

**ORIGINAL**

## **Transcript of Proceedings**

### **DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE**

#### **SECRETARY'S ADVISORY COMMITTEE**

**ON**

#### **AUTOMATED PERSONAL DATA SYSTEMS**

**HEW -- PRIVILEGED**

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**Bethesda, Maryland  
Friday, 18 August 1972**

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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.

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C.#6935

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

C O N T E N T SAGENDA ITEMPAGE

## National Crime Information Center

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

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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

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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

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Emmet E. DeLay, Manager  
Informations Systems Operations  
General Electric Credit Corporation  
Stamford, Connecticut

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P R O C E E D I N G S

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,

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1 Mr. Lofgren is in charge of the Research and Development Unit  
2 of our NCIC operation, and I am the Inspector in charge of the  
3 NCIC itself.

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

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

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

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

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

22 To go back a bit, I would like to give you a little  
23 history behind the development of the NCIC. Back in about 1965,  
24 there were computer systems being developed in police agencies  
25 throughout the United States but only a handful at that time.

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1 The St. Louis Police Department, the Oakland, California, system,  
2 New York City.

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

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

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

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

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1 few and far between.

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

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

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

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

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

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

21 To give you an idea of some of the types of routine  
22 hits that occur daily, to show you how the system is used, a  
23 few weeks ago there was an officer in the Auburn, Nebraska,  
24 Police Department who noticed an individual sleeping in a car.  
25 Before he checked the vehicle, he ran a check on the license



4-5 1 plate through the NCIC. He received back immediately a report  
2 that we had which was entered by the police in Idaho indicating  
3 that the man was a fugitive and very possibly would be armed.  
4 There was a flag on the record which indicates a man might be  
5 dangerous.

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

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

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

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

23 Another routine type check -- this one is not so  
24 routine, but rather interesting -- in New Orleans, Louisiana,  
25 they were employing some people in the Data Center down there.

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1 So the officer was indoctrinating the new employees, and running  
2 them through the various equipment. And to show how the terminal  
3 worked, he ran a check on the individual. There came back an  
4 immediate response that there was an outstanding warrant for the  
5 fellow in New Orleans itself.

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

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

14 Here is one that came in to the FBI in Washington,  
15 D.C., anonymous, but enclosing a clipping about a fellow in  
16 Detroit who had been working with the Sanitation Department for  
17 20 years and somehow they had checked him and found that there  
18 was an outstanding warrant in Alabama dating back to 1940 for  
19 stealing a cow.

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

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

MV-7

1 cow was worth."

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

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

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

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

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

21 But it is a complex file, and we felt that until the  
22 system was fully operational and understood, and there was ex-  
23 pertise in the area, that it would be a mistake to try to develop  
24 a criminal history file.

25 Even today, of the 3.8 million records we have in our

V-8

1 file, 92 per cent concern property items, vehicles, articles,  
2 securities. We have 118,000 wanted person records, and at this  
3 time only 175,000 criminal history records.

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

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

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

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

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

22 We have at this time in our 100 control terminals,  
23 as I mentioned, approximately 50 other computer systems which  
24 are interfaced with our system. The remaining systems are  
25 manually operated terminals which tie into the NCIC.

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1 Through the 50 or so computer systems, we estimate  
2 we are affording immediate access to the files on approximately  
3 6 to 7 thousand police agencies. So that the availability of  
4 the information as the state systems grow becomes more widespread  
5 and involves the local agencies and gives them immediate access.

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

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

11 I described the method of identifying a vehicle and  
12 a possible fugitive. They all originate with the Police Depart-  
13 ment holding the theft report or the warrant.

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

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

23 So that should a record be wanted concerning an  
24 individual by the Detroit Police Department, they may make an  
25 inquiry through the Michigan State Police computer into our

MV-10

1 system.

2 With that background, I think I will attempt to fol-  
3 low the guideline that was given me -- perhaps you have the  
4 guideline -- and I would first talk about the establishment and  
5 organization of the NCIC itself.

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

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

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

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

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

MV-11 1 of this type, all of interest locally.

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

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

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

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

25           Going into the data-collected category -- and now I

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1 will depart from the other files -- I think that the file of  
2 interest to this group is obviously the criminal history file,  
3 and I will let the stolen property and wanted persons file -- I  
4 will keep that apart from the further discussion unless you have  
5 some questions on that at this time.

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

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

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

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

25           So, the man's criminal history, you might say, is the



MV-13

1 key to the individual himself. The documented information that  
2 we have on hand.

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

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

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

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

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

23 So we have eliminated from the computerized criminal  
24 history record these various so-called minor offenses and  
25 restrict the national file or the criminal history file in the

MV-14

1 future to serious offenses.

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

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

7 Have you passed those out yet? Okay, fine.

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

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

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

22 We also included a fingerprint classification and  
23 at the time that the record is established indicate the identity  
24 of the state which established the record, the date of the  
25 record, and the date the record was established.

MV-15

1 This is the basic building block on which the record  
2 is built, and this building block, however, will not stand in  
3 the record alone. There must be additional information.

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

7 Taking those one at a time, we do attach these seg-  
8 ments to the basic identification segment by relating each new  
9 segment to the identification segment, by using the FBI identifica-  
10 tion number, the key number, to the record, plus the state's  
11 identification number associated with that particular arrest.

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

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

19 If the case goes then to the criminal justice process  
20 which involves the judiciary, then an additional segment would  
21 be included in this thread of information which we refer to as  
22 a cycle. The judicial segment again is attached to the identifica-  
23 tion segment and the arrest segment of the record, again, using  
24 the state identification number for the individual and the FBI  
25 identification number. Without a match, it is not attached.

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1           This segment of the record will identify each of the  
2 actions, each of the charges made against this individual in  
3 court. It will also show the statute citations for each of  
4 the offenses and the offenses themselves. It will also reflect  
5 whether the individual was convicted, whether the charges were  
6 dismissed, whether he was acquitted, whatever the court's dis-  
7 position was.

8           It also shows the sentence provisions, whether the  
9 sentence was suspended, whether the individual was sentenced to  
10 confinement, whether he was placed on probation, whether he was  
11 fined, whether there were other provisions. Then this is pro-  
12 vided for each of the counts that are included in the indictment  
13 or complaint.

14           If the case is appealed, this is indicated.

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

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

22           So this information then will be reflected in this  
23 segment.

24           And the last segment is used if the person is con-  
25 victed, it will reflect each new status change with respect to

MV-17 1 this individual. If he is placed on probation, the first entry  
2 would indicate that. And there would be an entry from the  
3 probation office, or the probation officer indicating that the  
4 individual has been placed on probation as of a certain date.

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

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

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

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

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

22 This classification is more in the form of an  
23 eliminator. Actually, it is very simple. It is two characters  
24 for each finger. If any of you have ever looked at a fingerprint  
25 manual, the prints are divided into loops and whorls, and with

MV-18

1 various ridge counts on the loops. So we are able to put a  
2 rough classification into this record.

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

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

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

16 MR. BURGESS: May I ask a question?

17 MRS. GROMMERS: We would like them to get to finish  
18 and then we will start with the questioning. That is the pro-  
19 cedure.

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

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

25 MR. RODERICK: We will take the deferred question.

MV-19

1 The data collection procedures mentioned in the  
2 outline I briefly described, that input is from the state identifi-  
3 cation bureau which has the expertise, the technicians to identify  
4 the print, and so forth.

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

End Tape 1

Tape 2

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

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

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

MV-20 1 of nine.

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

7 We go back to the entering agency, obviously, as a  
8 responsible agency for getting the accurate data in the system.  
9 The Police Department that first prints this man and enters the  
10 information, sends the print to the state agency, the state  
11 agency must ascertain that sufficient information is there, but  
12 both agencies at the state level and at the local level are re-  
13 sponsible for the information and the cycle in the record is  
14 identified by the agency that created or originated the informa-  
15 tion.

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

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

23 We talked about storage of the data. The data base  
24 is presently stored at the national level in the NCIC computers.  
25 The man's detailed record. This is not the ultimate concept of



W-21

1 the system.

2 We know from our statistics that roughly 70 per cent  
3 of the individuals entering the criminal justice process confine  
4 their activities to one state. We estimate that when this opera-  
5 tion is fully operational, with all agencies, all states partici-  
6 pating, that the detailed record on the 70 per cent block will  
7 be maintained at the state level.

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

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

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

25 So the national file is completely responsive to all

MV-22

1 state and local legislation. But we do not have at this time in  
2 the national file any automatic removal of records.

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

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

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

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

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

21 We have in the advisory policy board a standing security  
22 and confidentiality committee which has the authority to review  
23 any reported violation in any state or local agency and to  
24 render an opinion as to what procedure should be followed  
25 to the advisory policy board which will in turn furnish that to

IV-23

1 the FBI.

2 We talk about physical security. Naturally the  
3 terminals are secure, must be secure against any unauthorized  
4 access.

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

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

17 Logs are required on all transactions.

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

22 We talk about personnel security. Of course, we re-  
23 quire that all personnel that are working on it or working with  
24 the computer systems, all operators who are working with the  
25 terminal devices, must be cleared and cleared to the satisfaction

MV-24

1 of the control terminal agency so that any one in the area having  
2 access to criminal history data must have the necessary personnel  
3 clearance.

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

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

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

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

V-25

1 system unless it is from a current record.

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

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

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

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

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

24 Access to the information is required by all criminal  
25 justice agencies, and, of course, it is allowed where the security

V-26

1 requirements are met. There are no legal requirements, again,  
2 at the national level; to destroy any of the information.

3 As to planning, evaluation, and supervision, I men-  
4 tioned we do have a system of security officers in each control  
5 terminal. We have an inspection team of the security committee  
6 of the advisory policy board which may come into any system and  
7 check any reported violations. We have the various quality  
8 control measures that we employ and the states in turn employ to  
9 assure that these records are being entered properly, that dis-  
10 positions are being obtained, and this is a very important aspect  
11 of this.

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

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

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

23 The planning process, as I earlier indicated, is  
24 carried out throughout the working committees in the region,  
25 the advisory policy board and, of course, our own operation in

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1 the NCIC.

2 Finally, a discussion is requested concerning the  
3 rise of filed subjects. One of the policies built into the  
4 national system is that the right of a subject to see what we have  
5 on file concerning him is to become an integral part of every  
6 system.

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

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

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

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

24 At this time, the subject may at any time petition  
the agency to correct an item in the file and certainly they

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1 have the access to our file, they can correct that record should  
2 it need it.

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

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

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

15 Mr. Davey?

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

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

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

25 MR. RODERICK: Yes, if you want to give me the questions



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1 afterwards, I will be glad to.

2 MR. DAVEY: Thank you very much.

3 MRS. GROMMERS: Mrs. Cross?

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

8 MR. RODERICK: They would remain in at this time un-  
9 less the state statute called for removal. If the state statute  
10 provides for removal of the record, the state may remove it, but  
11 we would not automatically remove it from the national record  
12 until the state does.

13 But the capability is there.

14 MRS. GROMMERS: Professor Weizenbaum?

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

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

20 MR. RODERICK: At this time.

21 MR. WEIZENBAUM: Is there any kind of monitoring or  
22 supervision other than, say, congressional oversight of this  
23 system that includes civilians, so to speak? Or is the advisory  
24 function -- and including, for example, the investigatory  
25 function -- say this advisory board investigates the confidential lit

MV-30

1 violation, are all these functions essentially self-serving in  
2 the sense that the people, all the people involved, are in fact  
3 law enforcement officials?

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

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

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

14 MR. WEIZENBAUM: Thank you.

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

20 MR. RODERICK: Yes, we can do that.

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

25 MR. BURGESS: Can we give other people our questions?

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1 MRS. GROMMERS: As far as I am concerned, certainly.

2 Mrs. Gaynor?

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

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

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

12 Mr. Gallati?

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

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

20 Our system depends on the FBI number and the state  
21 identification number, which is based on fingerprint identifica-  
22 tion.

23 MRS. GROMMERS: Miss Noreen?

24 MISS NOREEN: I pass at the present time.

25 MRS. GROMMERS: Professor Miller?

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

7 I assume they are written down as part of policy.  
8 I think every member of the committee could usefully read that.

9 I would also like everybody on the committee to have  
10 a copy of the bill you referred to with regard to giving access  
11 to individuals to their criminal history file. I think the  
12 staff should supply to every member of the committee the complete  
13 history, all court papers, and the written opinions in the case  
14 of Minard vs. Mitchell, which supplies a considerable amount of  
15 information regarding operation of the National Crime Information  
16 systems, and, if Mr. Roderick would be so kind, I think it might  
17 help the committee to have some feel for the number of state  
18 and local information systems that are funded by the Law  
19 Enforcement Assistance Administration of the Justice Department,  
20 that may or may not have interface with the NCIC.

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

23 Now, my question. Just out of curiosity, Mr. Roderick,  
24 the bill you are proposing or supporting in the Congress with  
25 regard to giving access to people who may or may not be in the

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1 NCIC, does that also provide for the counterpart creation of a  
2 federally mandated rite of expungement if upon inquiry into the  
3 system by the individual he discovers an error?

4 MR. RODERICK: Yes. I am not sure of the exact termin-  
5 ology, but it does provide for the correction of the record, I  
6 know this.

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

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

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

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

19 MR. MILLER: I gather from what you said, the condi-  
20 tion of gaining access by the individual is that he has to be  
21 subjected to fingerprinting?

22 MR. RODERICK: That is right.

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

25 MR. RODERICK: No.

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1 MR. MILLER: In your system.

2 MR. RODERICK: I never said fingerprinting was not a  
3 positive identifier. I was talking about the fingerprint clas-  
4 sification in the computerized record, which is not a positive  
5 identifier.

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

11 The question is: Who determines what cause is reason-  
12 able, and so on? Which is it?

13 MR. RODERICK: The wording of it --

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

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

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

25 MR. WEIZENBAUM: Now another caveat has been entered.

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1 If this information is to be used for other purposes. That  
2 means the individual first has to demonstrate that the informa-  
3 tion is being used for other purposes.

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

11 MRS. GROMMERS: We ought to go and lobby against that  
12 particular clause in the legislation when it comes to the com-  
13 mittee.

14 Mrs. Silver?

15 MRS. SILVER: No question.

16 MRS. GROMMERS: Professor Burgess?

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

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

23 MR. BURGESS: Do you have any evaluation studies?

24 MR. RODERICK: No evaluation studies, per se. No

25 statistics available as to a decrease in crime in any particular

MV-36

1 area. There are too many other factors that enter into it.

2 MR. BURGESS: Is there any way to attribute an in-  
3 crease in performance measures of law enforcement agencies to  
4 NCIC?

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

10 MRS. GROMMERS: Mr. Siemiller?

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

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

18 MR. SIEMILLER: Another system of the FBI?

19 MR. RODERICK: Mr. Anderson, I think, has been devot-  
20 ing his time and talents to the investigative files.

21 MRS. GROMMERS: Senator Aronoff?

22 MR. ARONOFF: Mr. Roderick, I don't know whether you  
23 received a copy, but staff gave us a series of articles, news-  
24 paper articles, not all of which are flattering and some of which  
25 are Jack Anderson type articles.



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1 But I would like to read you just a few sentences  
2 and ask you to comment on them.

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

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

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

14 And another was extensive dossiers on various black  
15 activists.

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

18 MR. RODERICK: No, I would not.

19 MR. ARONOFF: Or the practice?

20 MR. RODERICK: It is a broad --

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

22 MR. RODERICK: Well, all the items you mention are  
23 really in one category. If, in fact, the information is col-  
24 lected, it is during the course of investigation. It is not  
25 involved, of course, with the NCIC at all, in any way.

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1 Of course, there is information collected by the FBI  
2 and during investigative efforts. I would not comment on any one  
3 category there. I think it is common knowledge that to investigate  
4 a case you collect all the sources available to you.

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

6 One item that you did mention on the medical communic-  
7 able disease, I am not aware of that We certainly have nothing  
8 in the system on anything like that.

End Tape 2

9 MRS. GROMMERS: Mr. Dobbs?

Tape 3

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

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

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

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

25 MR. DOBBS: I understand, but the reality is that

MV-39

1 right now there are, I presume, some number of records of people  
2 who are, in fact, not yet criminals, as the law understands them.

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

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

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

10 MRS. GROMMERS: Is there anything you can do person-  
11 ally to correct that? Or who could correct something like that?

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

15 MRS. GROMMERS: Thank you.

16 Mr. Ware?

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

21 The NCIC is obviously a magnetic tape base, because  
22 you have to have prompt response. Computers also fail. So it  
23 is a customary operating practice to write those magnetic  
24 disks off on that magnetic tape periodically so if the system  
25 crashes you can get started again.

MV-40

1 I imagine you do this. So at least after an expunge-  
2 ment action, for some limited amount of time the record still  
3 exists within the system, on automatic tape, and, in principle at  
4 least, through operator error, that tape can be reloaded, the  
5 expungement action in effect offset.

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

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

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

13 MR. RODERICK: Yes.

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

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

19 MRS. GROMMERS: Mr. DeWeese?

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

25 MRS. GROMMERS: Would you be specific as to why you

MV-41 1 think it is dangerous?

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

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

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

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

21 And we are not talking -- and often times these are  
22 cases where the charges have been dismissed -- we are not even  
23 talking about situations where the person has actually been tried  
24 and found not guilty. We are talking about 20 or 30 per cent  
25 of the cases where the police never bring the charge for one

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1 reason or another, because they have made a mistake in identi-  
2 cation. But these are lumped together in a system which you  
3 characterize yourselves every single time as a "criminal history"  
4 system.

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

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

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

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

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

23 MR. DE WEESE: Thank you.

24 MRS. GROMMERS: Senor Anglero?

25 MR. ANGLERO: Mr. Roderick, if I may make my

MV-43

1 calculations good, and mention that you have in your records about  
2 three million files on the NCIC, and I figure out that after that  
3 you have available through the state data systems perhaps a lot  
4 more records.

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

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

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

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

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

22 MR. ANGLERO: Thank you.

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

24 MR. WEIZENBAUM: Excuse me. In the record that you  
25 gave us, the format, in the first page, there is one bit set aside

MV-44

1 for race. That is only one bit. So I wonder what are the two  
2 voices you distinguish?

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

5 MR. WEIZENBAUM: One bit, which means you can dis-  
6 tinguish --

7 MR. WARE: That is one character.

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

10 MR. WARE: Sixty-four.

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

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

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

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

End Tape 3

Tape 4 24

MRS. GROMMERS: Who designed your system?

ce - 1  
25

MR. RODERICK: Who designed the system? It is a



MV-45

1 cooperative effort by all the state and local agencies involved  
2 in criminal justice with the FBI.

3 MRS. GROMMERS: How many people were involved?

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

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

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

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

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

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

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

20 MRS. GROMMERS: Well, we would like to know who is  
21 in charge of it and who has the power to change it, because  
22 your answers to most of the people's questions here has been  
23 the implication that it is Congress who does not really under-  
24 stand the problem, and Congress that needs to take steps to  
25 change it, and we would like to understand whether there are

WV-46

1 any other levels of administrative change that could be effected,  
2 and that is what our question is. Can you supply us with the  
3 information?

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

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

9 MR. RODERICK: To recommend change.

10 MRS. GROMMERS: To whom?

11 MR. RODERICK: To the FBI.

12 MRS. GROMMERS: To Mr. Gray?

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

15 MRS. GROMMERS: Thank you very much.

16 We would like to get that sent to us.

17 Mrs. Hardaway?

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

25 If I am arrested in a state that has an agency with

V-47

1 you, am I informed that when that state or that agency is  
2 gathering information on me at the time of my arrest that it is  
3 also going into your file?

