. This request came from the states.

MR. MUCHMORE: That is the point I want to make.

MR. CLEAVER: But if I can add, as I remember that chart, some of the mailings were as late as in July. This is now August, and I am sure some of these statistics were perhaps developed for the committee report, and I think we are talking about fairly preliminary figures as far as when a mailing is normally considered to be finished or ready for recycling.

It seems to me a month, roughly, is not a long time.

MR. OVERS: And you would have to know how many of the applications which were mailed actually reached the addressee.

MRS. GROMMERS: Mr. Burgess?

MR. BURGESS: Maybe there will be a question at the end, but I might make an observation.

I would like to commend Mr. Skelton from Florida for this documentation, which is really the first piece of information of this kind that we have had about the range of information of data that are maintained by an agency -- in this case a state agency -- and the extent to which it is available.

And I just glanced through this compilation, but it
just incredible to me to note the relatively few classes of
information on which there are restrictions for its diffusion,
to the extent that medical records, correspondence, narrative
records of personal information with respect to family services
is available to other state and federal agencies.

And I think another inference -- I think that is a
very useful thing for the committee to see -- and I think there
is another inference that one can make from this and that is
in almost every case where there is an X, that is, where the
information, where the file is closed, in almost every case
that X is based on a statutory obligation or a responsibility,
which suggests that information is available generally unless
there is a statute prohibiting its diffusion.

And I think there are implications for the committee
with respect to that inference about alternative ways of pro-
tecting the diffusion of information without going the statutory
route.

Let me just ask one question at the end of this.
That is, what is it that -- and anybody could answer this who
wanted to -- why is it necessary in the name even of efficiency
to diffuse information to other agencies about things like
the family services category, things like medical records and
narrative recordings of interviews, and things like that?

MR. ROACH: Let me take a crack at it from the
standpoint of some very new legislation we have now which we
refer to as the WIN -- Talmadge amendments. This requires
registration of employable welfare recipients for employment
with the Department of Labor and the determination of employ-
ability can be influenced by medical records, the medical health
of the adult or of children in the family. That is one
example.

MR. BURGESS: But why couldn't -- if somebody applied
for employment, why couldn't the medical information be gained
at that time?

MR. ROACHE: Well, in the first place, it is not a
voluntary application for employment. It is a mandatory ap-
lication. If an adult member of a family is employable, you
have to make the determination of employability, and that
determination is influenced by their state of health and the
state of health of other members of the family.

If there is a disabled member in the family that
needs the care of an adult, that adult is not employable.

MR. MILLER: I just want to connect with Phil. Be-
cause I noticed this very helpful chart. Just for the record,
and for the attention of the committee members who might not
have noticed it, over on this chart -- HBI record -- which
presumably is the NCIC record we heard about this morning --
is marked A, available for other HRS agencies, and is also
marked A, available for other state and federal agencies.

Mr. Roderick is telling us that they insist on the
NCIC terminal being in the hands of a law enforcement agency in Florida. That is all very well and good, but apparently under Florida law, whatever comes into that NCIC terminal is available to other state and federal agencies.

MRS. GROMMERS: Mr. De Weese?

MR. DE WEESE: That is a point I also noted, and, if you will notice also, this information will go to the vocational rehabilitation segment, and I would venture to say probably this is connected with the state employment service and this will be a direct funnel to private employers of criminal justice information, which is what the FBI claims doesn't happen, but in fact it does through systems like this, subterfuges like this.

MR. SKELTON: Dr. Miller, I would like to clarify that. Those are individuals who have been convicted of crimes and not alleged.

MR. WEIZENBAUM: Are you sure about that? We heard Inspector Roderick of the FBI this morning, and he told us about the FBI files, that those files, although referred to on the order of 30 times this morning alone by him as "criminal history" files, and this is often amended to read "serious criminal history" files, but in fact they are arrest records, which sometimes result in convictions, but very often not.

Now, are you still sure of what you say?

MR. SKELTON: They are arrest records. The record I
am referring to is a file of people, of convicted felons.

MR. WEIZENBAUM: I am talking about the FBI records.

MR. SKELTON: Yes. The FBI records on file in the Division of Corrections on individuals convicted of crimes.

MR. MILLER: We are talking about the availability of the FBI criminal history files coming in on the NCIC terminal in the State of Florida.

MR. SKELTON: I know nothing about that.

MR. GALLATI: Can I help a little on this? One must recognize the fact that Mr. Roderick this morning was talking in terms of the NCIC. The NCIC probably has never contributed to these records here.

These are FBI records from the Division of Identification, presumably, which is the manual system which has been going on for the last 30 or 40 years.

The NCIC records today are so minimal -- there are only 165,000 records in the NCIC, nationwide -- and as far as terminals are concerned, they are very, very closely guarded, the terminals.

MR. MUCHMORE: Also, he continually at the same time separated a seven-month history from a manual history, so there is all the difference in the world.

MR. GALLATI: Right.

MRS. GROMMERS: Mr. Siemiller?

MR. SIEMILLER: Pass.
MRS. GROMMERS: Mr. Aronoff?

MR. ARONOFF: As I gather it, the two commissioners developed a policy that it would be necessary to gear up for H.R.-1, which policy was at least impliedly approved by the Secretary on January 14 of this year, and then in order to go forward, you notify -- let me finish my statement, and then you can correct me -- you notified, if I read the staff papers correctly, all the states generally of your intention and then took a pilot program with five states in order to help yourselves, and that the reasons this was done was because of the efficiency and because of the necessity of H.R.-1.

In developing your pilot program, which was going to increase your efficiency on the one end, did you also develop standards of confidentiality of the records that you were going to be getting in anticipation of H.R.-1, that you would plug into that same pilot program?

MR. ROACHE: Let me make a statement on that first, and then let the others elaborate on it.

The answer I think is "no," we did not. We do have regulations covering the safeguarding of information, and with respect to specific safeguards for this particular enumeration, I believe the answer is "no."

MR. OVERS: The same regulations apply. The states are bound by the same regulations that they would be bound by in any data interchange with the Social Security Administration.
MR. CLEAVER: Another point is the only additional information that isn't on the standard application for Social Security number was the welfare identifying number, so it could go back through the office and maybe the category of assistance, so that we get some idea of how they are spread out and who has what numbers in what categories.

Presumably the adult categories are pretty well enumerated and presumably the children are not. But these are presumptions.

But as I understood your question, you said the two commissioners decided on policy to go ahead with H.R.-1.

MR. ARONOFF: No, I don't think I said that. I said "in anticipation of."

MR. CLEAVER: All right. Sorry.

MR. OVERS: I may have misunderstood, too, whether or not you said the two commissioners decided to go ahead with welfare enumeration generally, and then selected five states.

Basically, the commissioners decided to pilot enumeration of five states and then to determine what the administrative problems and so forth were, if and when we move ahead.

MR. ROACHE: We published a program instruction to all states.

MR. ARONOFF: Right. I am reading from the staff paper. You didn't say that, but I am taking -- there was a
memorandum that went out to all states, wasn't there?

MR. OVERS: Right, telling them of this enumeration.

A part of that was due to the fact that the states -- not all
the states, but many states -- were asking us to move ahead,
both SRS and Social Security, to move ahead, and what our plans
were, and in some cases they were moving ahead on their own.

And this, of course, as a kind of a planned status
report, then tends to give those states that would normally
have gone ahead some motivation to wait and see what happens
with that kind of a pilot.

MR. ARONOFF: If we start from that point, then,
if H.R.-1 were to be enacted, it mandates that the Social
Security number will be used, and I assume that in its course
H.R.-1 has also had the benefit of the expertise of various
commissioners and people working under the commissioners.

Do you assume negatively then that it is the position
of the Department that the present rules regarding confidentiality, the present law regarding confidentiality, are sufficient
to take into consideration wide use of the Social Security
number now as an identifying number? By not doing anything
in that direction, do we assume, then, that it is the position
of the commissioners, if not the Department, that the present
laws are adequate?

MR. ROACHE: We are examining with associations such
as the Society of Mental Health, and others of this category,
this whole business of confidentiality to determine the adequacy of our regulations.

And this really has nothing to do with the Social Security account number per se. Whether we use the Social Security account number or not --

MR. ARONOFF: This crystallizes it.

MR. ROACHE: That is right. So, no, I wouldn't dare say we have to assume our regulations provide full safeguards.

MR. BURGESS: Except the Social Security number exacerbates the problem.

MR. ROACHE: Exactly. It highlights it.

MR. BURGESS: It more than highlights it. It transforms it into a much more immediate thing.

MR. ARONOFF: Would it be too much to ask that this committee receive the benefit of some of the thoughts that you, that HEW itself, that the various commissioners have with regard to the issue of confidentiality?

In some ways, I suppose we are supposed to be advising the Secretary and you, but, on the other hand, maybe you ought to be advising us as to how far you have already gone yourselves on this subject.

MR. ROACHE: Would you like copies of the existing regulations?

MR. ARONOFF: That we have, I think. If I understood
you correctly, I think you said there are existing regulations, but you are not prepared to say that these regulations are adequate, and, in fact, you yourselves are thinking in terms of added confidentiality, irrespective of what the identifying number is.

MR. ROACHE: We are certainly exploring the adequacy, particularly in the area of mental health, at the moment, because of the condition that arose in Florida.

MR. BURGESS: Can you follow up on that? What would, in your judgment, from an administrative point of view be the implication of a decision some place that would not allow you to use the Social Security number?

MR. ROACHE: Do you want a personal judgment? I think we would still exchange records, but we would do it on those data elements that are sufficient to uniquely identify the record that we are exchanging and the name would be sufficient.

MR. BURGESS: The name and birthdate?

MR. ROACHE: Right. You have to have some -- you certainly have to have some uniformity with respect to the syntax of the name, and then you have to have identification of other data elements that would break the tie when names duplicate one another, and obviously there is date of birth and sex and those kinds of information.

MR. BURGESS: So you are saying it would not be a
MR. ROACHE: Well, you would have to define disaster. From a systems point of view, it is a disaster, but it is not an impossibility.

MRS. GROMMERS: Would you be interested in looking at the relative cost? You might find out it was cheaper.

MR. ROACHE: To go the name route without the number?

MRS. GROMMERS: As opposed to what you are doing now. I hope you are getting good cost data on this experiment. Are you getting good cost data? Are you getting any cost data?

MR. ROACHE: No, we haven't.

MRS. GROMMERS: Is there any way to?

MR. ROACHE: Are you talking about a cost benefit analysis of the use of a number versus a use of other identifying data? We have not done this.

MRS. GROMMERS: It is going to cost you a lot. You are in the middle of an enumeration process and you are able right now, if you are in the middle of the process, to get data on what it will cost you per person to enumerate, and, if you could get that data while you are doing it, and compare it with what it might cost you on a sample basis to just use the birth date and name, it might be very interesting.

MR. OVERS: A budget was prepared for this, and as I mentioned before, I don't have the cost figures. We will
furnish them and that does include an analysis of what it costs for numbers under this kind of a system. I don't believe it would include the state costs.
MRS. GROMMERS: Some people exceed their budgets when they are going through their projects, so I mean if you have an ongoing figure, I think it might be very helpful. Is there any way you could do this? Get such a figure?

MR. OVERS: I will ask, but I can't tell you.

MRS. GROMMERS: Mr. Dobbs?

MR. DOBBS: This is going to be a sort of a long, difficult question for me to phrase, but it derives partially from the line Joe started and others I think have suggested.

The part of the privacy problem does derive from the fact that you are aggregating data and you are using this kind of identifier. And you find yourself doing this at this point in time because someone has established an objective in the form of welfare reform, as you put it, which gives some impetus. And the SRS administrator, for example, in terms of his rationale, points out that in preparing for HR-1 and its inherent need for interchange, et cetera, et cetera, that this identification aggregation must be employed so that income verifications can be made, so that duplicate payments can be avoided, and that the continuation of needed services is assured.

So that I take it to be the set of objectives which are to be observed by this.

Yet when I look in the information published by
SRS in terms of this brochure which is sort of a public
information oriented kind of thing, that points out that
in fact the problems which are associated with abuses
concerned with overpayment and ineligibility seem to have
arisen as errors that were identified as honest mistakes by
state and local welfare agencies or recipients, operating
under complex rules, et cetera, et cetera.

I wonder whether the emphasis is not misplaced.
Am I phrasing the question clearly? That is to say, that if
the problem derives as reported here, is it clear to you
gentlemen that by aggregating data for the purposes stated,
that is income verification and duplicate payments, et
ce tera, will in fact address the problems that welfare abuses
have been reported?