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

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

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

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

21 MRS. GROMMERS: Mr. Impara?

22 MR. IMPARA: Mr. Roderick, you indicated that you  
23 have data exchange with other police agencies who are members  
24 of the NCIC network. Are there any other government agencies,  
25 the National Security or the Army military security or something

IV-48

1 like that, with which you also have exchange agreements?

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

4 MR. IMPARA: What about the CIA?

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

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

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

14 MRS. GROMMERS: Mrs. Lanphere?

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

21 MRS. GROMMERS: Professor Allen?

22 MR. ALLEN: On the requirement that each participating  
23 state recognize the right of a subject to examine what is in the  
24 files on him or her, how many states are not participating be-  
25 cause they don't meet this requirement?

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1 MR. RODERICK: Not all states are now participating,  
2 not particularly because of that requirement. In fact, I have  
3 had no state refused because of that particular item.

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

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

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

20 MR. WEIZENBAUM: I will just ask one.

21 If, say, I participated in a political demonstration  
22 in Washington, for example, on obstructing the corridors of  
23 the Senate under some circumstances, and, as a result, I get  
24 arrested by the Capitol Police, and I am fingerprinted, and  
25 am later discharged after paying a relatively small fine, the

W-50

1 fact that I have been fingerprinted -- I want to make clear here  
2 what you consider here is serious crime -- is the fact that I  
3 have been fingerprinted then sufficient to earn me an FBI identi-  
4 fication number and a place in your records?

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

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

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

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

16 MR. WEIZENBAUM: I see.

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

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

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

MV-51 1 Or what?

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

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

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

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

20 MRS. GROMMERS: Mr. Aronoff?

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

25 And you also indicated that there were changes that

MV-52 1 you would abide by should Congress enact them.

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

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

9 We are frequently asked for our views on their recom-  
10 mendations, which we furnish. But we as an agency do not recom-  
11 mend the legislation formally.

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

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

17 MRS. GROMMERS: Mr. Dobbs?

18 MR. DOBBS: You touched on the controversial aspects  
19 of the control of NCIC terminals by so-called law enforcement  
20 agencies. And my question is, granted that that is policy, that  
21 the outputs must be requested by a law enforcement agency and  
22 received by a law enforcement agency, is it not the case that  
23 having received this hard copy record that that agency then,  
24 under its own state laws and statutes, is free to do with that  
25 information what they will?



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1 MR. RODERICK: Well, this has gone back and forth,  
2 beginning with the Minard decision that Professor Miller men-  
3 tioned, where we were precluded from disseminating anything to  
4 an outside agency other than law enforcement.

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

9 Now the Attorney General has to approve of disseminat-  
10 ing in accordance with that state statute. So we would not  
11 automatically, just because a state statute has been enacted,  
12 authorize that dissemination.

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

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

19 What you are saying is that if in fact a law enforce-  
20 ment agency got an output with this kind of information on a  
21 terminal that was tied in to NCIC, and then in fact took that  
22 hard copy output and took information derived from it and entered  
23 it into another kind of system which was not explicitly by virtue  
24 of your guidelines one which qualified, that they then would be  
25 asked to leave the system?

MV-54

1 MR. RODERICK: This would be illegal or unauthorized  
2 use, and they would be at this time questioned on it. Service  
3 would be discontinued if they did not --

4 MRS. GROMMERS: Professor Miller?

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

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

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

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

24 MR. MILLER: It comes through the state agency down  
25 to your operation and you check the Attorney General's list?

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1 MR. RODERICK: Right. And I might say that this thing  
2 is changing from day to day. There is a bill pending again to  
3 set up the specific guidelines following procedures we just talked  
4 about as a separate piece of legislation. It is an area that has  
5 gone back and forth in the last six months. We have been doing  
6 it. We haven't been doing it. These were the conditions by  
7 which we operated during the interim period between the legisla-  
8 tion and the coming legislation.

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

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

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

25 MR. RODERICK: I might say we are fortunate because

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1 NCIC did not become operational until after the Minard decision.  
2 So, actually, what was involved in all of these controversies  
3 was our manual identification operation.

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

5 MRS. GROMMERS: Yes.

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

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

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

13 MR. RODERICK: Yes.

14 MRS. GROMMERS: Mr. DeWeese.

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

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

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

25 MR. RODERICK: This was the reason, of course, for

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1 requiring the approval of the Attorney General in these various  
2 categories.

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

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

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

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

14 MRS. GROMMERS: We are doing so.

15 MR. RODERICK: Yes.

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

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

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

23 MR. RODERICK: Right.

24 MRS. GROMMERS: Mr. Martin had a question.

25 MR. MARTIN: Inspector Roderick, I wonder if I could

MV-58

1 draw you out a little on the decision-making process relative to  
2 the establishment of the Center and modification of it.

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

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

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

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

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

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

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

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

25 MR. MARTIN: What I am reaching for, pursuing questions

MV-59 1 that have been asked, is what really as a practical matter is  
2 the inhibition on the system's changing at its own initiative  
3 as it came into being without sitting back and saying, "We can't  
4 do anything until Congress acts." You create the impression that,  
5 unless Congress acts, your hands are tied.

6 MR. RODERICK: No, I wouldn't say they are tied.  
7 Let's use as an example that the entire criminal justice com-  
8 munity recommended that these records, any record, be taken  
9 out of the system after a period of 10 years had elapsed, and  
10 no record be retained at the national or any other level.

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

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

22 MR. RODERICK: No.

23 MR. MARTIN: If the national government, the Justice  
24 Department, the FBI chose to exercise leadership to cause this  
25 system to have certain characteristics, are you suggesting that

MV-60

1 it couldn't by that process achieve the result which it wished  
2 to without congressional support?

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

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

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

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

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

25 MR. RODERICK: I would say providing it is not contrary



MV-61 1 to legislation, certainly you could take any action.

2 MR. MARTIN: And I think you said earlier there were  
3 no obstacles to any of the actions that were being explored in  
4 legislation today?

5 MR. RODERICK: No.

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

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

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

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

20 On the other files, the wanted persons, the stolen  
21 property files, we have had -- oh, I believe, two or three in-  
22 stances. Actually, they did not involve misuse. It was mis-  
23 identification of the individual, really the fault of the users,  
24 because the fact that a stolen report exists or a warrant exists  
25 cannot be really misused to any extent.

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1 MR. WARE: I wasn't thinking of the user doing some-  
2 thing wrong. I was thinking of the system voluntarily giving  
3 information to the wrong person.

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

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

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

22 And the problem at the state level for the agencies,  
23 given the relationship that I think exists between the FBI and  
24 the intelligence offices and state offices, what use is being  
25 given to the information that you have at the state levels for

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1 these purposes of this kind of planning?

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

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

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

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

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

23 MR. RODERICK: Well, the first document that would  
24 be at issue extensively is the one I mentioned, the Unified  
25 Crime Report. This system itself could not do anything to

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1 benefit you to any great extent because of the smallness of the  
2 data base. Eventually, as the system is developed, I think that  
3 it would provide this type information, it would be of value.

End Tape 4

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

Tape 5

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

11 MR. GROMMERS: Mr. Impara?

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

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

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

23 Some states have mandatory reporting laws where it  
24 is more specifically set forth as to what action would be taken  
25 and Dr. Gallati can probably assist me on this as to who would

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1 be printed in the State of New York.

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

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

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

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

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

22 MRS. GROMMERS: Mr. Roderick, we have seen in a number  
23 of instances which, as I must say -- I am like Jane Hardaway, I  
24 am very pleased that the FBI is certainly protecting my rights  
25 and my family's safety -- we have noticed here, through a number

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1 of systems which were set up for one very good purpose, and that  
2 probably because they weren't looked at from that point of view  
3 of privacy or confidentiality, certain improvements, let's say,  
4 might be made that would probably not be inimical to the purposes  
5 for which the systems were designed.

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

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

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

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

21           MR. RODERICK: Because through the interaction between  
22 this group and other groups, I am certain that there will again --  
23 I don't like to keep falling back on poor old Congress -- but  
24 somewhere along the way somebody has to take a stand and resolve  
25 some of these issues.

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1 MRS. GROMMERS: Well, what I meant was, with informal  
2 advice and certain points being made, perhaps by administrative  
3 action, some of these things could be organized without the  
4 necessity of going to Congress. We could work out some kind of  
5 mechanism. Could we go back to you for pursuing this further?

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

8 MRS. GROMMERS: Mr. Dobbs had a question.

9 MR. DOBBS: Simply a comment, which relates to the  
10 point that you are addressing. It turns out that in several  
11 places in the country at levels below the state, that is, the  
12 county and municipal level, there are springing up systems  
13 funded with federal money with characteristics which are very  
14 similar to the one just described, that is to say, systems which  
15 in fact at the local level contain arrest and/or criminal history  
16 information for use by local level law enforcement agencies,  
17 with probably not nearly the care and attention devoted to the  
18 confidentiality and sensitivity issues that we have seen here.  
19 I just make that point in passing to point out that  
20 the problem is a broader one than we see in listening to the  
21 discussion of the NCIC's system, to the extent that the local  
22 agencies attempt to emulate the technology which is a viable one  
23 without a complete understanding of some of the byproduct kind  
24 of implications.

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25

MRS. GROMMERS: Thank you. That is excellent.

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1 MR. RODERICK: I have one comment. I agree 100 per  
2 cent. You know, the legislation that is pending concerns LEAA-  
3 funded systems, but it is unlikely that this would remain to  
4 pertain only to LEAA funded systems, I would think, because if  
5 you enact legislation such as that, it should go across the board  
6 to encompass all systems in carrying out that function.

7 MRS. GROMMERS: Senator Aronoff?

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

11 MR. RODERICK: Mr. Chairman -- ?

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

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

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



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1 Arthur Miller could speak eloquently upon for hour on hour.

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

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

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

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

24 MRS. GROMMERS: Mr. Muchmore? We haven't heard from  
25 you at all. We only have time for a couple of questions, of

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1 no resolution of the charge whatsoever.

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

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

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

11 What can he do?

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

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

23 MR. MUCHMORE: Explain technically -- and this is a  
24 minor point, again -- I am curious because of seeing the look  
25 on that guy's face when I told him exactly what was involved --

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1 what technically will your equipment now do that was not possible  
2 in a manual situation?

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

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

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

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

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

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

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

25 In the identification division, the Bureau has issued

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1 documents along this line.

2 MR. MUCHMORE: To me, it is one of the most important  
3 things which you have, and that is expunction from the record  
4 of incorrect data for your own protection as well as the pro-  
5 tection of the individual, and also it would reduce your operat-  
6 ing costs and reduce the taxes and make elections, therefore,  
7 unnecessary.

8 MRS. GROMMER: Mr. Gallati?

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

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

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

22 For example, an arrest at a state level will be kept  
23 in the state files according to state law. - Now, it may or may  
24 not be transmitted to NCIC. And data may or may not be received  
25 from NCIC.

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1 But what is kept in the state files is up to state  
2 law. There is not anything that I can conceive of that the  
3 federal government would be likely to be able to control to  
4 any great extent through the concept of the use of LEAA funds.  
5 This is a new concept, in other words, because you have accepted  
6 LEAA funds, that the federal government therefore has some  
7 control over how you use those things which have been in some  
8 way affected by LEAA funds.

9 But there is still a tremendous role for the states  
10 to play here and a tremendous responsibility for the states.

11 And as I think was brought out several times here by  
12 Inspector Roderick, to a great extent NCIC must depend upon the  
13 integrity of the state operations.

14 MRS. GROMMERS: Professor Miller?

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

24 And I assume you are achieving some success there.  
25 You are narrowing that gap between the arrest and disposition.

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1 And as Bob says, clearly mandatory reporting laws and  
2 a variety of other prods on states to report to you would assist.

3 But aren't there things you yourself do to increase  
4 or improve the batting average in getting dispositions into the  
5 record when they have been disposed of?

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

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

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

22 Now, bear in mind we have in our manual files roughly  
23 20 million individuals represented by criminal charges under  
24 the manual file category, which excluded nothing. Under the  
25 computerized criminal history concept, we estimate we will have

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1 no more than 5 to 7 million.

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

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

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

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

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

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

23 MRS. GROMMERS: You could even do a pre-punched  
24 card. All they would have to do is bring it to the local  
25 agency and you could have a duplicate.

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1 MR. RODERICK: Some would start --

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

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

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

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

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

16 MR. RODERICK: Not the investigative files.

17 MR. MILLER: Just to Jack Anderson.

18 MR. RODERICK: He is on a separate list.

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

23 (Recess.)

24 MRS. GROMMERS: I want to read to you just quickly  
25 before we start who some of the people are who are sitting in



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1 the back room, so that you will all know. We have a gentleman  
2 from Computer World.

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

5 We have a gentleman from Honeywell.

6 We have a gentleman and a lady from FCC.

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

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

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

13 We have someone from the National Research Council.

14 And someone from the Retail Credit Corporation.

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

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

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

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

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1 Division of Insured Loans, Bureau of Higher Education, Office  
2 of Education, Department of Health, Education, and Welfare.

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

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

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

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

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

18 And that they will try to make their initial pre-  
19 sentation brief, and then we will direct our questions to specific  
20 points of interest.

21 Mr. Simmons?

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22 MR. SIMMONS: Thank you very much.

23 Let me say also that we appreciate the opportunity  
24 and we appreciate your invitation to have us with you today to  
25 talk about the Guaranteed Student Loan Program.

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1 I think first it might be well that I sort of attempt  
2 to identify where the Division of Insured Loans stands within  
3 the bureaucracy, within the Department of Health, Education,  
4 and Welfare.

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

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

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

24 But this has sort of been a way of life with us.  
25 When the program first began, the law asked the Commissioner,

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1 instructed the Commissioner of Education to encourage state or  
2 private, non-profit guaranteed agency programs. Our first effort  
3 was to establish such programs, state or private guarantee  
4 agencies throughout the United States.

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

6 The law provides also that, if a state could not  
7 provide a program of state insurance, for various reasons, lack-  
8 ing resources in some cases, others where there were constitu-  
9 tional prohibitions under state law, it did provide a program  
10 of federal insurance.

11 So, today, without going through all of the details  
12 of how we came to where we are, we do have across the country  
13 26 states that are operating by state agencies or by private  
14 non-profit agencies. We have 28 states that are serviced by  
15 the federally insured Student Loan Program.

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

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

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1 lenders. These are banks, savings and loan associations, credit  
2 unions, insurance companies, some of the educational institutions  
3 or lenders.

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

7 We have some 500 of those schools located in some  
8 55 foreign countries. So the program has grown, we think,  
9 rather remarkably, not only in dollars. This involves something  
10 in excess of three million individual students who have been  
11 able to obtain financing through guaranteed loans.

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

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

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

23 Prior to June 30 or prior to July 1, the maximum  
24 for an academic year was \$1500; the total aggregate was \$7500  
25 during the college career or educational career, because we

MV-83 1 service trade, technical, business, vocational schools as well  
2 as colleges and universities.

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

9 The Senate responded immediately within probably 30  
10 minutes, rolled back some of the provisions. The House responded  
11 last night or this morning -- I think it was around 1:30 or  
12 2:00 a.m. -- Mrs. Wennerdahl called me at 2:00 o'clock to let  
13 me know about it.

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

17 But I think in the area of your concern -- and cer-  
18 tainly we share that concern -- we have a considerable data  
19 bank, as I mentioned, involving 5 million loans, 3 million  
20 individual students, 20,000 commercial lenders, and 8,000 educa-  
21 tional institutions.

22 I hope that gives a rather brief overview of the  
23 program that we are involved with, something of the scope and  
24 magnitude of it, and perhaps it would be well if I asked  
25 Mrs. Wennerdahl to fill in any of the areas that I might have

MV-84 1 overlooked and speak to you from the state standpoint.

2 Carol, would you like to add to that?

3 MRS. WENERDAHL: Thank you, Bill.

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

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

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

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

24 Under the Higher Education Act, in exchange for meeting  
25 certain criteria, the federal government offers certain benefits

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1 to the students of our state. To amplify on that, in other  
2 words, if we would offer loan amounts of a certain nature, at  
3 certain interest rates, to be repaid within certain repayment  
4 provisions, the federal government said we will pay the interest  
5 on behalf of certain of your students, we will reinsure a portion  
6 of the obligation that you bear as insurers.

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

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

21 The student application form comes in, which is our  
22 document. The computer goes through the specific routine  
23 eligibility checks required of our state, required of the  
24 federal government, and we use the computer as a medium for  
25 transmitting this information through printed output back to



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1 the student, notifying him of our approval of his application,  
2 the school of his attendance, and the lending institution, and  
3 this particular piece of paper serves as our notice of guarantee  
4 to the lender, which in effect tells the lender that if this  
5 student cannot, or will not in some cases, honor his obligation  
6 to repay you at a future date, in my case the State of Illinois  
7 will insure or reimburse you for 100 per cent of the principle  
8 and interest and some late charges.

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

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

15           MRS. GROMMERS: You might just mention that.

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

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

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1 but I have included that all under address.

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

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

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

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

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

23 Of course, the amount the student requests and the  
24 amount the lender would care to lend or approve also is a  
25 limiting factor that must be taken into consideration.

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1 School and lender code numbers are merely there for  
2 the computer to look at this information and search its files  
3 to make sure we are dealing with eligible institutions.

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

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

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

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

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

23 We also keep some critical information on student  
24 status, update entries, date their repayment begins so we will  
25 know the student has converted from in school period to his

V-89

1 repayment, the amount he has repaid, and we have a one-digit  
2 field which gives a status of the account, tells us whether the  
3 student is in school, on deferment, out of school but not cur-  
4 rently paying for reasons of military, et cetera, whether it is  
5 totally repaid, whether he is in his repayment process, et cetera.

6 Then you will note that we also pick up on our applica-  
7 tion some data that we use for statistical use only.

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

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

15 Student's marital status is summarized. His race.  
16 His county -- which we use interchangeably with zip code for a  
17 geographical analysis within our state.

18 Dependency type -- this merely indicates to us yes or  
19 no, whether the student is dependent upon his parents or emanci-  
20 pated.

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

23 The student's sex, the term of the loan which for  
24 my purpose we merely summarize to see how many of our students  
25 are borrowing for just one semester, whether the majority are

V-90

1 borrowing for the full academic year, whether it is a summer  
2 school loan, what academic term is this loan for.

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

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

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

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

21 This is not critical information. We would not send  
22 back the application if it was not completed, and basically  
23 what it serves is to provide us a source of humor occasionally  
24 when we do look at our summarization, because we have come to  
25 find it is totally worthless.

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1           The inter-subsidy eligibility of the student. I  
2 told you earlier that the federal government under certain  
3 circumstances -- and these circumstances were prior to June 30,  
4 and we are waiting to see if these circumstances change the  
5 minute that the Senate moves within the next hour -- basically  
6 if the student's family income as adjusted by a \$675 exemption  
7 for each taxable IRS exemption, and a straight 10 per cent de-  
8 duction, is less than \$15,000, the federal government has been  
9 paying all the interest on behalf of the student while he is  
10 in school. Then the student assumes his interest obligation  
11 during the repayment period.

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

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

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

24           Our main interest is to find out if we are adequately  
25 serving the low-income students, if we are adequately serving

V-92

1 the middle income student, how much of the higher or higher-middle  
2 income students we are serving.

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

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

7 MRS. GROMMERS: I would like to start with Professor  
8 Allen.

9 MR. ALLEN: I pass for the moment.

10 MRS. GROMMERS: We will come back to you.

11 Mrs. Lanphere?

12 MRS. LANPHERE: Yes, I have one question.

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

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

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

21 MR. SIMMONS: There is no written phrase of this  
22 sort. This come through a commercial lender. It is sort of --  
23 just a sort of basic of the industry that they do not disclose.  
24 They would be subject to penalty for disclosure of that sort  
25 under state statutes.

V-94

End Tape 5

Tape 6

1 tell the youngster to get their money some other way, they don't  
2 want the government to have all that information. This is the  
3 complaint we hear in the state.

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

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

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

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

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

22 MR. SIMMONS: Perhaps I better take up from that  
23 point where the federal government becomes involved. We do  
24 ask for it, to determine the adjusted family income, that the  
25 family report from their prior year's income tax what their



MV-95 1 adjusted gross income was. That comes generally I think from  
2 line 11 of the prior year's Form 1040.

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

5 They arrive at a net figure. If that is less than  
6 \$15,000, we pay the interest benefit for them. If it is \$15,000  
7 or more, they may get a loan, but they pay their own interest  
8 from the inception.

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

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

23 But the only figure we really use from that in record-  
24 ing in our computer is -- well, we do record the adjusted and  
25 gross family income, not identifying them by name, just for

MV-96

1 statistics, to see what portion of our loans, so we can make  
2 some sort of a forecast of what we are going to require by way  
3 of appropriation.

4 MRS. HARDAWAY: I understand that, but that is not  
5 my question.

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

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

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

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

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

23 Now if the student has not resided with the family  
24 during the preceding 12 months or has not been claimed as a  
25 dependent for federal income tax purposes, or has not been the

MV-97

1 recipient of an amount in excess of \$600 from one or more of  
2 the parents, the family income then only becomes the student  
3 income. In other words, that student is independent.

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

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

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

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

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

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

23 MRS. HANSEN: We have retained all the source documents  
24 since the inception of the program. Would you like to comment,  
25 Harry, on how they are stored?

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1 MR. LESTER: I think really if you go into a collection  
2 that calls for or needs information on people, and the parents,  
3 you have that information available to you.

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

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

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

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

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

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

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

23 MRS. HANSEN: I furnished some copies of our applica-  
24 tion.

25 MR. SIMMONS: I think you have the federal application,

MV-99 1 and the 1070, which is used by the state agencies, which has  
2 the identical information. Now the states have a little dif-  
3 ferent form.

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

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

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

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

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

18 MR. SIMMONS: No, they do not.

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

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

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

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

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

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

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

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

19 MRS. GROMMERS: Thank you.

20 Senor Anglero?

21 MR. ANGLERO: I was looking through the information  
22 we have from the staff, and from your application, the federal  
23 application, and I figured out that you got -- it says someplace  
24 that if it is lower than \$15,000 the people are eligible for  
25 help.

MV-101

1 Do you have any idea of the income brackets of the  
2 people who are actually -- of those applicants and those who  
3 are beneficiaries?

4 MR. SIMMONS: Of what income categories we serve?

5 Yes, we do.

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

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

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

14 Zero to 299, or under \$3,000 adjusted income, 24.2  
15 per cent of the student borrowing comes from those with less  
16 than \$3,000. Gross, that amounts to 10 per cent. The adjust-  
17 ment makes a significant difference.

18 In the \$3-6,000 adjusted, 21.8 per cent; of the gross,  
19 14.6 per cent.

20 \$6,000-\$9,000, 22.7 per cent; adjusted.

21 \$9,000-\$12,000, 17.8 per cent; adjusted.

22 \$12,000-\$15,000, 10.2 per cent.

23 \$15,000 and over, 3.2 per cent.

24 So we sort of look at it that the program has accom-  
25 modated a heavy percentage in the lower income categories.

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1 MR. ANGLERO: This is somewhat a follow-up to the  
2 same question. How did you assess or how conceptually can the  
3 whole program assess the potentialities of an individual?

4 MR. SIMMONS: Potentialities of an individual?

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

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

9 I don't think there is a better investment than educa-  
10 tion.

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

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

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

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

25 And I might point out that this is private money. We



MV-103

1 have no money to lend to anybody. We only pay interest on it  
2 and insure it, and we charge a premium for the insurance.

3 But it is across the board. And one of the reasons  
4 we have been very much pleased, when I mention the under \$3,000,  
5 24 per cent of our students are in that category, and we have  
6 been pleased, of course, that the commercial bankers and savings  
7 and loan business men have accommodated people from those income  
8 categories.

9 I don't think at the outset that many people felt  
10 that that would happen. We have been very much pleased that it  
11 has been across the board to the lower incomes as well as the  
12 others.

13 But it has not been a program that has been targeted  
14 to any particular income group. We like to keep very detailed  
15 records as we go as to sex and race and income and year in  
16 school and age groups to see who is being accommodated under  
17 the program.

18 Where we feel that from this data that a certain  
19 segment of our population was not able to take advantage of it,  
20 perhaps there are things that we can do to see that they can  
21 have the advantages to. I don't know if I responded.

22 MR. ANGLERO: Very good. Thank you.

23 MRS. GROMMERS: Mr. DeWeese?

24 MR. DE WEESE: I am afraid I am going to have to pass  
25 this. I already jeopardized my chances to become an FBI agent,

MV-104

1 and I have to keep my student loans.

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

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

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

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

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

20 MR. KEATING: I couldn't hear you.

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

25 MR. KEATING: I think the question has been answered

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1 by him. It would depend on the bank policy. I would say in  
2 large measure, no.

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

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

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

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

21 MR. MILLER: The voice of the public spirited Californi-  
22 bank.

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

25 MRS. GROMMERS: Mr. Ware?

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1 MR. WARE: Nothing.

2 MRS. GROMMERS: Mr. Dobbs?

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

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

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

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

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

18 MR. SIMMONS: No.

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

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

24 We said that our reports showed that it is \$14,500.  
25 We did a sampling check and we found a very small percentage --

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1 I think it was one or two per cent --

2 MRS. HANSEN: 1.6 per cent.

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

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

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

14 MR. SIMMONS: Oh, yes.

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

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

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

24 MR. SIMMONS: No, it is a form in the federal program,  
25 a four-part snap-out form.

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1 MR. DOBBS: What is the difference between the 1070  
2 and the 1154?

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

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

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

13 MR. SIMMONS: That is correct.

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

16 MR. SIMMONS: I think we better go back.

17 The 1070 is the same as the 1154.

18 The 1154 is used in the federal program, the 1070 is  
19 used by the state agencies.

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

24 It simply tells us whether that adjusted family  
25 income is less than \$15,000, or \$15,000 or more. If it is under,

Y-109

1 we pay the interest. The lender is still insured by the state  
2 or federal government.

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

5 MR. SIMMONS: No, no.

6 MR. LESTER: They are different borrowings.

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

9 MR. SIMMONS: Yes, the lending institution -- it is  
10 given to the lending institution and they sent it to the  
11 federal government, to avoid as much paper work as we can.  
12 Under the state agency program, some have incorporated into the  
13 state application. Others have state applications and they  
14 use this as a supplement to that, and it comes direct to us from  
15 the lender, because the lender is the one that bills us for the  
16 interest, so the lender sends it in to us.

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

18 MR. MILLER: Yes.

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

21 The 1070 and the 1154 are technically used in dif-  
22 ferent programs, but they are both under the loan program. Look  
23 carefully at the foot of the pages on the form 1070. You will  
24 see printed in the right-hand corner -- copy 1 is marked "OE Copy."  
25 Copy 2 is marked "Lender Copy." Copy 3 is marked "Guarantee

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1 Agency Copy." Copy 4 is marked "Student Copy."

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

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

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

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

13 Mr. Aronoff?

14 MR. ARONOFF: In view of this, I pass a half  
15 question to Professor Miller and a half question to Joe Weizen-  
16 baum, who will pursue Professor Miller's question.

17 MRS. GROMMERS: The Chair accepts the designation.

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

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

25 Now, let's put a couple of things together. Correct



MV-111

1 me if I am wrong, Don. I say that knowing that I will be right.

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

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

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

20 On the third level, there are now hearings currently  
21 before the Senate Subcommittee on Financial Institutions chaired  
22 by Senator Proxmire. I must admit I testified before that group  
23 on Monday as did the Justice and Treasury Departments and Jack  
24 Anderson. It is well known, well known, that because of peculiar  
25 symbiotic relationship between bank security officials and state

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1 and federal law enforcement agencies, that in many, many  
2 instances this lender's copy, filled out now in microfilm and  
3 retained for five years, will be turned over to investigative  
4 agencies, even without the minimal safeguard of an administrative  
5 drawn, let alone court ordered, subpoena.

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

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

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

23 The federal government has created this data, and  
24 it leaves it at the mercy of anybody who can get at it under  
25 state law.

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1 The OE copy. The OE copy is at the mercy of the  
2 federal subpoenas. It is doubtful that any one like your friendly  
3 local sheriff is going to try to subpoena the OE copy. Why  
4 should he, when he can get it from the bank or the guarantee  
5 agency?

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

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

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

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

21 MR. MILLER: I guess in 26 or 28 states this Form  
22 1070 has to be filled out. The 1154, by the way, also has a  
23 lender's copy, an OE copy, and curiously a lender's file copy.  
24 The lender gets two of them.

25 MR. SIMMONS: That is when the lender sends the other

MV-114

1 three to us, so we may issue the commitment on the upper right-  
2 hand corner, and they keep a file copy so when it comes back they  
3 can destroy the file copy.

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

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

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

9 MR. SIMMONS: They may receive one, yes.

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

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

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

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

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

24 MRS. GROMMERS: I really don't want -- I want to  
25 know per student.

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1 MRS. WENNERDAHL: If a student borrowed the maximum  
2 under the program of \$1500 a year for four years --

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

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

12 Then you would have to look at each of his other  
13 succeeding loans. So it can get quite costly. About \$11- or  
14 \$1200 per student over the life of that loan.

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

20 MR. SIEMILLER: 7 per cent statutory.

21 MRS. HANSEN: I cannot exceed 7 per cent.

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

23 MRS. HANSEN: Yes, he could lend at anything under  
24 7 per cent.

25 MR. MUCHMORE: Just like you would work for \$1.40 an

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1 hour instead of \$2.50.

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

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

7 MRS. GROMMERS: Mr. Burgess?

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

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

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

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

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

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

24 MR. BURGESS: I am trying to find out how do you  
25 know that the grades you receive are not accurate reports.

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1 MRS. WENNERDAHL: We have not investigated that on  
2 individual students, but it differs. Our statistics differ so  
3 totally from what the colleges say is the average grade distribu-  
4 tion of their students.

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

7 MRS. WENNERDAHL: Not really.

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

11 MRS. WENNERDAHL: Not really.

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

17 MR. WARE: That doesn't mean their IQ's are under  
18 90.

19 MR. SIMMONS: These are national averages.

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

22 MRS. WENNERDAHL: Neither is sex, but at one time  
23 we thought it would be a viable way of sampling the type of  
24 student we would assist. We determined it is not much use.  
25 We have not taken it out.

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1 MR. BURGESS: Why is congressional district required?

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

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

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

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

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

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

25 MRS. WENNERDAHL: I can tell you in your statement,



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1 as I showed you on the list of the things we contain in our file,  
2 the data that is used for statistical use only, much of that is  
3 just printed out in one big print-out student population sample  
4 at the end of the year.

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

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

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

22 But we would like to be advised as to the pockets  
23 drying up in a state if it happens, or significant lending pattern  
24 differences in our state. Do certain types of students have an  
25 extreme amount of difficulty in certain areas of the state?

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1 At that time we might be disposed to talk to our  
2 state bankers association and say, "We are having trouble in  
3 South Overshoe and let's have a meeting with the guys." And  
4 our statistics show in that area of the state this type of  
5 student can't get a loan. And this is basically what we use  
6 this statistical information for.

7 MRS. GROMMERS: Mrs. Silver?

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

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

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

19 And then once a year we print out a student reconcilia-  
20 tion that goes to the lenders for status check and that has the  
21 name and address on it.

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

24 MRS. HANSEN: I was going to say that holds for the  
25 federal program, too. For any kind of statistical data, the

MV-121 1 lowest level of aggregation that we do is at the county or down  
2 to the city and presently down to the school level, but it is  
3 strictly in terms of numbers, not by individuals.

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

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

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

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

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

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1 institution notifies us of any changes in the status.

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

4 MRS. GROMMERS: Mr. Muchmore?

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

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

9 MR. MUCHMORE: Specific cases or groups?

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

13 MR. MUCHMORE: Approximately how many were there?

14 MR. SIMMONS: Alice?

15 MRS. HANSEN: Slightly under 1500.

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

End Tape 6 17 MR. SIMMONS: We pulled the application on them.

Tape 7 18 MR. MUCHMORE: And you sent that for verification.

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

25 MRS. WENNERDAHL: As the state agency, as I said, we

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1 are not responsible for any income verification. We are interested  
2 in telling our state government what sort of student they are  
3 serving. We collect this information. It is put into our com-  
4 puter. We have no way of verifying it, and so we would have no  
5 reason to go after the income tax form.

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

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

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

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

18 The second thing that I think is important, one which  
19 is implied here, is that the colleges and universities are adopt-  
20 ing a system under financial need statement which requires the  
21 filing or permission to request the total income tax form filed  
22 by the parent the previous year. That becomes the property of  
23 the college, and the college in my opinion can make use of that  
24 for anything they want to do because it becomes a loose document  
25 once it reaches the college administrative headquarters.

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1 MR. SIMMONS: That is new legislation.

2 MR. MUCHMORE: Yes.

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

4 MRS. GROMMERS: Okay, yes.

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

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

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

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

20 We have no responsibility for collection under state  
21 programs. They collect. We do have a reinsurance. We will pay  
22 80 per cent. They return 80 per cent of what they collect of  
23 the student.

24 Under the federal programs, these accounts are referred  
25 to our field offices. We have 10 regional offices. We have

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1 collection personnel that have been placed there within the past  
2 four to five months. They contact these students by letter, by  
3 telephone, or by whatever means we feel is some way we can con-  
4 tact them. And we let them know we have become the holder of a  
5 note that they signed, by assignment to us by the lender. It is  
6 an obligation that must be repaid. We will take into consideration  
7 whatever the circumstances may be and attempt to work out some  
8 arrangement within their resources and ability to repay, and we  
9 collect the loan.

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

13 MR. SIMMONS: No, sir, we don't in the federal pro-  
14 gram. I don't think that the states that I know of do.

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

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

22 MR. MILLER: I know some of those students.

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

25 MR. MILLER: All I was getting at was whether there is

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1 a siphon-out at the other end in which some of this data might  
2 end at a credit bureau or collection agency by assignment to  
3 them.

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

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

13 MRS. GROMMERS: Senator Aronoff?

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

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

25 MR. SIMMONS: That varies across the country. In



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1 some states, educational loans are declared to be a necessity  
2 and, therefore, liable regardless of age.

3 Generally speaking, I think across the country today  
4 most young people who borrow for educational purposes are re-  
5 sponsible. This is a valid and enforceable obligation.

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

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

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

19 MR. KEATING: For locating, yes.

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

22 MR. MILLER: I have already dealt with what happens  
23 to the information as it comes in. I was just exploring with  
24 Mr. Simmons what might happen at the terminal point of the loan.

25 And there is a marginal conflict, I would say, between

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1 the representative of retail credit and what we are told by the  
2 governmental officials.

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

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

10 MR. MILLER: That was the natural next question.  
11 What information do you give the private locator to help him  
12 locate? Do you give him these forms? Not that it really matters.

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

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

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

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

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

25 MR. MILLER: You realize, of course, that that process

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1 creates a credit bureau entry which means -- I am not condoning  
2 the non-payment of the student for God's sakes, but when the  
3 student applies for a job or insurance or what have you, then  
4 they run a check on him through the retail credit and up pops  
5 the fact that the retail credit went out to locate the student  
6 for a guaranteed loan organization, and you draw your own con-  
7 clusions as to what that was all about.

8 MRS. GROMMERS: Miss Noreen?

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

12 MR. SIMMONS: Individual students?

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

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

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

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

25 National averages, trends, volumes, yes. Things of

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1 this sort.

2 MR. GALLATI: I would like to make a slight observa-  
3 tion, and then ask a question.

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

8 MR. SIMMONS: Each year, yes.

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

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

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

23 MR. SIMMONS: We do not limit them. They may use  
24 the information if they would care to supplement it. I have  
25 heard of one or two who do get a credit bureau report or have

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1 attempted to, but what it works out to as a practical matter in  
2 so many cases we are talking about is a young man or lady who  
3 may be 17 or 18 years old --

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

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

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

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

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

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

24 MR. SIMMONS: There is no guarantee. you won't be  
25 asked that.

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1 MR. GALLATI: Has OE ever attempted to control the  
2 lending institution to prevent them from using another device  
3 other than the one which you have approved to get this guarantee?

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

5 MR. GALLATI: Has this been considered?

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

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

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

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

18 MR. SIMMONS: No, that is prohibited.

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

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

24 MR. GALLATI: Well, I would hope so.

25 MRS. GROMMERS: Mrs. Gaynor?

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1 MRS. GAYNOR: I just have visions of them running  
2 from bank to bank.

3 MR. WARE: It pays to shop.

4 MRS. GAYNOR: It depends on what you are shopping for.  
5 I was interested really in the whole question of accessibility  
6 to records and the interchange of information. And I think we  
7 have explored some of it, too, but in relationship to the Office  
8 of Education, is there any kind of policy as to who, for instance,  
9 from your state or from the federal level, who has access to the  
10 files of the student loan program? In other words, are there  
11 any policies that are set up in relationship to obtaining informa-  
12 tion or access to the files?

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

22 As to anyone coming in and asking for information,  
23 we don't permit it. We don't give out the information. If any-  
24 one would want to take a look at the application, we don't pro-  
25 vide it.

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1 MRS. GAYNOR: Do you have this as a written policy  
2 somewhere in your organization?

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

7 MRS. GROMMERS: Mrs. Cross?

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

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

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

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

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

22 MRS. CROSS: The data files held in the data ...  
23 (reading) ... almost anyone familiar with the data management  
24 procedures, personnel who work in the Center and contractors  
25 who work with programs like the Guaranteed Loan Program have



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1 relatively uncontrolled freedom to make requests for information.  
2 An individual who knows the serial numbers can make requests for  
3 computer runs. There is no established criteria or personnel  
4 listings that exist that limit who may have such access."

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

8 I am asking for clarification.

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

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

18 MRS. CROSS: Are you telling me then that this does  
19 not really present a fair picture? The statement that appears  
20 here?

21 MR. LESTER: We are saying it could occur.

22 MR. SIMMONS: But there would be a penalty for it.  
23 Just like somebody can give a fictitious name and get a loan  
24 and we turned it over to the FBI. This could occur, yes.

MRS. CROSS: But it seems to me the candor on page 6

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1 is really remarkable in saying that you take very little precau-  
2 tion to see that it doesn't occur. It is almost tempting be-  
3 cause there is no established criteria for who may have access.

4 MR. SIMMONS: Here you might want to comment on our  
5 contractors, the security maintained, the provision of our  
6 contracts and penalties provided.

7 MR. LESTER: As Bill stated, all contracts carry  
8 the penalty clause. All contractors have to secure building  
9 passes, the same as the government employees.

10 This individual certainly would have to make an  
11 effort to get the information that would make him understand  
12 what data is really in the data bank.

13 He would have to get the data analysis. He would  
14 have to get access to the computer tape vault. He would have  
15 to get access to a terminal to get into the computer. All of  
16 these things are possible.

17 The normal precautions are taken, and other than that,  
18 I don't know. But we feel that we have covered the normal pre-  
19 cautions of security of the files.