MR. ROACHE: There is no intent here to imply that
the only purpose for verification is to detect fraud and
abuse. It is to detect errors, be they intentional or un-
intentional.

It is to detect duplication, be it intentional or
unintentional.

And I don't think this in any refutes the objective.
In effect, it completes it.

MR. MARTIN: Let me try the question in a
slightly different way, Mr. Roache. If the brochure to which
Mr. Dobbs has referred is accurate in its assessment of the
reasons for the rate of error, then how does a more
complicated, a more sophisticated way of measuring and
identifying the rate of error get at the cause of the error
which is said in the brochure to be the complexity, the
mystification, the difficulty of the rules of the game as they
now exist, which the improved techniques for measuring the
error and identifying are going further to complicate, not
to simplify?

In effect, as I understand Mr. Dobbs' question,
he is saying you have identified that the problem is the
complexity of the system. You want to measure the problem
more carefully by complicating the system in order to solve
the problem.

And there is a certain illogic in that process.

MR. ROACHE: I didn't get that out of it, because
HR-1 is intended to simplify.

MR. MARTIN: We are not talking about HR-1. We
are talking, I think, in the first instance, about what
you are doing now.

MR. OVERS: May I take a stab at that, Mr. Martin?
I think this goes back to the question of what would happen
if we didn't use the Social Security number which someone
raised. And again, this is the administrative thing.

Under a part of a provision of welfare reform, I am sure you
are acquainted with the fact that we have levels of payment
that are dependent upon other resources -- earnings, veterans' payments -- and the Social Security number is used to report earnings, and if we are going to make a determination of eligibility on the basis of total income, earnings, Social Security benefits, other income, most of those things are reported, or many of these things are reported, by a Social Security number.

Certainly the earnings of an individual are.

And the amount of a Social Security benefit that is payable is tied into the Social Security number. So if we are trying to determine whether an individual's income is $110 a month and he is eligible for $135, we have to establish that it really is $110, and it is best determined by the Social Security number.

MR. DOBBS: One can carry that argument, it seems to me, farther in the sense that if in fact that is what you would like to achieve, which might be a legitimate objective, you might not even require the recipient to furnish you income information at all. In effect, you are saying you have it all somewhere. Is that not true?

MR. OVERS: It is possible. Earnings are reported, yes.

MR. ROACHE: It is verifiable information.

MR. DOBBS: You know, in effect, and in fact, you not only know, but the procedure dictates that you must
look at every potential record that contains income information, so you may as well not even ask him.

You said, in fact, "I have an accurate record."

So you can think of it at those two extremes. If efficiency is, in fact, what you are aiming at.

MR. ROACHE: You know, redundancy detects errors in many cases, and if you rely on one record, then you eliminate redundancy, and you eliminate the ability to check.

So, yes, we can say we have it, but it's only as good as the accuracy of the records in which we are carrying it.

MR. CLEAVER: Could I make a comment?

The thing that comes out to me as I listen to the circular logics argument is the fact that many of these statistics -- they report the complexity of it -- are just perhaps because of the very thing that we don't have an identifier. People are doing it manually, reading all the rules and regulations, and the decisions they make. Let's say in very general terms it can be computerized. I am not saying that would happen, but I think maybe we are looking at the back end of the picture of the reasons why some of this stuff happens over here.

And another point that I would like to make is that if you are going to not use the Social Security number and you are in fact going to go to the other agencies with
some combination data elements, you have to assure that all
those data elements are in all the other agency records, and
if they are not, you have to get them in there somehow or
change your identifier. I don't see that as a simpler
problem.

MR. BURGESS: From the testimony we have had,
there are very few attributes of individuals that are not
in every form that is collected for whatever purpose.

MR. ROACHE: Are they uniformly configured?
And this would have to be faced. I agree with you, you are
probably right. But they would have to be uniformly con-
figured or some conversion technique.

MRS. GROMMERS: A computer could do something
about that. They wouldn't need to be really uniform. But
at any rate that would be a computer type problem, if you
were doing it with a computer.

Could we go to Mr. Ware?

MR. WARE: The point I want to speak to has been
touched on to some extent, two or three times. But let me
rephrase it and make sure I understand what I am hearing.

The arguments that we have heard for the Social
Security number, the universal identifier, et cetera, have
always been very subjective ones. It is in the name of
efficiency, computer systems have to talk together, et
cetera, et cetera.
I have a very clear impression there has been no serious analytic effort applied to the question of how do we make the federal government talk to the states about these areas of data.

I was under the impression there had been no studies that have addressed the question of what do we pay if we have a universal identifier, and what do we have to pay if we don't. Is that an accurate impression?

MR. ROACHE: I would say so.

MR. WARE: It would be spooked into an ad hoc arrangement by the pressure of time.

MR. ROACHE: Yes.

MRS. GROMMERS: Mr. Ware, would you make the point that you made to me, too, at lunch about the differences between what we are really talking about, identifiers --

MR. WARE: I will state it, but we can't clarify it here. I was saying to the chairman earlier that at some point this committee ought to address the very careful semantics distinction between identification and authentication, which is a distinction made extremely carefully, especially on the defense side of government.

And that the Social Security number may well be an authenticator and may well not be an identifier.

MR. CLEAVER: I don't know how it responds to your question. I wonder if the planners would agree, perhaps,
if there has been no study.

MR. WARE: I am just relating the impression I get from listening to fellows like yourself talk, and on other occasions.

MR. ROACHE: I think it is safe to say we, as a body -- as Bill pointed out, there are other planners who aren't represented here. I don't know what efforts they have made.

MR. WARE: We have no hard numbers.

MR. MUCHMORE: There have been program numbers and cost numbers submitted to the Senate on the hearings relative to this.

MR. WARE: Of the consequences of not having a universal identifier?

MR. MUCHMORE: No, of the relationship between the cost of one program over the other in relation to the states.

MR. WARE: But as a decision-maker, how do I make a rational decision without knowing the cost of the alternative?

MR. MUCHMORE: You don't.

MRS. GROMMERS: One of the things you appear to be looking for here is an authenticator as opposed to, or perhaps in addition to. Mr. De Weese?