20 MR. DOBBS: If I could just follow that up -- relate  
21 it back to Arthur's comment. It turns out that the form he  
22 described which is held in the lender's institution permits  
23 computer processing and one of the services that many of the  
24 banks and/or lending institutions offer to the university in  
25 terms of not only providing money is in fact computer processing

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1 of information which is on the form in support of their own  
2 business.

3 So that the information that Arthur describes, which  
4 is on the hard copy, not only exists in hard copy in the bank,  
5 but may exist in computer processable form because that is an  
6 easy way for the institution to do its business.

7 And that, I think, ties back into the question that  
8 Pat was addressing in the sense that the bank in that sense is  
9 different than the contractor that Mr. Lester describes in  
10 terms of what they have done.

11 MR. MILLER: A link to the links. The questions  
12 Florence and Pat asked with regard to page 6, if I read the  
13 staff report correctly, deal only with what goes on in OE.  
14 Whereas, most of what I was talking about deals with what hap-  
15 pens to the records maintained at the lending level, the state  
16 level, and, as Don added the footnote, in the educational in-  
17 stitution.

18 MR. DOBBS: Whatever is going on in OE with regard  
19 to security is replicated in those several lending institutions  
20 who, in fact, put the information in computer processable form,  
21 and to whatever extent they do or do not have security precau-  
22 tions and protections wholly, to that extent that information is  
23 available there.

24 MR. LESTER: Yes, I would agree with that.

25 MRS. CROSS: But it seems to me, in taking that

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1 approach, we let OE off entirely too easily. Because the whole  
2 system is a sieve, doesn't mean every part of it should be.

3 MR. DOBBS: I am just pointing out that the problem is  
4 a much broader one than just the one located physically in the  
5 OE facilities.

6 MRS. GROMMERS: Professor Weizenbaum?

7 MR. WEIZENBAUM: This is an entirely different  
8 question. I got the impression earlier from what was said that  
9 the decision to approve or not approve the loan is fully auto-  
10 matic, is made by the computer; is that so?

11 MRS. WENNERDAHL: In my case, it is, yes.

12 MR. WEIZENBAUM: I take it occasionally you turn a  
13 loan down?

14 MRS. WENNERDAHL: Yes.

15 MR. WEIZENBAUM: What appeal does the student have  
16 whose loan has been turned down?

17 MRS. WENNERDAHL: As I said earlier, any turndown  
18 on our loan would be for a student not meeting a specific  
19 eligibility requirement. Now, if indeed that requirement has  
20 not been met, it is statutory and there is not appeal.

21 If a student believes a mistake has been made, cer-  
22 tainly we get appeals from the lender, the student and the  
23 school almost simultaneously.

24 To guard against that in our shop, anytime we have  
25 a letter of transmittal going out where there is a reduction or

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1 a rejection, my staff automatically takes that file and checks  
2 to make sure we have not coded it wrong or keypunched it wrong  
3 and occasionally we still will get an appeal and the school has  
4 marked it wrong or the student put down the wrong figure, and,  
5 of course, we correct the data and put it back through the  
6 system.

7 But if there is an appeal because the student was  
8 turned down because he has already borrowed his maximum and he  
9 wants to appeal that, I would send him a letter of regret. I  
10 can't exceed that statutory maximum.

11 MRS. GROMMERS: Mr. Davey?

12 MR. DAVEY: I would like to broaden this to include  
13 Don much more in this particular question. That is the problem  
14 of turning -- not turning down -- but when a loan matures and  
15 goes into default, what kind of percentages are we talking about,  
16 and what are the procedures that one institutes at that time,  
17 probably first from the bank's standpoint and then through the  
18 state or the Office of Education?

19 Could we follow through the procedure?

20 MR. SIMMONS: The statute requires an our regulations  
21 provide the default specified is 120 days. Four payments, let's  
22 say, are missed.

23 The statute further requires that the lender must  
24 exercise care and diligence in the making and collection of this  
25 loan. If this takes place, and, of course, it has, and then the

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1 loan goes into default, the student doesn't pay, that is submit-  
2 ted to us with the original commitment that is given to him, with  
3 a note endorsed to us, and we ask them to give evidence of  
4 whatever collection action they take -- letters, copies of those  
5 sent, collection cards, attempts to contact by telephone,  
6 whatever it might be.

7 Our examiners take a look at that and, if diligence  
8 has been exercised, we pay the claim.

9 If it has not been exercised in our judgment, we  
10 return the claim.

11 And you mentioned what is the default ratio? At the  
12 moment, our latest figures on a nationwide basis -- and this is  
13 on matured paper where the obligation to repay has arrived --  
14 is running about 4 per cent. It is a little above that at the  
15 moment. I hope it isn't, but it is around 4 per cent.

16 MR. DAVEY: Could you comment on that at all, Don?

17 MR. MUCHMORE: I couldn't comment exactly on that.

18 I can say that the percentage is much higher for us, and I won't  
19 give you a correct percentage because I can't give you a correct  
20 pinpointed percentage. But I can say that what has been said by  
21 Mr. Simmons is a very simple statement as to the procedures that  
22 are to be followed in the state, that they are much more difficult  
23 than that, and due diligence in collecting is sometimes at  
24 variance, and variance sometimes enters going back to this  
25 record, and making this record, taking it off microfilm, making

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1 it available to four or five people in our office to track down  
2 the information.

3 We do not use the credit bureau. We do our own work.

4 But the thing that is important is that that document  
5 suddenly becomes available to more than one person, and usually  
6 to a person who did not have access to it in the beginning.

7 MR. DOBBS: And that is critical from your point of  
8 view?

9 MR. MUCHMORE: Right.

10 MR. SIMMONS: That is the application?

11 MR. MUCHMORE: Yes.

12 MRS. GROMMERS: Professor Allen?

13 MR. ALLEN: Back on the cost question, in light of  
14 the minute fraction of the loans to students from families  
15 with adjusted gross income of over \$15,000, in evaluating the  
16 total cost involved in the program where you are getting at the  
17 cost of administering the enforcement of the interest benefits  
18 criteria, and the additional benefit costs, were there no  
19 \$15,000 ceiling limit, so the benefits would be to all students,  
20 to what extent in evaluating the total cost in benefits of this  
21 aspect of the program is there recognition of the social costs  
22 to individual privacy in creating the personal data file with  
23 all the potentialities for leakage that is involved?

24 To what extent is that taken into account?

25 MR. SIMMONS: I think perhaps of significance on

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1 this point is legislation just passed by the Congress which will  
2 in a sense abandon this concept of automatic entitlement for  
3 under \$15,000. There has been now required a needs assessment,  
4 and the eligibility for interest benefits would be affected by  
5 that and the school will make a recommendation to the lender  
6 based upon the needs assessment and an estimate of what he  
7 thinks that family can contribute.

End Tape 7

Tape 8

8 Now this has caused quite a hiatus in the program  
9 and, I might say, a crisis or chaos across the country. And,  
10 as I said, the Congress is adjourning tonight, and they met  
11 until two o'clock this morning, to try to roll this thing back  
12 for the difficulty it has caused.

13 MRS. GROMMERS: What you are really saying is it is  
14 going to be worse. A higher social cost.

15 MR. SIMMONS: I don't want to say worse, but there  
16 would be further inquiry into the financial affairs of this  
17 family.

18 MRS. GROMMERS: Could I get back to my original  
19 question that I was asking you. How much money it would cost.  
20 I was given a figure of about \$1,000 interest over a 10-year  
21 period. This amounts to approximately \$10 a month, and that  
22 is about what -- the cost of the true problem that you are talk-  
23 ing about for which you are requiring these families to give  
24 this information.

Has any consideration been given to one of two other



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1 types of solutions? One, for example -- and this would be to  
2 the disadvantage of poor people -- offering a family an option  
3 of paying \$10 a month for the privilege of not having to reveal  
4 their data.

5 MR. SIMMONS: A family may waive interest benefits  
6 right across, regardless of income, and they don't disclose  
7 anything.

8 MRS. GROMMERS: Good.

9 MR. SIMMONS: We don't require them to do that. I  
10 am sorry, we should have mentioned that earlier.

11 MRS. GROMMERS: Good. The other alternative --

12 MR. MUCHMORE: I would say we'd be happy to take  
13 your suggestion. It is an excellent one.

14 MRS. GROMMERS: The other kinds of alternatives might  
15 be that we are talking about a small amount of money and there  
16 is so much work to be done in this country that is not really  
17 being done that other countries put in a kind of work-fair  
18 program. Could it not be possible that the student in return  
19 for the loan that he is getting and his education produce some  
20 useful work that OE also wants to have done?

21 MR. SIMMONS: You mean in return for the interest we  
22 pay?

23 MRS. GROMMERS: Simply as an alternative to requiring  
24 a high social cost. Is it not possible to do what Professor  
25 Allen suggested -- look into the true cost, the true social cost

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1 of what is being asked as opposed to what is being gained, and  
2 figure out some other program that might be nearer to the true  
3 cost of the program?

4 MR. SIMMONS: I would think -- you mentioned three  
5 per cent of the volume on which we don't pay interest benefits.  
6 If we decided to pay interest across the board, we have many  
7 millionaires that may borrow, too, as long as it is free. You  
8 would never get it through the Congress to pay interest benefits  
9 to everybody. I wouldn't think it would be economically feasible.

10 MR. GALLATI: Many of them could get it with this  
11 form.

12 MR. SIMMONS: If we paid interest to everyone who  
13 borrowed the money.

14 MR. GALLATI: Right. Now a millionaire could get it.

15 MR. SIMMONS: He would pay his interest.

16 MR. GALLATI: Oh, yes, he would pay 7 per cent, but  
17 it would be 7 per cent money to him which is less than his ad-  
18 justed family income.

19 MR. SIMMONS: He could borrow the money all right,  
20 but if the adjusted income is \$15,000, he would pay his own  
21 interest.

22 MRS. GROMMERS: Mr. Martin has asked to make a final  
23 comment. First, Mr. DeWeese.

24 MR. DE WEESE: There is a relevant question about  
25 when this loan actually goes into default. Mr. Muchmore had

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1 said that when the student doesn't pay his bank, if a credit  
2 bureau inquires at that time, they tell the credit bureau that  
3 the loan is in default.

4 But as I understand it, you then go on with the other  
5 procedures, and oftentimes you get into a situation where the  
6 student agrees to pay you according to some method that you  
7 worked out.

8 I venture to say at that point in the procedure I  
9 am a deadbeat to the bank in California, I am a deadbeat to the  
10 credit bureau, but I am paying you according to an agreed upon  
11 formula.

12 And I venture to say you do not go back and correct  
13 the bank and credit bureau records or whoever they may have sent  
14 the reports to in the meantime, while I am delinquent paying  
15 off the loan.

16 MR. SIMMONS: I think the fact remains that the  
17 student borrower has an obligation to pay the lender. The law  
18 states that, if he fails to do that for a period of 120 days  
19 and that situation exists for that period of time, the period  
20 of default has arrived. We don't require a lender to file a  
21 claim. But there are very few that don't. They are losing  
22 money.

23 MR. DE WEESE: Do you tell people this when you enter  
24 in this agreement for them to pay you back that they are legally  
25 in default, uncorrectible, apparently?

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1 MR. SIMMONS: I think they must know that. The bank  
2 has told them, been after them for four months, and if they  
3 haven't, I can't.

4 MR. DE WEESE: I hope you see the problem. Because  
5 they are not in default.

6 MR. SIMMONS: They defaulted with the bank. We pur-  
7 chased the notes and it has been endorsed.

8 MR. DE WEESE: And the fact that I am paying you makes  
9 to difference to you?

10 MR. SIMMONS: The bank has lost the interest and they  
11 have a defaulted loan.

12 MRS. HANSEN: May I add to that?

13 We don't, to my knowledge, have a form letter such  
14 that when the student begins repayment that there is a notifica-  
15 tion out that the student is actually paying.

16 However, when he fulfills his obligation to the  
17 United States, he is furnished with a letter stating that he has  
18 honored his obligation and he may show this to prospective  
19 creditors.

20 MR. SIMMONS: When he has paid the obligation to us,  
21 he gets his cancelled note.

22 MRS. HARDAWAY: I am concerned about an immediate  
23 problem. Are you set up for the crisis you are in right now,  
24 and are we going to get quick action on our student loans?

25 MR. SIMMONS: I think Chairman Perkins -- Congressman

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1 Perkins -- asked me yesterday in hearings before the Subcommittee  
2 on Education what would I estimate would be the backlog that  
3 built up, and I made a conservative estimate of two to three  
4 hundred thousand applications.

5 He asked if this law were passed could we clear that  
6 up in 30 days?

7 I told him yes. I am sure I will hear from him if  
8 I am not correct.

9 I think we can, through the federal processing center,  
10 and I am certain the state agencies will. We will put every  
11 resource necessary to put these out.

12 MRS. HARDAWAY: We have one state university that  
13 had over 2,000 student loans last year and only 18 or 20 have  
14 been approved, and they open up on Monday and they are frantic.

15 MR. SIMMONS: That is not untypical. We have a  
16 chaotic situation.

17 MRS. HARDAWAY: Our students are frantic.

18 MR. SIMMONS: I don't know how many of you can recall  
19 the Congress acting -- both houses within a 24-hour period.

20 MRS. GROMMERS: Mrs. Cross?

21 MRS. CROSS: I just want to ask a quick question of  
22 fact. This is, if a student and his parents did not choose to  
23 give you access to the IRS, would you not process the form?

24 MR. SIMMONS: If they waive interest benefits, if  
25 the interest benefits are not applied for, they don't have to.

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1 MRS. CROSS: Okay. But, to get the benefits, they  
2 must give you permission to access the IRS files?

3 MR. SIMMONS: Yes, they must.

4 MRS. GROMMERS: Mr. Martin?

5 MR. MARTIN: There is an old saying, I don't know who  
6 authored it -- "Oh, what a tangled web we weave when first we  
7 practice to deceive" -- something like that.

8 What I sought to say in my comments about HEW last  
9 evening might better be summarized as, "Oh, what a tangled web  
10 we weave as we try to good."

11 The Guaranteed Student Loan Program started off my  
12 pen in Massachusetts in 1957 when I wrote a law which was  
13 enacted by the Massachusetts Legislature creating the first  
14 Guaranteed Student Loan Program in the country.

15 It was a very simple program. It wasn't designed to  
16 pay interest. It wasn't in any way restricted as to who could  
17 or could not borrow.

18 Therefore, it generated no information base require-  
19 ment in order to be sure the program was administered in response  
20 to very detailed and precise targeting efforts in the authorizing  
21 legislation which characterizes the Guaranteed Student Loan  
22 Program.

23 The loan program we started in Massachusetts was  
24 known as HELP -- the Higher Education Loan Program -- a private,  
25 nonprofit corporation which is not the guarantee agency in

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1 Massachusetts, and is caught up in this wonderful web.

2 With private funds, it issued a guarantee to banks on  
3 loans they made to students up to the cost of going to college.

4 I guess it was less than that when we first started.

5 And the idea spread to a lot of states and then got nationalized

6 under the auspices of a national foundation -- USA Fund -- and

7 then after efforts had been made successfully to expand the base

8 for student assistance and the National Defense Education Act

9 of 1958, along in early 1960s, I guess, President Johnson got

10 the idea that it would be good to do something for the middle

11 income parents and students.

12 And the idea of expanding on a bigger scale the

13 guaranteed loans as a way of doing that was invented or re-invented

14 or expanded.

15 And a ceiling had to be put on it, so \$15,000 was put

16 on it as a ceiling.

17 And now the latest thinking, reflected, I think, by

18 both HEW and the Congress, is that as the resources involved are

19 growing to aid the students, they ought to be targeted on the

20 neediest students. If there is only X dollars to spend to help

21 students to go to school, whether a work-study program, as

22 Chairman Grommers was reaching for, which does exist, or under

23 a scholarship program, or an out-and-out loan program or guaranteed

24 loan program, those resources ought to be targeted on the people

25 that need it the most.

1 And the only way to administer a program like that is  
2 to generate data bases and then you have all the problems of  
3 what you do with this.

4 This isn't to say we don't have to be very sensitive  
5 to what we do with data bases, but it is fascinating to see how  
6 the problem of information arises out of efforts to do very  
7 sensible and desirable things.

8 And one final little comment, to take Mr. Simmons a  
9 bit off the hook, because he isn't all of OE and to try to  
10 impact on HEW's data system behavior including the Data Manage-  
11 ment Center, which is a part of the Office of the Secretary, I  
12 am ashamed to say, and not part of the Office of Education --  
13 this is something Mr. Simmons couldn't do alone if he tried.  
14 How many alliances he could build within the Office of Education  
15 to impact on the management of the Data Management Center is  
16 another question.

17 I think while there is lots of reason to be concerned,  
18 really the reason for the concern is that we have in the course  
19 of trying to do lots of good things built a very tangled web  
20 that we don't fully understand and this program is a relatively  
21 new one and is caught in that web, as we see.

22 MRS. GROMMERS: We will now have some lunch. Will  
23 you be so kind as to join us for lunch?

24 Thank you very much.

25 (Whereupon at 1:35 p.m., the meeting was adjourned for  
lunch to be resumed at 2:00 p.m., the same day.)



Tape 9

AFTERNOON SESSION

(2:30 p.m.)

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 Information 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

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1 a part of this and making our presentation.

2 As the Madam Chairman said, my name is Walter  
3 Schlenker. I am a consultant with the corporate accounting  
4 operations within General Electric, which reports to the  
5 Comptroller of the company.

6 My associate is Emmett E. Delay, who comes from a  
7 non-consolidated affiliate, wholly owned, of the General  
8 Electric Corporation, called the General Electric Credit Corpora-  
9 tion.

10 I plan to briefly discuss the work of GE's corporate  
11 Information Standards and Codes Committee and then to discuss  
12 some of the reasons or specifications which led us to select the  
13 Social Security number for an employee identifier.

14 Mr. Delay will be discussing a more specific applica-  
15 tion which we would like to have in the future.

16 Now, in the middle of the 1950s, as most companies  
17 did, General Electric began to use large-scale computers, and  
18 during the time until now, General Electric has put in and  
19 installed 300 major-sized computers in its various businesses.

20 Now this decade and a half was devoted to applica-  
21 tional development, production scheduling, purchasing, the  
22 general accounting system, the ones you are so familiar with.  
23 And we didn't, I must admit, spend a great deal of time trying  
24 to determine how computers could interchange information.

25 And towards the end of 1960, our then chairman of

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1 the board, who had paid for these out of the investment funds  
2 of the General Electric Corporation, was a little astonished  
3 that we could not get information as rapidly and inexpensively  
4 and as quickly as we thought we should.

5 There was some sand in the machinery. And essentially  
6 that was the way people in the various components of the company  
7 described the data elements or the master files of the data base  
8 elements of their system.

9 The chairman elected to call this the "code explosion,"  
10 where such things as sex, which is used for reporting quite  
11 heavily, as you know, in employee-related systems, was coded  
12 in every variation we could think of.

13 The media that the chairman decided to use to correct  
14 the code explosion was that of the Information Standards and  
15 Codes Committee, which is under the leadership of the Comptroller.

16 The objective of this committee in standards applica-  
17 tion -- and you will find it in other organizations throughout  
18 the country -- is basically to improve the accuracy of the data  
19 that we have, to reduce the cost of aggregation, which is getting  
20 more and more expensive as government requirements and others  
21 increase, increase the speed with which information can be  
22 obtained, and enhance data interchange.

23 Our committee in General Electric is inter-functional  
24 and we have many components who participate in this work. We  
25 deal with marketing codes, we deal in technical and quantitative

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1 codes, the legal type of coding, we have a group whose interest  
2 is entirely related to employee data.