MR. DE WEESE: Yes. In your security brochure,
you talk about -- that all files, for example, if they are marked A, are available to all federal, state and local agencies on a need-to-know basis. I am always intrigued by the need-to-know basis, and I wonder how you define that.

MR. SKELTON: This is one of the areas we had to wrestle with the various divisions in our department about to make sure there are not unreasonable requests made for information that would require a lot of time to develop.

MR. DE WEESE: Time -- that is the criteria?

MR. SKELTON: That is mainly the criteria. We had a serious discussion on this the day before yesterday, trying to finalize the directives where they brought up this subject, for example, if somebody in one of the divisions wanted to know how many blue-eyed inmates we had in the Division of Corrections, would this be worthwhile information to develop, and the Corrections people might come back and say, "I don't think that is a reasonable request to make."

MR. DE WEESE: So he didn't have a proper need to know?

MR. SKELTON: No. Now they can appeal that on a lower level. If the person down below in the research section says, "I don't think you need that," and the other guy says, "Yes, I do," they get the two division directors together and they decide whether they are going to get it.
But whether or not the request is reasonable is the criteria we use.

MR. DE WEESE: Then by a need to know, you don't mean balancing the needs of the individual and having the record kept private against the interests of the person seeking the record?

MR. SKELTON: No.

MR. DE WEESE: Okay. I want to make one more point.

MR. SKELTON: Can I use another example?

Vocational Rehabilitation counselor comes into the state mental hospital and he would like to look at the file of an individual who is about ready to be released from the mental hospital, and he comes in and says, "We are going to try to place this individual in a rehabilitation situation."

And the counselor in the hospital says, "I don't think that is any of your business."

At that point, he gets a little serious discussion on a little higher level, because rehabilitation has made a decision to try to do something for this individual whom they have been advised is ready to be released. So the rehabilitation counselor says, "I need to know it," and the other says, "I don't think you do."

But if he can't convince him that he needs to know it, it comes to a higher level.
MR. WEIZENBAUM: The clinching argument the
counselor can make is, "Oh, come on, it's right there, it
will only take a second to show it to me." That is what you
said. That is the clinching argument.

MR. DE WEESE: Before you said these were convicted
felons. According to this chart, you maintain also records
on 118,000 juveniles, people who are juvenile delinquents,
possibly not even youth offenders, but just delinquents or
truants or something.

So we are not talking about convicted felons, but
juvenile delinquents.

MR. SKELTON: Those records are very confidential.

MR. DE WEESE: But they are classified according
to the same need-to-know basis.

MR. SKELTON: But that is within the same HRS
agency.

MR. WARE: Need to know is generally simply a
certain indication that an individual must have some access
to some information to do his job, whatever his job is.

MR. DOBBS: Within his agency.

MR. ARONOFF: Something less than a subpoena.

MR. WARE: It is an administrative certification
that he has to have access for something he is supposed to do.

MR. MARTIN: As determined by the requestor.

MR. WARE: No, as determined by the job he is
assigned to do by his superior.

MR. DE WEESE: I assume a private corporation, a personnel officer, would have legitimate need to know criminal records.

MR. WARE: No. How do you deduce that? He has got a big desire, maybe, but the keeper of the criminal records has not asked that personnel officer to do any job.

MRS. GROMMERS: Senor Anglero.

MR. ANGLERO: Here we have a presentation from the state level. I would like to have a reaction to what we might see, like a take-over from the federal level or regional services that have been administered at the state level, specifically the ones provided through proposed legislation, HR-1, and I would like to know also, in terms of policy, first, you feel there would be a trend to federalize programs that presently exist as far as the states demonstrated supposedly an inability to handle them.

We know some of this. Yesterday we talked with the Indian Health Services and one of the unique services that are provided through the Department of Special Affairs, and also we have the Social Security Administration. It is not services, but in some ways payment, and we have now what we might have under HR-1 in some aspects -- not all of it.

And we can look forward at the state level, county level, local government level -- we will always have
problems in servicing that will direct us to try to
centralize all these services toward federalization.

The rest is a problem for myself. And second, I
don't know how many of the states have adequate capability,
in this case, ADP operating systems, and in such a way that
not only this aspect of their autonomy could be in jeopardy,
but also available to know the socio-economic conditions of
the population and to make the decisions that could be
hampered by the centralization of the programs like this.

MR. ROACHE: I am not sure I got the question.
Did you make a comment or a question?

MR. ANGLERO: I would like to have someone from
the states react first.

MR. BRIDGES: To the federalization?

MR. ANGLERO: I know many governors have
reacted to this H.R.-1. Some say it brings us federal
sharing, but we will take welfare. But there is more things
behind that.

MR. BRIDGES: Well, our state -- Georgia -- is
in favor of federalization. And I think the majority of
the states are. I have seen votes that were taken and they
are in favor of it.

MR. ANGLERO: Is it the same?

MR. SKELTON: The state of Florida spent
considerable time analyzing H.R.-1, trying to find out really
how much more it was going to cost the state. We finally came to the conclusion it was really going to cost the state of Florida a heck of a lot more than we were spending on welfare today.

And endorsement of H.R.-1 was less than enthusiastic by the state of Florida. As a matter of fact, the Congressional delegation from Florida voted ten to two against H.R.-1.

Mrs. Gaynor, did you have a comment?

MRS. GAYNOR: In following up this same thing, I think this is one of the things I was attempting to look at when I asked the cost of the program itself.

It seems to me kind of -- and this is my own personal opinion, and I can state it as such -- it seems to me that we are wasting a lot of money on a federal level where if they could just utilize this money on a state level and let the federal government act as a consultant, if they want to look at what is going on.

What you are doing is putting a burden on states which is really horrendous and what happens is all the money is going into administrative costs and it never gets down to the people who need the service.

Does anybody ever look at these things, really?

MR. ROACHE: I think you get a lot of opinions on either side. You know the attitude of the administration,
as I have heard it from people who are supporting the administration's version of H.R.-1, is that if there are two things the federal government does well, it is collect money and spend money.

We can write checks. And so when it comes to cash assistance, that job we can do quite well.

Now in order to do it, it is obvious that information has to be collected at the state level. But that is being done today in the case of Social Security Administration. It is a federally-operated program. So it has been demonstrated that it can be performed by the federal government.