3 We have geographic codes and we have financial codes.  
4 And finally we are working on the standardization of business  
5 papers, invoices, checks, deposits, things of this nature,  
6 which, when they are out of control and out of hand, can cause  
7 a great deal of inconvenience to our customers and vendors as  
8 well as to our own internal employees.

9 We have 40 employees doing this work on a part-time  
10 basis within the General Electric Company. We ask them to  
11 change from working committee to working committee so the  
12 way you develop this information, the way codes are used, the  
13 standards can be widely dispersed.

14 We have 30 major standards under study. We have  
15 released 15. We have rejected 7. There are many more we have  
16 to work on, including a data dictionary.

17 One of the information standards which have been  
18 released is in your hands right now. It is called the Employee  
19 Identification and Employee Name.

20 GE has, as you may know, 300,000 -- over 300,000 --  
21 employees in every community of any size in the United States.  
22 And the payments of those employees is on a decentralized basis.

23 In other words, we have 130 payrolls paying 300,000  
24 domestic employees.

25 However, we have central files that are essential for

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1 the benefit of these employees, and we have the central files  
2 for such things as savings and securities and benefit plans,  
3 pensioners and pension information. We have a central file for  
4 United States Bond purchases. We have shareowner and dividend  
5 records.

6 We have a file for education, skill, and compensation  
7 of our salaried employees, so that we know that if our salary  
8 plan is being administered fairly across the company.

9 And, of course, we have to report centrally for FICA  
10 and withholding tax to the federal government. And we also have  
11 the additional requirement of reporting centrally for the multi-  
12 ple state taxes.

13 Now, each of these 130 payrolls that I mentioned  
14 before supply data to these central files on a monthly basis  
15 for all participating employees in our plans.

16 I don't think it is necessary for me to say that be-  
17 cause we do have a lot of transfers of employees and they are  
18 numerous, that we do need positive and continuous and low cost  
19 employee identification. That is essential to our use. I am  
20 sure you have heard these words before.

21 Before searching for an identifier for the employees,  
22 the employer-related group set the following specifications.

23 I want to state at this time that Miss Smythe, who  
24 as I understand is a member of your association body here, was  
25 quite helpful in helping us establish this specification.

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1 But the specification was as follows: First of all,  
2 provide for the unique identification of an employee in any ap-  
3 plication, and an application in this case could be payroll and  
4 employee-related type of formats.

5 Another specification would be to provide for an  
6 assignment of identification by an organization already establishe  
7 and operating.

8 And the third specification was to provide for con-  
9 tinuity and not be affected by such factors as turnover of  
10 people, change in place of work, or change of organization  
11 structure.

12 Our review of alternate identifiers, after having  
13 set these specifications, were primarily within General Electric  
14 and the federal government, and these specifications indicated  
15 that only the Social Security number met our criteria, and,  
16 therefore, it was adopted as a General Electric information  
17 standard.

18 There is one last thought. Payroll and employee  
19 information within General Electric is kept extremely confidential  
20 with only those with a need to know, such as the Paymaster, or  
21 the employee's manager, having exposure to this information.

22 Other data is aggregated for decision making and  
23 manpower planning.

24 The Social Security number has greatly assisted us  
25 in maintaining file accuracy, not only for management's purposes,

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1 but to make sure that the employee's data for pension and  
2 savings and benefits is kept accurately.

3 At the time, I would like to introduce Emmett Delay  
4 from General Electric Credit Corporation, and I want to thank  
5 you for this opportunity again. Emmett?

6 MR. DELAY: Thank you. As stated earlier, I am the  
7 manager of Information Systems Operations for General Electric  
8 Credit Corporation, and I report to the Vice President of  
9 Finance of the General Electric Corporation.

10 My principal responsibility is the operation of  
11 four service centers or data centers throughout the United States,  
12 and these four centers serve the four components of our Consumer  
13 Products Financing Department.

14 At the present time, these centers are in Stamford,  
15 Connecticut; Canton, Ohio; Atlanta, Georgia; and Oklahoma City,  
16 Oklahoma.

17 These employ 250 people and they perform the following  
18 services:

19 Process and record new contracts.

20 Process revolving credit sales documents.

21 Process approximately 30 million customer payments  
22 annually.

23 Answer customer correspondence -- about 750,000  
24 letters annually.

25 Process changes of address -- about 900,000 changes

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1 annually.

2 Identify and clear unidentified payments.

3 Prepare and mail notices to delinquent accounts.

4 Advice branches of delinquent accounts.

5 Prepare, review, and mail customer billing state-  
6 ments -- about 21 million statements per year.

7 Perform related general accounting work, including  
8 journal entries, accounts payable, issuance of related manage-  
9 ment reports.

10 Also, perform mail audits of selected accounts and  
11 provide data entry and computer processing services for the  
12 field organizations and corporate staff components.

13 I attempted to edit this talk down to something much  
14 smaller in the last three minutes, and, therefore, it may be a  
15 little disjointed -- in fact, probably will be.

16 A total of three million customers is being served  
17 from 700 offices in the four data centers I mentioned previously.

18 At the present time, we are investigating the  
19 feasibility of replacing our present sequential computer system  
20 with random access, on-line processing capability.

21 This would, of course, involve installation of a  
22 communication network connecting our offices. The present com-  
23 puters would require replacement in the mid-1970s, and real  
24 time will overcome the shortcomings of the present system.

25 Although we haven't settled on design or hardware,



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1 it appears that a centralized data base is the best overall  
2 solution to our needs.

3 This means that all necessary information related to  
4 our three million customers will probably be contained in one  
5 central file or data base. Offices and service centers will  
6 access that base as required.

7 In connection with our preliminary planning and in-  
8 vestigation of the new system, we have discussed at some length  
9 the possibility of utilizing Social Security numbers to insure  
10 most positive identification of customers, identification of  
11 those who have more than one account with us, and for data base  
12 inquiry purposes in the absence of an account number.

13 I would like to explore each of these possible  
14 uses with you a little more thoroughly. As I mentioned, we  
15 process about 30 million individual payments annually. Most  
16 of these payments are made against the customer's account with  
17 no difficulty because the customer has total use of the account  
18 number.

19 However, we do receive in excess of 100,000 payments  
20 annually which we know nothing to do with at the time. So we  
21 maintain a separate record on them until we can identify the  
22 payment from our files by correspondence with the customer.

23 If we had a second identifier, such as the Social  
24 Security number, that we can inquire of the customer, we could  
25 probably post that payment more readily than we do at the present

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1 time.

2 We also receive payments from customers which should  
3 be applied to more than one account, but they don't tell us  
4 that, so we unwittingly apply against one account and the other  
5 account or accounts appear to be delinquent. And the customer  
6 will receive delinquency notice from the service center and  
7 possible contact from branch offices.

8 This is typically corrected by customer correspondence,  
9 account reconciliation work, transfer between accounts, write-  
10 offs of incorrect finance charges, and, unfortunately, unhappy  
11 customers.

12 Using an identifier such as the Social Security  
13 number to identify and call to our attention possible misapplica-  
14 tion of accounts would be a help to both us and the customer.

15 The other thing I mentioned is that as we increasingly  
16 find different financial plans and offer them to the general  
17 public, there is an ever increasing opportunity that we are  
18 serving a customer for more than one of his needs. For example,  
19 we are in the mobile home business, and a customer may be financ-  
20 ing a refrigerator with us in one of our other businesses.

21 He or she may also be a customer of one of the  
22 revolving credit merchants whom we serve.

23 At the present time, we have no idea of our total  
24 exposure with that customer. We would like to be in a position  
25 to know, so that we could set a credit limit or review point for

W-161 1 each customer.

2 I don't think we're doing ourself or our customers  
3 any good by extending credit beyond his or her ability to pay,  
4 and we would like to be in a position to be able to do that.

5 One other thing that happens in our business quite  
6 commonly is the customer will call the local office or service  
7 centers inquiring about the account, but he doesn't know the  
8 account number. So we have to spend time going through lengthy  
9 alphabetic listings which have the customers names alphabetically  
10 to find the account number and then go to the account file and  
11 tell the customer what she wants to know.

12 If we had an identifier such as the Social Security  
13 number, which we could enter into the data base, immediately,  
14 without breaking the conversation with the customer, we could  
15 answer their inquiry. We would like to do so.

16 Just by way of interest, to show you, we have three  
17 million accounts. We have taken all the names of the people on  
18 the committee, the surnames of the people on the committe, and  
19 they are shown there.

20 The first column will show you the number of times  
21 the surname appears in our file. The name "Allen" 9,192 times.  
22 The next is the name and the first initial. So we have whatever  
23 Mr. Allen's first initial is, 489 times -- that is with the  
24 initial and surname.

25 The next is where both initials agree, and the

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1 surname agrees, and the last -- I guess you call it a hit -- the  
2 first name, middle initial, and last name.

3 Mr. Miller -- I guess he wouldn't suspect otherwise --  
4 is the most common. Unless we had a Johnson or something like  
5 that.

6 One thing I might mention is that last year we did  
7 consider using the Social Security number as a number on the  
8 credit card, and we corresponded with the Commissioner of  
9 Social Security, Robert M. Ball, and he pointed out there was  
10 nothing about the use of the Social Security number that was  
11 illegal. It was rather clear from his response that his office  
12 was decidedly against that usage, and so we forbode and deferred.

13 He mentioned, too, at the same time, that this ad-  
14 visory board, I believe, was about to be appointed and it is  
15 in connection with that that we have followed the activities  
16 of this committee, trying to find out exactly what it is that  
17 you people might recommend, whether or not there will be some  
18 legislation.

19 We are not in a deciding point at this time. We  
20 still have, before we design our system, another year or a  
21 year and a half. But it will be in that time frame that we are  
22 going to have to make decisions whether or not to pursue the  
23 Social Security number.

24 I might mention that we do not have Social Security  
25 numbers in our files at the present time. Our credit application

MV-163 1 forms have a provision for it, but we do not key enter it and  
2 make no real use of it.

3 I think that sums up what I was going to say,  
4 Madam Chairman.

5 MRS. GROMMERS: Thank you very much. I think you  
6 will have a chance to amplify some of the other points you  
7 might have wanted to make as answers to questions which, as  
8 usual, we have to limit one to a customer.

9 I would like to start with Mr. Davey, and if you  
10 gentlemen could, the question would be addressed to one or the  
11 other of you, or, if you both have something to contribute,  
12 and we also ask you to make your answers relatively more brief  
13 than you might have liked just in the interest of getting a  
14 lot of ideas on the floor.

15 MR. DELAY: We have a plane to make, too.

16 MR. DAVEY: I pass.

17 MRS. GROMMERS: Mrs. Cross?

18 MRS. CROSS: I pass.

19 MRS. GROMMERS: Mr. Weizenbaum?

20 MR. WEIZENBAUM: I pass with apologies.

21 MRS. GROMMERS: Mrs. Gaynor?

22 MRS. GAYNOR: I would like to know why do you feel  
23 that you need to use the Social Security number as the identifier?  
24 Why can't you use another number for identification purposes?

25 MR. DELAY: We do. We have an account number, and

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1 we don't propose to abandon that. That is the only identifier  
2 we have at the present time.

3 We would like a cross-identifier. Most people, if  
4 you are talking to them, can give you their Social Security  
5 number from their wallet or memory, but not their account  
6 numbers.

7 MRS. GAYNOR: If you use the Social Security number,  
8 would anyone else have access to your files in relationship to  
9 your employees?

10 MR. DELAY: There is no need for anyone to have  
11 access. These are our customers and our customers' customers,  
12 and we guard that we a great amount of security.

13 MR. SIEMILLER: You don't furnish Westinghouse?

14 MR. DELAY: No.

15 MRS. GROMMERS: Mr. Gallati?

16 MR. GALLATI: I presume that one of the things in  
17 the back of your mind, although you haven't expressed it, is that  
18 you will have, using the Social Security number, a number which  
19 you can link to other files elsewhere, either now or in the  
20 future, whereas your unique account number, of course, will have  
21 no linkage capabilities, presumably.

22 I assume that you have given some thought to this,  
23 and did you make a decision, or are you thinking of this in  
24 terms of your future decision, the linkage possibilities?

25 MR. SCHLENKER: Let me address this only from the

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1 employee-related files.

2           You will recall that I gave you a list of some  
3 centralized files we have in the company. Unfortunately, they  
4 are mostly separate files, and this gives us a great deal of  
5 trouble in trying to maintain from 130 sources to have them  
6 all accurate. It is our intent, sir, to have those as a central  
7 file sometime in the 1970s and then we will be able to access  
8 them as one common file.

9           The Social Security number would still be as the  
10 identifier.

11           MRS. GROMMERS: You didn't speak to his question.  
12 He wonders whether you wish to link to other files like the  
13 IRS or others of that type?

14           MR. GALLATI: Or credit bureaus?

15           MR. DELAY: At the present time, we feed information  
16 into credit bureaus. We do it by name and address only, since  
17 we do not have the Social Security number in the file.

18           I am not personally acquainted to what extent  
19 credit bureaus currently have Social Security numbers. Some  
20 may have.

21           To the extent we feed data, we do not do it with  
22 the Social Security number. It is entirely possible if it were  
23 not illegal that that could be a possible use.

24           Even if it became illegal, we could still find  
25 within our own operation an opportunity to use it, so we are

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1 not going with that in mind, because personally from a systems  
2 point of view I can see that fraught with more difficulties and  
3 much more possible charges of evasion of privacy than the use  
4 which we choose to make of it.

5 MRS. GROMMERS: Miss Noreen?

6 MISS NOREEN: Pass.

7 MRS. GROMMERS: Mr. Miller?

8 MR. MILLER: How many of those 987 Arthur Millers  
9 write plays?

10 (Laughter.)

11 MR. DELAY: That is A. Miller. There are 16 A. R.  
12 There is only one Arthur R. in our file.

13 MR. MILLER: Unique again.

14 MR. WARE: You made the point you don't need the  
15 Social Security number. You are unique.

16 MR. MILLER: He could pick me out, but not A. Miller.

17 Have you given any thought -- this is the converse  
18 of Mr. Gallati's question -- have you given any thought not  
19 simply to the possible linkages, if you use Social Security, to  
20 other systems that would benefit you, such as feeding through to  
21 credit bureaus or other organizations, but the possibility that  
22 if you organized by Social Security number you might then become  
23 a more attractive source of information to other organizations  
24 that also organize by Social Security number, such as governmental  
25 organizations that may then become manageable for them to dip into



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1 your files, because you have got the same sort of identifier  
2 structure that they do.

3 MR. DELAY: I personally have not, nor has anyone  
4 in my operation, done that. Or even given it much thought.

5 Actually, the way we are organized in Credit Corpora-  
6 tion, our field organization is responsible for any arrangements  
7 they may make with credit bureaus. I perform the bookkeeping  
8 function, if you will. I am looking at it from a system point  
9 of view on how to back up that field organization, not extraneous  
10 to that.

11 So, if they were going to try to enhance their col-  
12 lection of data on an individual, that is something that we  
13 really haven't explored with them.

14 MR. MILLER: To the extent that you are asking us to  
15 react to your problem, I would simply suggest that you might be  
16 vulnerable to some criticism at some point if it became apparent  
17 that your files became more vulnerable to others because you use  
18 the Social Security number.

19 MR. DELAY: This is one reason why we have stayed  
20 away to this point, and we are watching the activity of this  
21 committee and the government as well as to what legislation or  
22 recommendations would be coming down the road because we can  
23 live without it, but it does --

24 MRS. GROMMERS: Would you want to be more vulnerable?

25 MR. DELAY: Certainly not. The only linkage that I

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1 can think of that is of benefit -- off the top of my head -- to  
2 us would be the credit bureaus, where we get information on new  
3 accounts, and we feed information to credit bureaus as well, and  
4 at the present time we can misidentify people even though we  
5 have their name and middle initial.

6 MRS. GROMMERS: If you knew you were going to be  
7 more vulnerable because of doing so, would this prevent you from  
8 taking that step?

9 MR. DELAY: That is a moral question, I think.

10 MR. MILLER: Is it out of place because it is a  
11 moral question?

12 MR. DELAY: No. No. I myself feel the insidious  
13 grasp of government into my privacy, and I don't want to enhance  
14 that in any way.

15 I don't know if that answers it. I wish to protect  
16 the individual's privacy. I think we are doing that today with  
17 our customers.

18 Our files are not accessed. We do not pass information  
19 from them other than the information we pass to credit bureaus,  
20 and that is with respect to our experience with that customer.

21 In some respects, I would like to have any information  
22 passed on about me at least accurate. If it is going to be passed  
23 around, I would like to have it accurate. I would rather live  
24 with that than be misidentified.

25 MRS. GROMMERS: Mr. Muchmore?

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1 MR. MUCHMORE: Just a statement, that I urge you to  
2 continue the work you are doing and also I would personally like  
3 to see you use the Social Security number, because I think it  
4 would be a much more protective device for me rather than the  
5 worry Arthur may have about the government intrusion into a  
6 number. I feel like you, I would like accurate information. I  
7 am in favor of a common identifier and a readily accepted one  
8 that is pretty far along as the Social Security number.

9 MRS. GROMMERS: Mrs. Silver?

10 MRS. SILVER: I want to ask when you say your  
11 "customers", are these usually businesses or are these both  
12 businesses and individuals?

13 MR. DELAY: The vast numbers are by individuals.  
14 Our customers in the true sense are the dealers from whom we  
15 purchase the time sales paper.

16 We serve revolving credit businesses, and we have  
17 revolving charge plans, and the coupon book plans. But the  
18 files are by individuals.

19 Now, we also have a commercial industrial side of  
20 our business, which is corporate loans and leases, and this  
21 kind of thing, but I am addressing myself really to the more  
22 public sector, if you will.

23 MRS. GROMMERS: Mr. Burgess?

24 MR. BURGESS: Could you tell us just a bit about the  
25 kind of employee data that you maintain and how that -- what

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1 portion of that would be diffused to others?

2 MR. DELAY: Employees within the corporation? Walt,  
3 I think you can answer that best.

4 MR. SCHLENKER: Diffused to others in what way?

5 MR. BURGESS: Would you give information about your  
6 employees which is keyed by Social Security number to outside  
7 agencies?

8 MR. SCHLENKER: Absolutely not unless the federal  
9 government has ways of getting into our employee records, or  
10 any type of records, I guess, anywhere. I think you mentioned  
11 that they had ways of subpoenaing.

12 We keep our payroll files in vaults, so that even  
13 our data processing people have to have key passwords and access  
14 to get them out, so the payrolls are prepared.

15 You are probably well aware of the tight controls we  
16 have on payrolls anyhow.

17 Now, the data we do carry is a man's hourly pay, his  
18 date of birth, which is related to when he can retire, the  
19 number of days of vacation he has had, and I am not going to  
20 cite them all, but there are 5,000 characters of information  
21 that we normally key on a person.

22 Because of our Economic Opportunity requirements,  
23 we are carrying the last few jobs that a man has been one, and  
24 the type of skill and job rate, the job code that he had, when  
25 did he get his last increase, the level of assignment that he is

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1 on, where does he report in the organization, his name and address  
2 Social Security number, on and on and on.

3 Now that data is not given.

4 MR. BURGESS: Is medical data included?

5 MR. SCHLENKER: No, it is not. That is a privacy  
6 that is honored by the person. If he has a medical examination,  
7 the industrial clinics that we have treat that quite confidential.  
8 and --

9 MR. DELAY: Nor are the dollar amounts of claims.  
10 That is a separate file.

11 MR. SCHLENKER: Claims are entirely separate --  
12 the fact that a man may get reimbursed for any medical illness  
13 he can have. I am not sure that answers your question.