But I am sure you would get just as many arguments out of the state side, because the states do indeed have to continue to maintain records on this disadvantaged population, not just for cash payment, but for medical services and social and rehabilitative services and general assistance.

So I wouldn't profess to say what the general attitude is. There is mixed feeling in the Congress and in the Finance Committee of the Senate on this very issue, who should administer H.R.-1.

MRS. GAYNOR: I talk really from a kind of management point of view. If you are spending all this kind of money, doesn't anybody ever come up with cost
figures on those things?

It is going to cost the state more money, the federal government more money, in a sense, really. Does anybody ever look at these things in a management point of view in relationship to cost and benefits, really?

I only ask a taxpayer. Okay?

MR. ROACHE: You may be asking the wrong party.

MRS. GAYNOR: Why? Aren't you involved in management assistance? Don't these things concern you?

MR. ROACHE: I am not writing the legislation.

MRS. GAYNOR: I am not talking about legislation, but even before the legislation is made, perhaps you may be able to contribute something to the so-called legislators. Or is this my job as a citizen?

MR. ROACHE: No. No. I think the problem we are faced with is one of the serious complexities of administration of welfare today as we are administering it through a combination of federal and state money, and we don't in any manner attempt to dictate or mandate the manner in which it is going to be operated at the state level.

The complexities, therefore, are as great as there are state operations. And in cash assistance, there are about 1100-plus payment systems in the state.

Logic would kind of dictate that if you can reduce 1100 to one, maybe there are some savings.
But we have never been staffed, nor -- and it really would take a tremendous amount of researching to go out and do this.

Now remember, I am speaking now for SRS, and not for the Office of Family Benefits Planning, or the Social Security Administration. If HR-1 gets passed, SRS is out of the picture in terms of cash payments. So we are not making the study.

MR. WEIZENBAUM: You know Mr. Ball, I take it?

MR. ROACHE: I have heard of the gentleman.

MR. WEIZENBAUM: As I recall -- and this is from memory -- he came and testified before us and he told us that should H.R.-1 be passed -- and he was much in favor of it being passed, or at least exhibited that attitude -- should it be passed, then the first year after the legislation, he would be spending $2 billion of federal money.

This includes the implementation cost of the system. It is clear that in the first six months of that period, the system would not actually be dispensing money. So he is talking about $2 billion the first year.

MR. ROACHE: I can't respond to that. That is Mr. Ball.

MR. WEIZENBAUM: We were speechless, too.

(Laughter.)

MRS. GROMMERS: Mrs. Hardaway?
MRS. HARDAWAY: Let me come back a moment to the ease of the Social Security number, and it would make it, of course, easier between you and the states.

We have discussed that a lot this afternoon.

MR. WARE: You should not make that assumption.

MRS. HARDAWAY: No, they have said this this afternoon, that this would assist them, that it is easier.

Now, one of the selling points, so to speak, of the welfare reform program is the fact that the adult who is able will be put to work and that will be done at the state level.

Would you then assume, or would it be your opinion, that it would then be easier to go into the Labor Department via the Social Security number and set up another system that would link into your assistance payments program?

In other words, would that not be a pretty easy way to set up another system in the Labor Department to let some state level in the Labor Department know who is available for work?

MR. ROACHE: Well, I don't know the answer.

First off, we are already in that posture, because of the WIN-Talmadge amendments.

As a matter of fact, it is the law. Employables have to be registered. Okay. So at the moment we are doing
it totally on a manual basis.

MRS. HARDAWAY: I realize that, but I am saying --

MR. ROACHE: I would think --

MRS. HARDAWAY: It is a suppose question. It is sort of a suppose question. If welfare reform does pass and the system that you have in the five states becomes nationwide, would it then not seem feasible that it would be the way to transmit it through the Social Security number into the Labor Department via the records that you get from the states?

MR. ROACHE: I would assume so.

MRS. HARDAWAY: All right.

MRS. GROMMERS: Mr. Impara?

MR. IMPARA: Pass.

MRS. GROMMERS: Mrs. Lanphere?

Mrs. Lanphere is the Assistant Supervisor of the Bureau of Services to Families and Children of the Department of Institution, Social and Rehabilitative Services of Oklahoma.

MR. ROACHE: We are acquainted.

MRS. LANPHERE: So I have a very direct interest in this. Even though I don't work in the assistance payments division, I do work in the services area, and this brings up one thing, Mr. Roache, perhaps you could elaborate on for the group.
You mentioned the need for increased data exchange.

MR. ROACHE: Yes.

MRS. LANPHERE: And one you have mentioned is WIN. For instance, we are interested in the success of WIN in reducing the rolls. I wonder if you could give any other examples of the increased needs you see, for instance, other services that we give, what effect it would have on reducing grants, and so forth.

MR. ROACHE: I am having difficulty -- one of them has already been mentioned, and there is a third one that perhaps ought to be mentioned.

But we have what we call the BENDEX system, which is a beneficiary data exchange system.

We are exchanging data now to verify income from Social Security Administration through the use of the claim number.

There is a deficiency in this right now and Bill Cleaver mentioned this in terms of the paper we got from your agency which is that all it can do is verify the amount of benefits if benefits have been reported, and the claim number has been cited.

But if neither has occurred, the benefits have neither been reported nor the claim number furnished, it doesn't verify whether any benefits are being made available
from SSA.

So ideally, what we want to do is use the SSA account number and cross-reference it to the claim number to determine benefits.

It smacks of the idea of verification again. There is also the procedure where under Medicaid we pay insurance premiums into Medicare, and, to be honest about it, I am not familiar with the procedural details of how that works in terms of identifying the client for whom we are paying the insurance premium.

But the identification could obviously be Social Security number, and I would think it would be.

MR. SKELTON: The identification is the Social Security number on Medicare.
MR. BRIDGES: One other way it might help in services, I think, is that you are not required to give services to former and potential, which means that this group is outside of the group getting cash benefits, and, therefore, obviously you have to collect data on these people which means that you have to have some system used for those people to collect this data and, again, outside of the cash payment.

So it would be a whole lot easier to use the Social Security number for that.

MRS. LANPHERE: We have just recently implemented the services on that. I wonder, Mr. Overs, for my second question, you mentioned that one of the purposes of this whole thing was to identify the problems and assess them in regard to this. I wonder, could you expand a little more on the problems that you have identified in your assessment?