14 MRS. GROMMERS: Mr. Siemiller?

15 MR. SIEMILLER: I can testify that the information  
16 given here is absolutely correct about the confidentiality of  
17 the rate of pay that General Electric has for its employees.

18 (Laughter.)

19 MR. SIEMILLER: Having sat across the bargaining table  
20 from Virgil Day in several negotiations that we had, and also  
21 having testimony come in from our side of it from even salaried  
22 employees who say, "My supervisors gave me a raise but cautioned  
23 me not to tell anybody in the department what it was because  
24 they will want the same thing."

25 But then, on the other hand, it has some good aspects

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1 to it, too, that you would have, providing it is kept in the  
2 company and not redistributed to the general community.

3 I have no kind of question. I just wanted to make  
4 that comment. It is factual. You just don't get a rate of pay  
5 out of GE. From the company. You have to use other sources.

6 (Laughter.)

7 MR. DELAY: IRS would be very easy.

8 MRS. GROMMERS: Senator Aronoff?

9 MR. ARONOFF: Yes. In the information that you  
10 collect, do you have any data on the performance of the individual  
11 on his or her job?

12 MR. SCHLENKER: Let me answer that, if I may,  
13 Senator.

14 In General Electric, it is common practice -- I think  
15 it is done also in other corporations -- to use a performance  
16 appraisal much like you do in most of the public sector as well.

17 Those are not put into any of our data bases. They  
18 are kept in the employee relations part of the company. They  
19 are not related to social security number or any identification  
20 except the man's name.

21 The employee relations man has a copy. The employee  
22 has that reviewed by his manager, and the employee is given a  
23 copy of it as well, and he signs that right at that time, right  
24 at that particular point in time, so that there is no way of  
25 subterfuge that we know of.

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1 But it doesn't get into the data base.

2 MR. DELAY: Walt, we do have promotability. But  
3 that may be time, as well as performance. He may not be pro-  
4 motable because he hasn't been in the present job but three  
5 months.

6 MR. SCHLENKER: In some parts of the employee system  
7 -- not universal throughout the company -- we might have a code  
8 that says Walt Schlenker is promotable, but he is not promotable  
9 until December 31, 1972, because we just got on the job a short  
10 while ago.

11 MR. ARONOFF: Would you also have Walt Schlenker not  
12 promotable?

13 MR. SCHLENKER: Yes.

14 MR. ARONOFF: Would that get in the data base?

15 MR. DELAY: It is usually yes or no. It is not: Is  
16 he promotable because of performance? It is: Is he or isn't he?  
17 And it might be for a lot of reasons.

18 MR. ARONOFF: But, with that little check mark "not  
19 promotable," would that end up in the data base?

20 MR. DELAY: I think it is in ours, but it is not  
21 relied upon. It is used as a sorting-out technique when we are  
22 looking for people to promote to jobs.

23 MR. ARONOFF: May I ask one more question?

24 MRS. GROMMERS: Yes.

25 MR. ARONOFF: Supposing Walt Schlenker had a very

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1 aggressive record so that he had six assaults, or was assaulted  
2 six times in the period of 18 months. Would that find its way  
3 into any of your records?

4 MR. DELAY: Maybe in the personnel record, but not  
5 in the data base.

6 MR. ARONOFF: No linkage between the personnel records  
7 and the data base at all?

8 MR. DELAY: Not something like that.

9 MR. SCHLENKER: Those are quite confidential. The  
10 same with the garnishee. Those are put into the dossier.

11 No, not that I know of.

12 MRS. GROMMERS: Mr. Dobbs?

13 MR. DOBBS: My question relates to the criteria which  
14 you have laid out in your standards for the selection of the  
15 code, and you mentioned that no code other than the Social  
16 Security number met the present criteria that you outline.

17 We have heard testimony from the Social Security  
18 administration people that certainly in terms of criteria,  
19 number 1, that the Social Security number does not provide a  
20 unique identification of an individual, certainly not for  
21 particular universals, much less any.

22 Secondly, the second criterion says that you want the  
23 mechanism for the assignment of identification to be by an  
24 organization already established, and which I presume is the  
25 Social Security Administration.



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1 MR. SCHLENKER: That was the selected organization.

2 MR. DOBBS: So there is some presumption that their  
3 continued operation and use of a number has some governmental  
4 sanction?

5 MR. SCHLENKER: Yes, as a matter of fact, it did,  
6 and we did check with the Social Security and told them, gave  
7 them a copy of the standard, and informed them of that before-  
8 hand.

9 MR. DOBBS: And they in turn then told you that as  
10 far as they were concerned they were willing to accept the re-  
11 sponsibility for a continued assignment of the number for this  
12 kind of use?

13 MR. SCHLENKER: No, not for this kind of use.

14 We just asked them if we could use this information  
15 because we transmit to our FICA, to the Social Security number  
16 agency on a quarterly basis anyhow. And the redundancy of  
17 putting another number was asked to them, and they said, "Surely,  
18 if you want to use this as a common identifier to collect FICA  
19 information, by all means do it."

20 MR. DOBBS: To collect FICA information?

21 MR. SCHLENKER: Yes. And to collect FICA information,  
22 you have to go through a payroll.

23 MR. DOBBS: There is a little difference than using  
24 that number to identify. And I guess it is that distinction.

25 MR. SCHLENKER: I don't know what the distinction is,

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1 but you would have to clarify that for me. You have to have an  
2 identification, an employee name and number, and a more positive  
3 identification than just one.

4 I am sorry, I really can't answer your question.

5 MRS. GROMMERS: Do you want to try making that dis-  
6 tinction?

7 MR. DOBBS: No, I guess it really would take too  
8 much time. I guess the issue I am trying to get at is that it  
9 seems to me that a case is being made that the Social Security  
10 number, in terms of the criteria as outlined here, is the best  
11 at least of the potential kinds of identifiers or systems of  
12 this class, and I guess I would argue that certainly in terms of  
13 the first criteria it fails.

14 And that, secondly, in terms of the second criteria,  
15 to the extent that the assignment of that number is in fact  
16 under control of another agency for some very specific and  
17 limited purposes; it fails.

18 And that is all I was interested in trying.

19 MR. SCHLENKER: I guess that is a matter of inter-  
20 pretation. We didn't feel that it failed that criteria.

21 MRS. GROMMERS: We can perhaps try to -- maybe  
22 Mr. Dobbs and you two gentlemen might talk about this as soon  
23 as we finish going around the table here.

24 I think there is not a communication between you as  
25 to what he means by failure there.

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1 Mr. Ware?

2 MR. WARE: To continue Guy's point a moment, I must  
3 admit, as one reads this, he gets the flavor of a solution in  
4 search of a problem. That this was structured to fit the  
5 answer that was a priori decided was convenient. That is  
6 essentially what you are saying.

7 For example, if I were going through this exercise,  
8 the criteria I would want is error correction or detection.  
9 It is missing. So I conclude that it is conveniently missing  
10 in order to fit some convenience that serves your internal  
11 purposes.

12 So I am essentially siding with Guy, that this  
13 doesn't look like a very well based exercise from a technical  
14 point of view.

15 MR. SCHLENKER: Thank you. I will tell our employee  
16 relations.

17 MR. DELAY: It turns out to be very practical, none-  
18 theless.

19 MR. WARE: I agree it is expedient from some points  
20 of view.

21 MR. SCHLENKER: And it is quite accurate.

22 MR. WARE: I'd like to comment on this exercise  
23 which is amusing but in some sense a red herring. I would much  
24 rather have seen that data coupled, for example, with our home  
25 towns or our zip codes or something, and then see what the

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1 resulting ambiguities were, and they would have been less.

2 That leaves me to ask you how much experimenting  
3 have you done to conduct an identifier that is not the Social  
4 Security number that is based on things that people easily  
5 recall and is satisfactorily unique.

6 MR. DELAY: That is a very easy question to answer.  
7 None.

8 It is nonetheless a good point and we have talked  
9 somewhat about zip codes and names, but the way our population  
10 moves around, we process 900,000 address changes a year into  
11 our own file.

12 MR. WARE: Have you talked to the magazines? Because  
13 they have the exact same problem on subscription lists.

14 MR. DELAY: No, we haven't.

15 MR. MUCHMORE: They haven't solved it, either.

16 MR. WARE: I know.

17 MR. BURGESS: With a six months leave time.

18 MR. WARE: I would also like to call your attention  
19 to the fact that Los Angeles Power and Water, which must have  
20 a file approaching your size, although I don't know in terms of  
21 transactions, but in terms of customer accounts certainly, do  
22 not have unique identifiers.

23 They have a pretty snappy on-line system. The girl  
24 is at a terminal, talking on the phone, and she can identify in  
25 rapid order. It is a 20-question kind of game.

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1 MR. DELAY: It is a business servicing that address  
2 regardless of who is in it.

3 MR. GALLATI: Not necessarily.

4 MR. DELAY: Maybe she can access by address and not  
5 by name.

6 MR. WARE: I don't know the details, but I am pointing  
7 out there are other ways than Social Security.

8 MRS. GROMMERS: Let me ask a question -- how many  
9 telephones do you think there are in, say, the City of Boston --  
10 the metropolitan Boston area? It might be a population of about  
11 three million. Could anyone give me a rough estimate of the  
12 number of telephones?

13 MR. MUCHMORE: It wouldn't be a good identifier be-  
14 cause 79 per cent of the people in the United States don't have  
15 a telephone.

16 MRS. GROMMERS: I am not speaking about that. Would  
17 a million be a good number anyway? Nobody would argue too much?

18 Wouldn't you say there was a unique identifier as-  
19 sociated with each telephone? Not the instrument, but --

20 MR. DELAY: No.

21 MRS. GROMMERS: Could two people have the same tele-  
22 phone number in the metropolitan area of Boston?

23 MR. SIEMILLER: Sure. A dozen could. A switchboard  
24 in an apartment building.

25 Or you can't find my name anywhere in the United

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Tape 10

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1 States under a telephone number.

2 MRS. GROMMERS: I am not looking for your telephone  
3 number, but I am talking about whether or not a series, a  
4 7-digit number on which the first three digits are letters and  
5 the second four are numbers, doesn't uniquely identify about a  
6 million different things -- that is not put very well, but I  
7 believe it is a unique identifier.

8 MR. WARE: But you have the nitty-gritty point that  
9 the same telephone number exists in a different part of the  
10 country, so a mobile population gives you misery.

11 MRS. GROMMERS: I am just talking about the question  
12 of how many numbers or letters you need to have, and I am sure  
13 Professor Weizenbaum, with a little thought, if he doesn't know  
14 already, could tell us how many numbers plus letters are neces-  
15 sary to give a unique identifier for whatever large population  
16 you want. It is really not a serious problem. It is just a  
17 mathematical one.

18 MR. DELAY: When I say Social Security number, I am  
19 taking a little liberty. We discussed using the name and the  
20 last four digits of the Social Security number, but we consider  
21 that the Social Security number nonetheless.

22 MRS. GROMMERS: But I am talking to a different point.  
23 The question raised by the gentleman on the left is whether we  
24 had to use the Social Security number as a unique identifier.  
25 I am saying any combination of letters and digits more than a

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1 certain size, depending on what size sample you wish to enumerate,  
2 is sufficient, and it is a mathematical problem of telling you  
3 what set of numbers and digits gives you a unique identifier.

4 MR. DOBBS: Mr. Delay made a significant statement,  
5 however, which is a new one in the sense that he has just said  
6 that he is not using the Social Security number as an identifier,  
7 he is using the last four digits of the Social Security number  
8 in conjunction with the name.

9 MR. DELAY: I said that is one of the possibilities.  
10 We don't need a 9-digit record. If we have the first name and  
11 middle initial, we feel we would have a unique identifier if  
12 we had four last digits of the Social Security number in addi-  
13 tion to that.

14 MR. MUCHMORE: But to go back to previous testimony,  
15 that is something easily recalled by people. So you would have  
16 to require the entire number to be asked.

17 MR. WEIZENBAUM: I can't give either, but I can give  
18 my birthdate. Why not the first and last name and the birth-  
19 date?

20 MR. DELAY: That is a good point. One thing we  
21 don't like about the Social Security number is the fact that  
22 it doesn't have a check digit.

23 We use check digits on our account numbers to avoid  
24 entering incorrect information into the data base, and that is  
25 one thing the Social Security number doesn't have.

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1 We would like it to have one if we used it.

2 MRS. GROMMERS: In other words, the problem is really,  
3 when analyzed, it is more complicated than just a unique  
4 identifier, but certain other characters not yet defined  
5 clearly which you want to also have, one alluded to by Arthur,  
6 that is linkage, and a second is the check digit, and there  
7 have to be others.

8 Let me go on to other questions.

9 Mr. DeWeese?

10 MR. DE WEESE: Pass.

11 MRS. GROMMERS: Mr. Anglero?

12 MR. ANGLERO: I hope there are other countries in  
13 this world that do not use Social Security, that don't have it,  
14 and that do have information systems and data banks and other  
15 things. Okay.

16 My question is, how do you update credit files?

17 MR. DELAY: We don't maintain a credit file per se.  
18 When a contract is presented by a dealer for us to purchase, we  
19 may take a credit application over the telephone and then de-  
20 termine whether or not we want to buy that particular contract.

21 If we buy it, that piece of paper is filed in the  
22 branch office, and we have 700 of those.

23 The only information that comes in to the data center  
24 is enough information for us to set up the account which is  
25 the name, street address, city and state, and, of course, the



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1 amount and terms of the payment -- monthly payments, and so on.

2 We don't really update that file. We may refer to  
3 it again if another dealer or the same dealer asks us to accept  
4 still another credit for the same customer. But we don't keep  
5 it updated like the credit bureau does. We rely on the credit  
6 bureau, really.

7 MRS. GROMMERS: Mrs. Hardaway?

8 MRS. HARDAWAY: One request. Will you leave your  
9 chart so we can have a good time with it?

10 And my question is, as to employees of General  
11 Electric, does it bother you personally that your personnel  
12 records are being filed under your Social Security number?

13 MR. SCHLENKER: Our personnel dossiers or records  
14 are filed by name.

15 MRS. HARDAWAY: Yes. I mean the information you are  
16 accumulating. You are eligible for promotion, or you are not,  
17 or whatever data you are collecting. Does that bother you that  
18 it is under your Social Security number?

19 MR. DELAY: Not as long as it is accurate.

20 As a matter of fact, we used to have a pay number  
21 and Social Security number. I no longer have a pay number, and  
22 I do have a Social Security number, and I know what that is,  
23 and my paycheck has it on there instead of a pay number. I  
24 think it is great.

25 MR. SCHLENKER: Let me give an illustration of what

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1 happens if you don't have a unique identifier in any organiza-  
2 tion -- federal government or any other.

3 If a man is assigned a payroll number which is  
4 completely arbitrary but unique within that one organization,  
5 and he moves to organization B, and it is assigned another  
6 number, then all of his records have to be transferred under  
7 the new number, and very often it is difficult to make accurate  
8 transfers and especially difficult when you are trying to get  
9 the same information into a central file.

10 You see, you have to change numbers all the time,  
11 and there is a trail of numbers that has to be kept to allow  
12 you to be absolutely accurate.

13 And this is what we try to avoid by not having a  
14 separate number assigned in each particular organization, and  
15 we settled on one unique number which happened to be the Social  
16 Security number which is used for reporting purposes to the  
17 federal government, so we used it in two ways.

18 MRS. GROMMERS: Mr. Impara?

19 MR. IMPARA: Following up on Senor Anglero's question,  
20 do you expunge the information periodically? Do you clean it  
21 up in essence, once the billing is completed?

22 MR. DELAY: Yes, I am not familiar in detail with  
23 our record retention practices. However, we have instructions  
24 on that for each document we happen to have.

25 Off the top of my head, I would say that we probably --

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1 at the time we accept a contract and have the related credit  
2 information in the branch -- it is more than likely accumulated  
3 that way and will be destroyed at the pre-determined date, and  
4 that takes into account the term of that particular loan or  
5 transaction and the additional period to cover extensions of  
6 the account or whatever.

7 MR. IMPARA: I am just curious, because I am the  
8 only James C. Impara in the country and I don't have an account  
9 with you.

10 MR. DELAY: We have you on file.

11 MR. IMPARA: Yes.

12 MR. DELAY: You have determined that you are the  
13 only one? You must be accessing some other data bases?

14 MR. IMPARA: Mine is the only family of Imparas in  
15 the country and I am the only James C.

16 MR. DELAY: Is that right? Do you have any accounts?

17 MR. IMPARA: Not with you.

18 MR. DELAY: Are you sure?

19 MR. IMPARA: Not that I know of.

20 MR. DELAY: A lot of people don't know. We service  
21 a lot of revolving credit merchants and a lot of customers.  
22 We tell them and they disregard it and don't realize that we  
23 are in it.

24 MR. IMPARA; All I have is BankAmericard.

25 MR. DELAY: We don't serve BankAmericard. We are

MV-186 1 not that big.

2 MR. MUCHMORE: I wish to heck you did.

3 MR. MILLER: But when the bill comes, you better pay  
4 it.

5 MR. DELAY: If you would like to write, I will de-  
6 termine whether or not I can give you that information, after  
7 discussion with legal counsel.

8 MRS. GROMMERS: Professor Allen?

9 MR. ALLEN: Apparently there are some advantages in  
10 using the Social Security number, and I wonder just how valuable  
11 that is in the sense of how much you would be willing to pay.  
12 That is, how much of a tax put on the uses of the Social  
13 Security number would be enough to discourage the use, or would  
14 even the uncertainty of how much such a tax might be, be enough  
15 to discourage its use for the customer identification purposes?

16 MR. SCHLENKER: I never thought of that question  
17 before. That is a good question.

18 I am sure there is a price that would discourage  
19 you from the use of any one common identifier. I have no idea  
20 what it might be.

21 I might say this, that, even if it had cost us money  
22 to go to the Social Security number in General Electric as a  
23 common identifier, I think we would have done it, because of  
24 the speed with which we are able, and the accuracy which we do  
25 obtain from that particular identification.

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1 Remember, that is associated with the name as well,  
2 so that we have the two.

3 MR. ALLEN: I was really trying to get at whether it  
4 was a slight advantage, although enough to lean you in that  
5 direction, or whether it was a substantial one.

6 MR. SCHLENKER: In the employee data field, it is a  
7 substantial advantage.

8 MR. DELAY: Having not used it in the credit corpora-  
9 tion, I find it difficult to say whether or not it would be  
10 substantial. I think it would be neither slight nor great,  
11 probably, but of some use, and probably for the vast majority  
12 of our customers never used. It is like most of the customers  
13 whom we serve over time who come to us and leave and we really  
14 have not much to do or say to them. They send in the payment  
15 and we apply it, and everything is fine.

16 It is the people who dispose of the account that  
17 we have difficulty with, people who don't pay in accordance  
18 with the obligations. It is only those two probably where we  
19 would be using the Social Security number.

20 The vast majority pay in accordance with the agreed  
21 upon terms and it is never used.

22 MRS. GROMMERS: Mr. Davey?

23 MR. DAVEY: I would like to come back now -- I was  
24 formerly with Credit Data Corporation, one of the companies  
25 you do supply information to.

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1 MR. DELAY: CDC?

2 MR. DAVEY: Yes. And you in the process of working  
3 with our company in the time I was there-- I am no longer with  
4 them -- there was a great deal of consideration on the part of  
5 General Electric as to whether to participate in the file or  
6 not, and one of your people was on our advisory board to help  
7 assess policy and things of this nature.

8 It was done very carefully from General Electric's  
9 standpoint, and I think that a very good system was set up,  
10 largely through their efforts, and others who likewise were  
11 concerned about how this data is to be used and handled.

12 You do have Social Security numbers on your applica-  
13 tions, and I think your credit people, when they call in, use  
14 the Social Security number, and it is used as a secondary  
15 identifier in this particular credit file, and has proven to  
16 be quite helpful.

17 Again, it is not necessary, but it does help to  
18 identify an individual and has been very, very helpful from  
19 that standpoint.

20 So, from my own personal viewpoint, I would like to  
21 see the use of Social Security as you propose that it become  
22 more and more a part of the record.

23 MR. DELAY: I wasn't certain whether CDC -- I had  
24 heard that TRW had commenced accumulation of files with that  
25 number, but we don't feed either file with the Social Security

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1 number.

2 MR. DAVEY: No, it is not fed. It is only phoned  
3 in at the time the inquiry is made, and that is a linkage.  
4 About 75 per cent of the files have Social Security numbers.  
5 It is a secondary identifier, not a primary one, but a secondary.

6 MRS. GROMMERS: You both said you wanted a unique  
7 identifier because you wanted accurate records. You wanted to  
8 be able to locate people.

9 Could you give me two other things that you think  
10 are important that would require you to use the Social Security  
11 number other than a unique identifier? What other advantages  
12 does it have? Could I have two?

13 MR. DELAY: I think I stated the reasons. That would  
14 sum it up, I think.

15 MRS. GROMMERS: Could you repeat them?

16 The obverse of the question is would any other unique  
17 identifier do as well as long as it was unique?

18 MR. DELAY: Yes, I think so.

19 MR. SCHLENKER: I would agree with that.

20 MRS. GROMMERS: Why don't you create one?

21 MR. DELAY: Why don't you create one? We have  
22 account numbers.

23 MRS. GROMMERS: Why isn't that number enough?

24 MR. DELAY: It is a secondary one. But too many  
25 customers have more than one account number with us.

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1 MRS. GROMMERS: So you want more than a unique  
2 identifier, you want one that the customer can remember.

3 MR. DELAY: Yes. Either from memory or from his  
4 wallet or purse, which most people can with the Social Security  
5 number, I think. I can remember mine.

6 MR. MARTIN: Supposing you invented a number and  
7 printed it on a little card and sent it to the customer to  
8 keep in his wallet. Why wouldn't that be as conveniently re-  
9 trievable by the customer as the number on the card that some-  
10 body else has gone to an expense of sending?

11 MR. DELAY: We have three million customers now.  
12 In a year we probably will pass another million through that  
13 file. Our next customer is one we have never had before and  
14 the last one we will never have again, probably. I don't think  
15 we have a group of customers that is anywhere near static.

16 MRS. GROMMERS: What difference does that make?  
17 You can have a large set of numbers. You don't need to redraw  
18 from the urn.

19 MR. MUCHMORE: I think if I may answer for you, you  
20 wanted something that was commonly used by others as well, and  
21 to give them something to carry would be something they would  
22 probably not carry.

23 MRS. GROMMERS: Why do you want it commonly used by  
24 others as well?

25 MR. MUCHMORE: Because they would have to remember



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1 that just for GE. If they didn't carry it with them, which  
2 they wouldn't probably, because it would be only a once-every-  
3 three-years use of the GE number. They wouldn't carry it and  
4 they wouldn't memorize it.

5 I find that I have four cards other than Social  
6 Security that have my Social Security number on it.

7 MR. WARE: How many times do you quote it?

8 MR. MUCHMORE: How many times have you written in  
9 forms and that type of thing? Oh, gosh, I am in the banking  
10 business, you know.

11 MR. WARE: I know.

12 MR. GALLATI: Madam Chairman, I would like to see  
13 if I can get this straight in my mind. You are planning, or  
14 you now use, and would presumably plan to continue, a name and  
15 four digits of the Social Security number?

16 MR. DELAY: We don't use that presently. That is  
17 one way we might use the Social Security number. Just the  
18 last four digits.

19 MR. GALLATI: You are not considering using Social  
20 Security number as an entire number?

21 MR. DELAY: Well, we may have it in the file, but  
22 we may not use it necessarily to identify that person.

23 I don't know that it would ever be to our benefit  
24 or to anyone's to not put the whole number in.

25 What I am saying is, when we use it, we would use the

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1 last four, probably.

2 MR. GALLATI: If that is so, it seems to me that  
3 any four numbers that a person can readily recall and which are  
4 somewhat unique at least to him would be adequate for your  
5 purposes, and, therefore, if I give my name and last four  
6 digits of my telephone number, you would have the same results.

7 MR. WARE: Birth date is better.

8 MR. DELAY: Your telephone number would probably  
9 change. That is not the access in our file. Our file would  
10 be the old number.

11 MR. GALLATI: I might know the old number, too. I  
12 can use any four digits. You need to use the four digits of  
13 the Social Security number -- any four digits that you can  
14 recall.

15 MR. DELAY: Actually, the four digits -- thinking  
16 back in my experience -- was an Army thing. My serial number,  
17 the last four digits of the serial number plus the initial of  
18 the last name was used to mark all laundry and personal goods  
19 in the Army. And it was actually that that caused me to think  
20 that we could get by with four digits of the Social Security  
21 number.

22 MRS. GROMMERS: One last question.

23 Mrs. Gaynor?

24 MRS. GAYNOR: Am I to understand that at present  
25 your employee files are filed by Social Security number?

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1 MR. SCHLENKER: Yes, ma'm.

2 MRS. GAYNOR: Plus names. Are there any governmental  
3 programs that you are involved in at GE at the present time  
4 that you maintain a separate file on?

5 MR. SCHLENKER: Could you give me an illustration  
6 of what you mean by a "governmental" program?

7 MRS. GAYNOR: Well, training programs where the  
8 federal government is funding you for maintaining them.

9 MR. SCHLENKER: Yes, we are.

10 MRS. GAYNOR: And they are kept in a separate file?

11 MR. SCHLENKER: Yes.

12 MRS. GAYNOR: And they are filed by Social Security  
13 number? Does the government have access to this information  
14 or what type of reporting is there?

15 MR. SCHLENKER: I would imagine they could do so.  
16 I don't know the answer to that. Do you know, Professor?

17 MR. MILLER: No.

18 MR. SIEMILLER: I am with the National Alliance of  
19 Businessmen. They do have access when they have a training  
20 contract. Not only the GAO has access, but HEW has. If they  
21 finance it, they have access.

22 MRS. GAYNOR: Does the employee who is involved in  
23 the program know this?

24 MR. SCHLENKER: That the federal government has  
25 access to this information?

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1 MRS. GAYNOR: Yes.

2 MR. SCHLENKER: I can't answer that question, either.

3 I am sorry.

4 MRS. GAYNOR: Thank you.

5 MRS. GROMMERS: Thank you both very much. Would  
6 you join us for coffee? We are going to have a coffee break  
7 now.

End Tape 10

8 (Recess.)

Tape 11

9 MR. MARTIN: I have a couple of business matters.

10 There are now being passed out stapled documents, three sheets  
11 together, with a special tag in the corner, which are the  
12 arrangements for tomorrow.

13 Tomorrow's agenda, which tells you where you are  
14 meeting tomorrow, together with a map showing you where our  
15 location is. We cannot meet here tomorrow. But, it is very  
16 clearly stated in the papers being distributed to you where the  
17 location is -- Building 31-C, Conference Room 6, on the 6th  
18 Floor.

19 We will have a box lunch over there at the luncheon  
20 break. The implication of that is that all the members should  
21 take all their papers away with them tonight when you leave at  
22 the end of the day. Take all your files and papers with you,  
23 because we will not have access to this room or building tomor-  
24 row.

25 Finally, it comes to our attention that a number of

MV-195 1 members might wish to eat their dinner this evening at some  
2 other location than the Holiday Inn at Bethesda. If you wish  
3 to do that, please turn in your dinner ticket for the Holiday  
4 Inn to Beverly Ann Garfield in the orange desk in the reception  
5 area on your way out tonight so that we will not be charged for  
6 the meal that you do not eat at the hotel in Bethesda.

7 MR. WARE: How about tomorrow morning? Suppose we  
8 defer --

9 MR. MARTIN: Suppose we defer that decision until  
10 after we have left here tonight.

11 (Discussion off the record.)

12 MR. MARTIN: So any unused tickets return to us.

13 And be sure and take all of your papers with you.

14 And then I would like all the members of the staff of  
15 the committee to plan to meet here for 15 or 20 minutes after  
16 the members have cleared it, following this session, so we can  
17 be sure we have ourselves organized and the papers to go over  
18 to Building 31-C.

19 MRS. HARDAWAY: Will there be cabs?

20 MR. MARTIN: There will be Barwood Cabs at the Holiday  
21 Inn to bring you to the new location.

22 (Discussion off the record.)

23 MRS. GROMMERS: We have three other guests in the  
24 audience, and I will tell you what their organizations are.

25 There is a gentleman from the National Bureau of Standards, a

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1 lady from the Florida Drug Abuse Program, and we have a lady  
2 from the National Welfare Rights organization.

3 In addition to the other people, not all of whom are  
4 still here, that I mentioned this morning.

5 Now, this afternoon, we have a really heavy program  
6 here. It is, however, an idea rather continuous to the discus-  
7 sion we had been having in the last hour.

8 The main point of this particular discussion with  
9 SRS and the Social Security Administration is supposed to be  
10 centering on the question of the problems of enumeration of  
11 the Social Security number and the questions of the need for  
12 and the use of a unique standard identifier.

13 So, if we can limit our questions to that area of  
14 discussion, we will have other opportunities to talk with SRS  
15 and Social Security on other matters.

16 Mr. Roache, may I ask you, would you be so kind as to  
17 introduce yourself and the other gentlemen for us.

XXX

18 MR. ROACHE: Yes.

19 I am the Acting Assistant Administrator for the  
20 Program Statistics and Data Systems in the Social Rehabilitation  
21 Services of the Department of Health, Education, and Welfare.

22 On my right is William Cleaver, who is the Senior  
23 Computer Systems Analyst in that same office.

24 On his right is Harry Overs, Assistant Bureau  
25 Director, Bureau of District Office Operations, Division of

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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.

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1 At any rate, we will go on until it is time for the  
2 social hour.

3 So, would you like to start, Mr. Roach?

4 MR. ROACHE: Yes, I would. I think it may be interest-  
5 ing, if you are not already aware of what Social Rehabilitation  
6 Services is all about, if I could give you a quick overview  
7 and what our involvement has been in the use of the Social  
8 Security account numbers.

9 We are the welfare side of Health, Education, and  
10 Welfare. We are dealing with the disadvantaged population,  
11 which is now about 15 million. We spend about \$18 billion a  
12 year to administer programs dealing with the aged, the blind,  
13 disabled, and families with dependent children.

14 We have in SRS six programs or bureaus. They are,  
15 quickly, Assistance Payment Administration, Administration on  
16 Aging, Medical Services Administration, Rehabilitation Services  
17 Administration, Community Services Administration, and Youth  
18 Development and Juvenile Delinquency Prevention Administration.

19 My office is a support office of these activities.  
20 The Programs that we administer we administer through state  
21 agencies and the monies that are spent are spent through those  
22 agencies in the form of formula grants and project grants.

23 These agencies are not controlled in terms of  
24 information systems design other than a requirement to comply  
25 with the reporting requirements of our agency.



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1 In other words, we are making money available, we  
2 want to know what the money is being used for, and therefore  
3 they have to comply with these reporting requirements.

4 We have seen an increased need for data interchange  
5 on individual clients. We have it today and we see a continuing  
6 need for it.

7 Our administrator, Mr. Twiname, therefore directed  
8 that we started immediately investigating the adoption of some  
9 common identifier for individuals and also a common identifier  
10 for families. We have been working very closely with states  
11 and with Social Security Administration and with people involved  
12 in the new welfare reform planning to determine what these  
13 interchange requirements might be and what common identifiers  
14 we might adopt.

15 We were in kind of unanimous agreement that the  
16 problem of identifying a family and, in fact, even designing a  
17 family in terms of our legislative authorities is a bigger  
18 problem than that of individuals and that we should not delay  
19 our progress on identification of individuals until we solve  
20 the family problem.

21 So we have proceeded to look at the numbering systems  
22 that exist in the states. We concluded that, if records are to  
23 be interchanged, there is a need for a common number. There  
24 is today a common numbering system in being where numbers are  
25 assigned under the control of a national authority, and that to

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1 develop another number which would be under -- which would be  
2 common and non-duplicative, would require some other national  
3 authority, and so we have felt that we should go with what has  
4 been what we call a de facto standard anyway, that is, the  
5 Social Security account number.

6 We are in the process of developing regulations  
7 which, before they would be issued, would be sent to state  
8 agencies as proposed rule making and hopefully with the con-  
9 currence of the Social Security Administration ultimately issue  
10 a regulation which would require all welfare clients to be  
11 identified by this common Social Security account number.

12 This is a general attitude of the agency on this  
13 and, if you are interested in some of the progress we have made  
14 where we stand, I can turn it over to Mr. Cleavers and he will  
15 give you some of the detail on that.

16 MRS. GROMMERS: One thing we certainly would like  
17 to know is where you stand as far as the enumeration, the  
18 sample enumeration.

19 MR. ROACHE: Where we stand as far as enumeration  
20 is concerned today?

21 There has been a five-state pilot test and that is  
22 under the sponsorship of the Social Security Administration,  
23 and I would suggest that Mr. Harry Overs brief you on that.

24 MR. OVERS: Would you prefer to move on to  
25 Mr. Cleaver, or would you prefer to hear about the five-state  
pilot?

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1 MRS. GROMMERS: Mr. Cleaver would be speaking about  
2 what specifically?

3 MR. CLEAVER: Primarily about the status of the  
4 regulation itself.

5 MRS. GROMMERS: Why don't we hear the five-state  
6 plan first?

7 MR. OVERS: I would like to preface my remarks by  
8 telling the folks in the room that I am not a systems man,  
9 that I believe Mr. Friedman was here, and he is a systems  
10 expert.

11 The bureau that I come from, the Bureau of District  
12 Office Operations, is primarily responsible to the central of-  
13 fice component of the Social Security Administration. It super-  
14 vises some 936 Social Security district offices.

15 (Chart.)

16 The five-state pilot was developed in the latter part  
17 of 1971 as a joint project between the Social Security Adminis-  
18 tration and the Social and Rehabilitative Services. And the  
19 purpose of the pilot was to try to identify problems that we  
20 would jointly encounter at an early stage because we were con-  
21 fronted with the possibility of legislation that might require  
22 us to quickly enumerate welfare recipients across the country.

23 (Chart.)

24 And to assess then the various methods that might  
25 be used for the enumeration of welfare recipients. The pilot

( -202

1 states -- Idaho, Wyoming, Kansas, Delaware, and six counties in  
2 Georgia -- were deliberately chosen because of their size, the  
3 manageable kind of workload that these states would represent,  
4 the receptivity of the people in the states to such a pilot  
5 enumeration, and the fact that almost all these states had  
6 relatively sophisticated computer systems.

7 In spite of the fact that there was some common  
8 characteristic in these states, the early negotiations we had  
9 with the states stressed the need for flexibility, because we  
10 recognized that they were all different in their capabilities  
11 with respect to computer systems and certainly all had different  
12 preferences for completing any kind of enumeration.

13 And we gave them a variety of options and as it  
14 turned out, they have all proceeded with the enumeration in a  
15 variety of ways, exercising those options.

16 In Social Security district offices across the  
17 country, states are furnishing technical assistance and guidance  
18 to welfare offices and many of them are actually assisting with  
19 the processing of the applications as they are fed into the  
20 central office for processing.

21 (Chart.)

22 The basic agreement between the Social Security Ad-  
23 ministration and the SRC provided that the enumeration would  
24 include, first of all, the verification of the numbers that  
25 were already in the state files, that is, numbers of the welfare

( MV-203 1 recipients that the state had on record, and that the Social  
2 Security Administration would issue new numbers to existing  
3 recipients that are on the rolls who didn't have any yet, and  
4 that we would also be issuing numbers to new applicants who  
5 needed them as they were coming on the rolls and that we would  
6 notify the state of all such numbers, that is those verified  
7 and those that are new.

8           An important aspect of the enumeration from our  
9 point of view was that the information provided to the states  
10 would have to be retrievable from their records at a later point  
11 in time and that was assuming that at a later point in time,  
12 depending on the legislative picture, that the Social Security  
13 Administration would have to go back to the states during any  
14 kind of a conversion process, and they would have to give us  
15 the numbers back in some form.

16           Now each state, as a part of this agreement, furnished  
17 to the Social Security Administration a master magnetic tape  
18 record of all of their cash recipients who were on the rolls at  
19 the time the tape was furnished.

20           They also agreed to begin enumeration of all new ap-  
21 plicants. And again, let me stress that that they agreed to  
22 maintain the Social Security numbers in their computer record.

23           Now the thing they furnished to us on that magnetic  
24 tape record was the name of the recipient, the address, the  
25 welfare case number, the type of assistance, the Social Security

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1 number, the Social Security claims number -- and there is a  
2 difference between the Social Security number and the Social  
3 Security claim number -- the sex and the date of birth.

4 Our Bureau of Data Processing, which is our computer  
5 operation in Baltimore, then used this tape listing to attempt  
6 to verify the acknowledged Social Security numbers that were  
7 listed against the records that we had in Baltimore. The states  
8 were then notified by magnetic tape record of all the numbers  
9 verified, individuals for whom we were unable to verify any  
10 number, and we gave the states back the names of individuals  
11 for whom no number was acknowledged.

12 So now what the states had were the verified numbers,  
13 non-verified numbers, and a listing of the people who didn't  
14 allege a number.

15 Where the Social Security numbers were not verified  
16 by the Social Security Administration, the states mailed to those  
17 individuals a specially designed form, application for Social  
18 Security number, and these were then completed by the recipients  
19 and returned to the Social Security district offices where they  
20 screened them completely and these were then sent back to  
21 Baltimore, and we would then be going into the second phase of  
22 issuing numbers to those people who submitted an application  
23 through the second process.

24 As I said before, there were variations in the way  
25 the states approached this. Some of them -- at least one of

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1 them -- obtained the Social Security application by personal  
2 contact. However, most of the states sent the application to  
3 the welfare recipient with an explanatory letter.

4 I am not sure whether you are really concerned or  
5 interested in what sub-studies were done. I will cover it very  
6 quickly.

7 (Chart.)

8 In Chart no. 3, in the pilot for our own program  
9 purposes, that is, again for the possibility of future legisla-  
10 tion, we were interested in the date of birth verification for  
11 old age recipients and an identity verification for some recipi-  
12 ents in all cash categories.

13 In other words, what we were interested in determin-  
14 ing was whether the date of birth in the state records agreed  
15 with the date of birth in the Social Security records for old  
16 age recipients.

17 And the identity issue is whether the name and  
18 Social Security number and claim number that may or may not be  
19 in the state records agrees with those factors in our own  
20 records.

21 (Chart.)

22 What we call the "age and identity study" involved a  
23 universe of about 15,000 cases and again what happens here is  
24 there will either be a match or there will be no match, and  
25 the way this thing has turned out is that there were approximately

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1 I guess, around 1300 cases where we did not get an age match,  
2 and the difference between the 1300 and the 3800 that you see  
3 in the lefthand side are people who did not even furnish a number  
4 originally, and, therefore, we couldn't get any match, but  
5 those that didn't match will be sent back to the states and the  
6 states will be asked to tell us what they used for proof of  
7 age.

8 The other side represents 2100 cases where the  
9 identity factors didn't check and the states will again be asked  
10 to try to resolve those cases.