MR. OVERS: Well, of course, one is the sheer volume of verification issuance that we have been faced with. We knew that before we started on the pilot, because we are presently issuing about six million numbers, original numbers, annually. And we could be faced with issuing 18-1/2 million in two years -- or issuing and verifying.

So we are just trying to see how quickly this can be done.

The problems are that we haven't started to deal with states that don't have sophisticated computer systems,
where we would have to get data that is prepared manually and converted to magnetic tape.

The states then wouldn't have any facilities to accept magnetic tape records back.

So there are many states where we don't have that capability. Just the so-called computer bugs. Tapes that are not compatible, equipment that may not be compatible, that sort of thing -- mechanical breakdowns.

As I mentioned, the Hurricane Agnes storm was completely unforeseen. We have a large ADP operation in Wilkes Barre and most of our key tape equipment there to issue numbers centrally, and that was two stories under water for about eight weeks.

So there is a nice delay within a two-year time frame that we have to get into the business of verifying and issuing numbers in a two-year time frame.

I can foresee decentralized systems versus centralized systems in states, and this goes again to the point of computers.

Some states have highly decentralized systems where we wouldn't be able to deal with a state government and we would really to be dealing with a lot of counties in trying to get numbers, verify numbers, and correspondence back and forth.

These are some of the things that are coming out of this, and, of course, a major one is with all of these problems, even the states selected for the pilot, it still hasn't
Mr. Allen: Mr. Skelton, could you elaborate a little on the resistance or reticence, possible objections, of professional associations to the enumeration as it was going on in Florida? Was this similar elsewhere?

Mr. Skelton: I can't speak for any other state. The main objection was from the Psychiatric Associations -- both the Florida Psychiatric Association and the American Psychiatric Association -- when they found we were collecting the Social Security number on the Social Services Information System form, which is tied in to the program financial planning projects that we are involved in with HEW.

I know I am using a lot of strange words here for people around the table, but program financial planning is a very detailed cost accounting system that HEW is developing for determining costs of social services being delivered.

This is manual. It is being talked for PSP.

But the objection comes from the fact that the Social Security number is being obtained carte blanche from everybody that comes into a community mental health center, whether or not he is eligible, whether or not the center is eligible for reimbursement for services rendered to him, because they have got word of the pilot state project that was being done by HEW and the Social Security Administration, and immediately became afraid that the data being collected locally
would eventually find its way up into a national data bank. Even though right now the information remains in the patient's file and is not even transmitted to the state center that we operate in the State of Florida. It remains in that file. But it is the mere fact that somebody is getting a nationally-known number on a form that scares them to death because they don't know whether they are eligible to be reim-bursed under Titles 4-A and 16 of the Social Security Act until they collect all this information and analyze it.

MRS. GROMMERS: Mr. Davey?

MR. DAVEY: I would like to come back to the theme that Florence has been talking about, the idea of budgeting and controls and what it is we are all working for.

Mr. Overs gave a good summary of your experience to date and the kinds of problems you are running in to on the federal level on the enumeration program.

Mr. Bridges, could you tell us a little bit about what it is like at the state level? What kinds of problems do you see from your standpoint?

I assume that you are representing Georgia from the standpoint that this is one of the states which is in this pilot project. What kinds of problems are you running into and just what are you doing about them?

MR. BRIDGES: Well, the principal problem is the one Mr. Overs mentioned, that of time. And it is sort of a related
item which I wouldn't say is a problem, but is a condition under which we would work under the use of the Social Security numbers is the fact that since there is a delay in getting that number we would have to create and use a dummy number of some sort until we get that official number.

But this is a mechanical type thing we can't handle. But I wouldn't say that is a problem but that it's just something that you have.

MR. DAVEY: Is that something you foresaw?

MR. BRIDGES: Yes. It is a matter of response, really -- response time -- because apparently if a person is found eligible in Georgia, we get a check tomorrow or within a week, and, of course, we can't get a number in that time. We assign a number currently when he walks in the door. So we can have no problem with this.

MR. DAVEY: So it is really a question of using that interim number until you can get the Social Security number verified and whatever else needs to be done and assigned to that person and then you do away with that interim number?

MR. BRIDGES: Yes.

MRS. GROMMERS: Senor Anglero has a question, and I want to ask Professor Miller if he has one last question that would be the last one.

MR. ANGLERO: The first thing is, I don't think that when I was trying to make my question, I don't think we finished.
But I would like to make a remark before trying to get an answer of what I think was my second question.

When we tried to make some kind of position or tried to plan in many instances, we cannot make investigations, research is not available.

This is something that happens all around. And what we do is take different patterns, different ways, different samples of how services and different operations are delivered and then analyze them and by comparison we find which ones work better and might end up with one or the other. We clearly add up the one that works better because of its individual or particular situation.

I would say that federalization would be against that. So we lose something in terms of having compared some system of what might be in California versus a system that could operate in other places in the whole country, because there would be only one system, so it would be all bad.

Or it could be all good, but it could be all bad. Hopefully it would be all good, but there would be no one to blame but the federal government and that is not easy in some ways.

But what I was interested in really before was your feeling of the information systems for the different states. Can you tell me if 50 per cent or more or less of the states have developed ADP capability already?
MR. ROACHE: Well, in terms of numbers of systems, it is 27 per cent that are automated, but obviously in terms of numbers of client population, I don't have the figure on that. But this would be the significant largest population because we are talking about the larger states.

But the number is 27 per cent of the states are automated.

MR. ANGLERO: Of the 50 states plus Porto Rico?

MR. ROACHE: And I have to explain just a minute, because we are not talking about one system per state, because under the welfare administration in the states there are two conditions -- one of two conditions exist.

Either it is a state administered program, as is the case in Florida, and as you see it is administered at one agency and is an umbrella agency; or it is a state-supervised, locally administered program, as is the case in Virginia, Maryland, California, New York -- the larger states are administered at the county level. So you have as many systems as you have counties in those cases.

MR. ANGLERO: But you have 27 per cent of the states, so you have 70 per cent of the states that do not have that capability.

My question is simple. At least in Porto Rico, in this aspect, we have not developed our ADP capability. I am in charge, but I have not been able to do it. But that is
another story and some day I could talk about it.

But my concern is this -- we have not developed this capability, so my department, the department I work with, will be taken out of the picture, completely out of the picture in the process of collecting the information and processing the checks, validation, certification, and all this.

The department will be out of the picture, most of it, because it will be paid by the federal government. So it would be good if we have some ADP capability, and then you could take advantage of our established ADP system and probably we will be able to benefit from this valuable information that will tell us socio-economically how our population is or what population is leaving Porto Rico, or in other cases in other states.

But if, like Porto Rico, we have not developed this ADP capability, then we lose this instrument to analyze. So we will keep on. We will be out of it and then if we want to know what kind of population we have, socio-economically, we have to go again to analyze all these people.

I don't know. This for me would be a problem.

MRS. GROMMERS: Professor Miller, do you have a last comment?

MR. MILLER: My dear, unless you can read my mind better than I, the only thing I would like to ask at this point is whether we can adjourn.

MRS. GROMMERS: Mr. Martin has one question and a
MR. MARTIN: Under your regulations, the draft regulation -- forgetting H.R.-1 for a moment -- you would require the states to obtain the number.

Supposing the states seek to do this and fail? What is the consequence under your regulation for the individual?

MR. ROACHE: Just so we understand the question, you are saying if the state failed? Or if the individual refused?

MR. MARTIN: As I understand your regulation, it levies on the state, right?

MR. ROACHE: That is right.

MR. MARTIN: So I am saying, suppose that the requirement levied by your regulation doesn't produce the result that you wanted to, what are the implications in each of the 50 states, if you know, for the individuals, and have you thought about that?

MR. ROACHE: The implications for the individual and the state? The recipient?

MR. MARTIN: Those are the people that you want the state to enumerate or to cause to be enumerated and to collect the number from.

MR. ROACHE: If you will pardon me just a minute, the reason I am asking, there are several issues involved here. One is a failure of a state to comply and they are held out of compliance and you have compliance hearings to
reduce the amount of federal financial participation. That is why I was asking the question.

The other is, if a welfare recipient refuses to give a number, does he still get service, does he still get assistance? Because that is like a human rights type of consideration, you see, and you haven't asked either one of those, as I understand your question.

I think your question is, suppose the state doesn't get the number, what is going to be the effect on the recipient?

MR. MARTIN: Right.

MR. ROACHE: And are you talking under current or H.R.-1?

MR. MARTIN: I said under your proposed regulation, which is designed to take effect without regard to H.R.-1.

MR. ROACHE: I would say if the state failed, the state is the one administering it, and they will probably continue to provide the assistance that the recipient requires.

MR. MARTIN: What about the other branch? You have identified the two contingencies. What do you intend shall happen to an individual, supposing the state tries to comply with your regulation but is frustrated in its efforts to do so by individuals -- some of these people that aren't replying. Are you in effect telling the states that if they can't force people to get Social Security numbers they have to deny them welfare payments and social services?
MR. ROACHE: It is unresolved.

MR. CLEAVER: May I? One is the fact that that is a draft -- the specific point you are referring to.

Now in the previous draft, I personally, because of my systems orientation, added two words -- request the Social Security number and deny services if they refuse to get one.

Now in our committee meetings, this was roundly beaten about the head and shoulders by the program people and policy people saying we did not make that a condition of eligibility.

Now in the draft as it now exists, essentially waiting deliberation of this committee, the word in there is "requirement." It doesn't say what you do if you don't get the number.

Now the proceedings of the regulation issuance are that this must go to Mr. Twiname for his consideration, for general counsel, for policy, for everything.

If he agrees with the language that is in there, it then goes through another form of procedure of being issued as a notice of proposed rule making, it goes before all the state administrators, before the National Welfare Rights Association, the Council of State Governments, and I don't even know the whole story, but it does follow that, all of these responses are received.

If no one objects, okay.
If legal says we don't have the legislative authority, it is dead right there.

If someone says, "Take out 'require' and say 'request', it goes out that way. Personally, I say it is ineffectual, but I am not the one to decide.

But I think the answer to your question is that is has no effect yet.

But it must be deliberated by all these other bodies. This is a document out of an operating committee.

MR. MARTIN: Have you made an analysis of the laws of the 50 states to try to make some prediction of what the likely consequences of what your regulation would be if it survived the process you just described intact without change? Do you know what you are unleashing with your regulation under existing state laws as to which -- let's say you adopted a totally benign, totally neutral stance -- not an unlikely consequence.

MR. CLEAVER: No, I haven't.

MR. MARTIN: Do you think that would be a relevant inquiry to make before you propose a regulation which is designed to make a legal requirement on the behavior of the 50 states?

MR. CLEAVER: On my part?

MR. MARTIN: And the localities?

MR. CLEAVER: On my part, I would say probably not,
because I consider myself to be operating under a directive to do that.

In very mild defense of that, I would say that most of the states that we have talked to, primarily in the nationwide administration program, have said, "Why don't you get on your hind legs up there and mandate the Social Security number as a personal identifier?"

These people presumably know state law. I am not saying that is the kind of deliberations you go to in a --

MR. MARTIN: Are you monitoring the deliberations?

It is pending in California. Are you monitoring that? Is that part of a decision process?

MR. CLEAVER: I am not monitoring. But I am aware.

MR. MARTIN: Is anyone?

MR. CLEAVER: I presume legal counsel is. When this document gets up there, they would do what they thought appropriate.

MR. MARTIN: So the planning process is a process that doesn't involve everybody at this stage. Each decision is going to be made tentatively in the hope somebody will not take at another level.

MR. CLEAVER: No. Personally, as a systems analyst, I don't feel qualified to go out and investigate the legal aspects of this.

MR. MARTIN: No, I wasn't suggesting that, but having
identified the issue, it would be nice if the design of the
planning process invoked the relevant expertise contemporaneously
rather than leave it to chance, and hope that at some later level
of review with all the pressures that we know operate on getting
documents on up and so on, that those issues will get surfaced.

MR. CLEAVER: Well, the next level when it leaves the
committee is to go to Mr. Twiname, who gives it to legal counsel
and on up.

MR. MARTIN: Will these issues be surfaced for
Mr. Twiname? It is too bad none of the policy people from SRS
could be here this afternoon, because you aren't the right
people.

MR. ROACHE: I think if we are taking something out
of the meeting that is one of the things we should take back
with us. Truthfully, we had kind of relied on people's view
and judgment of these things and it can be surfaced, no question.
We can surface it as an issue when we send it.

MR. MARTIN: The last question. Mr. Overs, could
you describe the extent to which and the consequences that you
feel will flow from the degrading of your enumeration and verifi-
cation process that you are being forced to by this process
that we have been exploring? What steps in the enumeration and
verification process are you having to omit because of the work-
load pressures and what consequences do you think that may have?

MR. OVERS: Well, at the present time, with the
workload we have now, we are not committing any steps in the verification enumeration process. We are going through our normal screening guidelines that we use for our regular Social Security issuances. If I understand your question correctly.

At the same time, we are developing the systems capabilities internally to be able to handle an ever-increasing workload in terms of our normal criteria.

As a matter of fact, as many of you know, the recommendations of the Social Security number Task Force -- I was a member of that Task Force -- were to begin to consider tightening up on the screening process and to make sure that for program purposes, for Social Security purposes, that we do really have a unique identifier.

I venture to say that most people in this room have a Social Security number and for Social Security purposes, that is, the crediting of earnings for future benefits payable, I am sure you all want to make sure that your unique identifier assigned to each of you properly credits those earnings so you can get the benefits when you retire or when something else happens in terms of disability or death.

So that as we are interested in establishing for Social Security purposes that unique identifier and maintaining it, so we are interested in maintaining the screening criteria for that purpose primarily right now.

MR. BURGESS: Could I ask you, Dave, to summarize the
problem your first question spoke to?

MR. MARTIN: I have a whole lot of hard copy material from the Social Security Administration which I am probing to get some disclosure of here, which describes a problem looking ahead over this period of time through this enumeration process, that unless you get -- which I gather isn't in prospect yet -- incremental budgets and/or people or both -- it comes to the same thing -- that you are faced with the possibility of having to omit certain of the quality control routines in your enumeration and verification process which will result in, as I understand it, a degraded quality of enumeration.

And, if that occurs, to the extent that -- let's assume for a moment that H.R.-1 is not passed, at least very soon -- then you have not only infected -- to use the term in the manner that we have explored to uncertain consequences -- the behavior of the state and local government with this number -- take the case of Porto Rico -- but you have got it with a number that isn't even as good as the number usually is, and the process is already disclosing that the number isn't as good as you thought it was.

MR. OVERS: Your point is that we could undertake any massive enumeration without adequate resources and still maintain the integrity of the number. You are absolutely correct. One or two things would happen.

We would get the additional resources to maintain
the integrity, or if we are forced to go into that without the additional resources the integrity of the screening and answer system would decline obviously.

MR. MARTIN: But you are saying, up to now you feel there hasn't been one iota of declination of the quality through the pilot phase, through the imminent response to the State of Virginia, through the response to California?

MR. OVERS: No, not because of the filing. Because, you see, as I said before, we are in the process right now of enhancing our ADP capability. For example, let me give you one example.

The application for Social Security cards which contain personal data -- name, date of birth, father's name, mother's name, sex, that sort of thing -- that we screen, that up to this point in time we screen annually, that information is now being put on that megatape.

It is being keyed and being put on that megatape, which means that we are asked to screen that again. It may not have to be a manual search in the future. It can be an ADP search, which is faster and more efficient, and you can do more of it.

We are developing that capability now.

MR. WEIZENBAUM: We heard testimony from an agency yesterday that is dealing with a population about which they tell us it is not uncommon for the individual to have as many
as six Social Security numbers.

MR. OVERS: From a cost standpoint, that is bad, but if those six Social Security numbers are properly cross-referenced, we can identify that individual, if I know that you have six numbers.

MR. WEIZENBAUM: If you know, yes.

MRS. GROMMERS: Mr. Miller?

MR. MILLER: The longer you carry it on, the more you provoke me.

Since the first of this year, under the Department of the Treasury regulations, anyone opening any kind of a bank account in effect has to apply for a Social Security number, as the regulations require the account to be maintained by Social Security number.

Admittedly it is a month, six weeks since that regulation took effect. Have you felt anything over at Social Security, and how does the increased number of applications for the number which inevitably will accompany this regulation, particularly under the young peopulation as they are coming into the work force, going to college and opening bank accounts -- how will that interact with the kinds of things David has just been talking about? Aren't you in a sense already under some gun?

MR. OVERS: Yes, absolutely. The number of states, the number of agencies that are mandating the use of a number is increasing all the time.
And we have had, of course to increase our resources
to go into the issuance process and screening process and we
have done so.

This is a workload item that is budgeted and has to
be provided.

MR. MILLER: I must say, the more personally I think
about this, we are talking about something that time has passed
us by one.

MR. WARE: I wanted to ask point blank that question.
Has the boat sailed on the Social Security number? Is it really
over the hump and we might as well give up? You probably know
or have an opinion.

MR. OVERS: Well, the move toward the Social Security
number as a universal identifier is well on its way.

MR. WARE: How well?

MR. OVERS: I really can't tell you.

MR. WARE: I thought maybe you would have an impres-
sion since you are in the middle of it.

MR. MILLER: It seems to me the patient is already
pinioned by his arms and legs and H.R.-1 is just the stake in
the heart, but the patient isn't moving anywhere.

MRS. GROMMERS: To the intensive care unit?

I think we had better adjourn.

Thank you gentlemen very much for having come and
worked with us.
MR. ROACHE: May I make a last observation so there
is no misunderstanding.

The situation in Florida dealing with the criminal
record is unique to that social agency. I don't know what
influence it has. I know you had other testimony on that.

MRS. GROMMERS: We understand also that this is just
specific for Florida and presumably there are other things for
other states.

I want to call you attention -- I know you worked
very hard today and I think we really have all enjoyed it very
much as well -- in your folder -- I don't know if you got it in
the mail -- I see there are three documents which I would like
to have you look at. You probably won't have the energy to
read them before tomorrow, but one is the Younger Report, the
Report on the Commission on Privacy, which is about comparable
to our committee in some of its terms of reference. And there
is an OECD report that was mailed out.

So those of you who do have it can have a look at it
because the discussion tomorrow is going to be really about what
is going on in the rest of the world that we can pry into.

See you tomorrow morning at 9:00 o'clock in Building
31.

(Whereupon, at 6:20 p.m., the conference was recessed,
to be resumed the following day, Saturday, August 19th, 1972,
at 9:00 a.m., in Building 31, Conference Room 6, NIH.)

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