11 About 1900 out of the total universe of 15,000 --  
12 age, identity -- matched.

13 The purpose of this particular sub-sample was to  
14 enable us to determine again, in the event that prospective  
15 legislation in H.R.-1 is passed, and there is a conversion of  
16 state rolls, whether or not the dates of birth in the state rolls  
17 is sufficient for us to automatically accept the state files  
18 for our date of birth determinations.

19 Next chart, A1.

20 (Chart.)

21 I don't mean to bore you with statistics, but I  
22 think one of the very, very important things is to understand  
23 that we deliberately picked these states because of the very,  
24 very small workloads they represent.

Any enumeration project is to us a definite workload



( MV-207 1 impact, and one that has to be controlled very closely because  
2 we are not equipped to enumerate across the board with all the  
3 pressures that are being put on Social Security Administration  
4 in terms of potential enumeration and potential use of the  
5 Social Security number for other purposes.

6 So you can see the total workloads only involve  
7 283,500-some actions.

8 The potential, of course, is millions and millions  
9 of actions.

10 The next chart, Al.

11 (Chart.)

( 12 You may be interested in what happened in terms of  
13 those that were verified. Out of the 283,000 items that were  
14 handled in this pilot, there were 100,000, approximately,  
15 alleged Social Security numbers on the master tapes that were  
16 submitted and only 57,000 were verified by our records, which  
17 is about 20.3 per cent of the total workload of 283,000, and  
18 about 35 per cent of the 100,000 that were alleged.

19 Next chart, Al.

20 (Chart.)

21 MR. MUCHMORE: I don't follow that, I'm sorry.

22 MR. OVERS: Let me back up to the last chart, then.  
23 The one before that -- Chart no. 5.

24 I believe the statistics are on there. The number  
25 of names involved in the magnetic tape records sent to the

MV-208 1 Social Security Administration, 283,000.

2 Of that number, 100,000, approximately, Social  
3 Security numbers were alleged -- people were saying, "Yes, I  
4 have a number, and my number is --"

5 Of that 100,000 --

6 MR. MUCHMORE: 100,000 were non-verified at the time  
7 you started the study?

8 MR. OVERS: 283,000 were non-verified. These were  
9 numbers taken strictly from state records. These were people  
10 -- well, some people didn't have numbers -- 100,000 alleged --

11 MR. WARE: 183,000 said "We don't have any"? Okay?

12 MR. OVERS: All right.

13 (Chart.)

14 MR. OVERS: Okay. This is an indication of the rela-  
15 tively low number of on-going workload, that is, the new applic-  
16 ants who have submitted applications for Social Security, new  
17 recipients coming on the rolls.

18 And that is a relatively small volume that is repre-  
19 sented there. That is just, again, some statistics for you.

20 The next chart, please.

21 (Chart.)

22 This is an indication of what happens when a state  
23 mails the form SS-58, which is the Application for Social  
24 Security Card, to the individuals for whom numbers were not  
25 verified or to individuals who alleged not having had numbers,

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1 and the dates that they were mailed.

2 Kansas City mailed 68,000 applications asking the  
3 individual to apply for a card, to give the identifying informa-  
4 tion. 36,000 responded as of this time.

5 Wyoming mailed 7,000. 3,300 responded at this time.

6 Delaware, as I mentioned before, is making personal  
7 contact so those were not mailed.

8 I believe that is it in terms of the charts.

9 MR. MUCHMORE: Is this a one-time mailing?

10 MR. OVERS: A one-time mailing so far. I understand  
11 somewhere they are planning to follow-up. They must certainly  
12 follow-up if they plan to enumerate the total rolls.

13 The problem with the enumeration that we have run  
14 into is that it, of course, is moving much more slowly than we  
15 had anticipated. Some of the magnetic tape records we received  
16 from the states initially were not satisfactory. They were not  
17 compatible. They didn't compute, so to speak.

18 And another difficulty that we encountered was that  
19 some of our own equipment broke down as a result of Hurricane  
20 Agnes going through. Some of our facilities in Wilkes Barre,  
21 Pennsylvania, were flooded out to the second floor and some  
22 part of this enumeration process takes place there, and for  
23 that reason this process has taken longer than we anticipated.

24 MRS. GROMMERS: Mr. Cleaver, would you like to say  
25 a few words? We probably have room for maybe about 10 more

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1 minutes of presentation.

2 MR. CLEAVER: Well, maybe I will talk backward then.  
3 I was going to bring you up to date on how we got to where we  
4 are in the regulations. I can start out by telling you the  
5 status.

6 It exists in draft form, ready to go up to Mr. Twine  
7 in a recommendation of specifications giving the content of the  
8 regulations which he asked us to develop a year ago.

9 It contains one of the things we found out, which  
10 is that we decided that it didn't make much sense to simply  
11 come out with a regulation saying that Social Security number  
12 will be a standard, because as soon as that hits the states,  
13 they want to know what to do with it, and, besides that, if we  
14 say, "Okay, you must do this," immediately Social Security has a  
15 problem.

16 Our effort could not be done in a vacuum. So the  
17 regulation has gone through three versions.

18 One of the problems that the states identified in  
19 responding to the program instruction which announced the pilot  
20 study was the fact that it is very expensive for them to have  
21 to maintain two Social Security identifiers, one being a claim  
22 number which identifies you to the benefits payments and neces-  
23 sary Medicare assistance, and the other is the Social Security  
24 number which identifies the individual for other purposes.

25 And the situation in the world is that most other

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1 federal agencies use the Social Security number. So, since  
2 most states had to have the claim number to go in for the  
3 benefits payment to determine eligibility and entitlement, they  
4 have to carry that number. They don't carry the Social Security  
5 number in their automated systems. So the consensus of the re-  
6 sponses from the states was, "Don't make us carry two identifiers.

7 Now, along about January of this year, in response to  
8 some correspondence from Oklahoma, the Social Security announced  
9 a system which they are implementing to cross-refer the Social  
10 Security number and the claim number.

11 Now this provides the link where we can at some  
12 future time hopefully release the states from the requirement to  
13 carry two identifiers.

14 Now the drafting of the regulation, as it stands now,  
15 and guidelines to go with it -- we don't think it is appropriate  
16 that it be in the regulations -- would be language explaining  
17 to the states that they don't have to implement until such time  
18 as these identifiers can be switched or cross-referred unless  
19 they so choose, by already having fields for both numbers.

20 We also are proposing to require that the Social  
21 Security number be collected and that some temporary measures  
22 be instituted in the states to take care of people until the  
23 numbers come back.

24 It doesn't make a lot of sense to us to put it out  
25 and request that the states use it. So, if that will do until

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1 the questions come up, that is about where the regulation is.

2 MRS. GROMMERS: Mr. Bridges, would you like to com-  
3 ment?

4 MR. BRIDGES: I can make a brief statement. Mr. Over  
5 covered most of the material I have.

6 We are engaged in the enumeration project, and, as  
7 he indicated, this is not a reluctant participation, because we  
8 are anxious to do so because we are convinced that we need a  
9 common identifier and we think the Social Security number is  
10 the one that we should use.

11 We have in our state office building in Atlanta com-  
12 puters on every floor -- and big computers -- none of which  
13 talk to each other.

14 And even within welfare itself, we see many examples  
15 and reasons why we need a unique number.

16 I would say that we also have been in the project four  
17 months and have had no resistance whatsoever to it.

18 Of course, we do have 25 per cent of these forms that  
19 we sent out that have appeared back again. I don't know whether  
20 that has anything to do with people who don't want a number. I  
21 don't know. No one has indicated a resistance to the program.

22 MRS. GROMMERS: Mr. Skelton?

23 MR. SKELTON: Madam Chairman and members of the com-  
24 mittee, I realize that time is growing short, but since the  
25 Department of Health and Rehabilitative Services in Florida is

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1 somewhat unique, we have handed out an organization chart to  
2 you so you would know the scope of what we are talking about as  
3 far as Florida is concerned.

4 I was appointed the Chairman of the Task Force on  
5 Confidentiality and Release of Information, by the Secretary  
6 of HRS last April, subsequent to the end of the legislative  
7 session.

8 And we have been working to develop a directive on  
9 the release of information and records, and I will be glad to  
10 provide the committee with a copy of the directive that we have  
11 developed after many hours of anguish between mental health  
12 and drug abuse and other areas within our department.

13 We have nine divisions. As you can see by the chart,  
14 that our program divisions with some 30,000 employees. This  
15 represents 40 per cent of the total employees in Florida.

16 This does not include the numerous county and local  
17 government agencies, such as county mental health centers, clinics,  
18 county welfare, adult and youth offenders, detention centers and  
19 jails, county health departments, drug abuse treatment centers,  
20 and many others which function in concert with our department,  
21 but are not accountable to the Secretary.

22 Within HRS, Health Rehabilitative Services, we have  
23 some 33 major institutions and rehabilitation centers containing  
24 30,000 clients.

25 In addition to this figure, there are approximately

-214 1 750,000 clients served directly by this department, who receive  
2 services which do not require extensive institutionalization.

3 This includes welfare recipients and others.

4 It does exclude the Division of Health, which  
5 theoretically serves all the citizens of Florida.

6 Existing policy regarding confidentiality within  
7 the divisions of the Department have been comprised of numerous  
8 federal laws and regulations, state law and administrative code,  
9 internal divisional policy or any combination of the afore-  
10 mentioned.

11 And I have for the benefit of the committee a hand-  
12 out that you can distribute at any time you see fit.

13 MR. MARTIN: It would identify all of the records  
14 within our department and the labeling as to whether or not  
15 they are available or considered confidential.

16 For example, adoption records with the Division of  
17 Family Services, which is the welfare agency, are considered  
18 closed records and are not available for anyone to view.

19 MRS. GROMMERS: Do you have sufficient copies with  
20 you right there? You might just start passing them around.

21 MR. SKELTON: What our Task Force has proposed is  
22 not the answer as to how records should be handled when requests  
23 are received, yet we feel provides a starting point to build and  
24 revise as necessary.

25 I would like to cite for you some of the problems we



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1 have encountered within this umbrella agency with a question of  
2 using a universal identification number.

3           The Task Force has barely touched on this question,  
4 as we had to first iron out the policy and procedure of basic  
5 exchange of information within our own department before we  
6 could even approach this issue.

7           I might pause here and say that the Department is  
8 only three years old. As a result of reorganization in 1969,  
9 we pulled together seven autonomous divisions, seven program  
10 divisions, and created a department, and you can imagine the  
11 chaos and trauma that goes on whenever you pull people together  
12 and say, "You are now going to work together instead of  
13 independently." It has been beneficial as far as I am concerned.  
14 We have people talking to one another that had not communicated  
15 previously.

16           Florida is now a pilot project state on two projects  
17 that I am concerned with. One is the model states project with  
18 the data center, and the other is the federal program financial  
19 planning project for which Florida is participating with HEW.

20           We have become keenly aware of the necessity for  
21 developing a universal identification system. Yet we all know  
22 that people are becoming increasingly hesitant to provide any  
23 confidential information to anyone if there is a possibility  
24 that the information will be programmed, systematized, and  
25 placed in a big computer.

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1 I think that the uncertainty of not knowing what a  
2 computer is, does, how it works, who accesses it and who does  
3 not, and general lack of knowledge contributes to this hesita-  
4 tion.

5 Perhaps this is legitimate justification, as I am  
6 not always certain that all security controls work properly at  
7 all times.

8 However, I think we would all agree that in this  
9 day in time, in years to come, we are going to be forced into  
10 an automated system in order to adequately provide rehabilita-  
11 tion and health services to the millions in need.

12 To expedite our delivery of services, to eliminate  
13 needless duplication of time and effort, to reduce costs and  
14 to be accountable to lending sources and to the public, we will  
15 have to rely on an automated system which will have to contain  
16 a universal identifier.

17 The initial problems our Task Force encountered  
18 centered around existing federal and state laws which prohibited  
19 the release of privileged communication and information to any-  
20 one without the informed written consent of the client.

21 And then the release can only be made to specified  
22 sources. For example, admissions within our Division of Mental  
23 Health are governed by state statute called "privileged com-  
24 munication." This provides that information contained about  
25 a client by a psychiatrist or a psychologist shall not be

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1 divulged to anyone and will be considered confidential informa-  
2 tion.

3 Strict interpretation would include divulging the  
4 fact that a person was seen by a physician or received services.  
5 I do not think that this particular statute is peculiar to  
6 Florida.

7 I bring this to the attention of the committee be-  
8 cause of the fact that it was raised by the community health  
9 center when they began to participate in the program planning  
10 project of HEW. A form called the SSIS form, which is the Social  
11 Services Information System form, carried the requirement that  
12 the Social Security number be obtained on every client that  
13 came into a community health center whether or not he was  
14 eligible for services. This was the form to determine whether  
15 or not he was eligible under Titles 4-A or 16 of the Social  
16 Security Act.

17 There was immediately a hue and cry against the  
18 provision of Social Security numbers. They were afraid it would  
19 be reported to Washington, into a national data bank, even  
20 though we assured them the information would be retained within  
21 the community mental health center and not transmitted.

22 The same was true of the alcohol rehabilitation  
23 centers we operate where people prominent in the community  
24 might go to the alcohol rehabilitation center and be asked for  
25 Social Security numbers. There was tremendous reluctance on the

( MV-218 1 provision of the number for that reason.

2           So, unless a system can be devised which automates  
3 the use of informed consent, enables it to be more generously  
4 and rigorously applied, and unless state and national regula-  
5 tions regarding the use and security of automated data systems  
6 are developed, the attempts to establish a universal identifier  
7 will meet with little success.

8           The umbrella concept that I have recited to you for  
9 our department was designed for several primary purposes, one  
10 of which was to effect a more complete, faster delivery of  
11 related services to the citizens of Florida.

12           With this in mind, all existing data systems within  
13 the department were consolidated into one central automated  
14 data center under my supervision and control.

15           Since reorganization in July 1969, the HRS data  
16 center has increased staff by some 350 per cent. It is the  
17 largest such center within the state, both in terms of staff  
18 and capability, as well as hardware.

19           But it is still in its infancy, awaiting the designa-  
20 tion of full-scale goals by the divisions and department.

21           Included within this entire framework is the need  
22 for some universal common identifier to be selected. To truly  
23 operate a completely automated data system for a department of  
24 our size and complexity, we find it will be almost mandatory  
25 that a common identifier be selected. This is essential if we

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1 are to expedite services without reducing costs.

2 Yet we are reluctant to establish a common identifier.  
3 Since we are closely related to HEW, being a pilot state in  
4 several projects, we know it would be mandatory for both agencies  
5 to select and use the same identifier.

6 Of course, HEW has not made a decision on that as  
7 yet. As I understand, this particular area is one of the ob-  
8 jectives of this advisory council.

9 Consequently, we are trying to wait and see what  
10 action is taken in turn by HEW. I would not presume to suggest  
11 to you any particular identifier, although the Social Security  
12 number is the most easily accessible to us, and already has been  
13 assigned to most of the people receiving services from us.

14 We have discussed the possibility of using birth date  
15 numbers, various coded numbers, combination of existing personal  
16 identifiers, and, of course, Social Security number.

17 My opinion and suggestion, however, is that something  
18 be decided as soon as possible in order for the reporting  
19 statistics and accountability to be uniform.

20 I am sure you know what it entails for data systems  
21 to try and operate on a scale of ours using a different common  
22 identifier for each large system.

23 It would also be my recommendation that strict regu-  
24 lations be established regarding security controls. Perhaps  
25 legislation should be passed by Congress which would govern

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1 access to client information, thus easing anxiety that now exists  
2 in regard to national data bank concepts.

3 We have wrestled with this problem. We have discussed  
4 it with the community mental health center to a great degree,  
5 and we do have a very serious need to have this problem as soon  
6 as possible so that we can reflect the services that are being  
7 rendered to all of the people within the various divisions.

8 As you know, vocational rehabilitation is the service  
9 agency for all of the divisions within our Department, such as  
10 corrections, youth services, mental health, retardation.

11 It is imperative that the information about these  
12 clients be available to them through the use of some common  
13 identification.

14 Thank you very much.

15 MRS. GROMMERS: We will start with some questions.  
16 May I ask you -- we will be getting some kinds of questions  
17 that will be of the type, "Why do you need a unique identifier?"

18 Could you try to be very specific, not that you would  
19 like it to do such and such, but why a unique one rather than  
20 one which is not unique.

21 Mr. Davey?

22 MR. DAVEY: I would just like to explore for a moment  
23 the question of the individual versus the family. In the case  
24 of the family, do you assign numbers to each of the members of  
25 the family, and just how does that tie in? Can they be one and

MV-221 1 the same, or could you talk -- I am a little confused about that.

2 MR. SKELTON: We are using family number in Family  
3 Services, which is the welfare agency, but it is the only  
4 division that does use the family number. The others use another  
5 designation.

6 MR. DAVEY: How would it be under the new or proposed  
7 system? Would you enumerate the people? Do you enumerate the  
8 members within the family also in these various projects, or  
9 do you give them Social Security numbers?

10 MR. ROACHE: First, I want to react a little, if I  
11 may, with your permission, Paul.

12 The Florida numbering system is a family number,  
13 but it does have also individual identifiers. The first seven  
14 digits have the family number and the next subsequent digit is  
15 the individuals in the family. The answer to your question is  
16 "yes," it would be the intent to enumerate every member of the  
17 family.

18 MR. DAVEY: So that in the statistics that were  
19 given here for the 283,000, those are heads of families or total  
20 family members, or what?

21 MR. OVERS: They are adults, children, wives --  
22 everyone has a number.

23 MR. DAVEY: You would not expect then that kind of a  
24 system that you would get 100 per cent then of all of those who  
25 had Social Security numbers? You would expect a certain number

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1 that would need to get -- that would get Social Security numbers  
2 for the first time?

3 MR. OVERS: That is right, and I think I should  
4 clarify, too, that the figures given that only 100,000 numbers  
5 were alleged and 183,000 did not have a number are misleading  
6 because the states submitted their tape listing from their  
7 records only. They did not go to the individual involved and  
8 say, "Do you have a number?" If they had done that prior to  
9 submitting the tape listing, many of these might have said,  
10 "Yes, we do, and this is what it is."

11 MRS. GROMMERS: Mrs. Cross?

12 MRS. CROSS: Pass.

13 MRS. GROMMERS: Mr. Weizenbaum?

14 MR. WEIZENBAUM: I think this may be the most  
15 important topic that we have heard about, not just today but in  
16 a number of meetings.

17 As I understand it, what we are talking about here  
18 is the enumeration of welfare clients, a national enumeration  
19 of welfare clients. Fundamentally, that is what we are talking  
20 about. Okay.

21 I would like to start with asking a couple of questions.  
22 One, in telling us about why you chose the particular states and  
23 regions that you did choose for your pilot study, one of the  
24 things you mentioned was the receptivity of the people.

What did you mean by that and, for example, did you



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1 mean that you also went to other places and found people not  
2 receptive? And in what way did they display their lack of  
3 receptivity, if that is the case?

4 MR. OVERS: I was thinking primarily of the states  
5 and the ease with which they would be able to cooperate with us.

6 Again, in terms of the computer systems, in terms  
7 of their being in the middle of acquiring computer systems or  
8 change in programs, the administrative problems that any such  
9 enumeration might pose for a state. I was not talking about  
10 receptivity of the recipients.

11 MR. WEIZENBAUM: I thought that.

12 One other question which I believe you are really  
13 not in a position to answer, though perhaps you may be. I  
14 would like to hear your reaction to this at least.

15 If one is going to undertake the enumeration of a  
16 very large segment of the population, then why start with wel-  
17 fare clients? Why not some other part of the population?

18 MR. OVERS: Well, I guess a part of that answer is  
19 that some of the provisions of H.R.-1 -- I believe this has been  
20 mentioned to you -- required that the Social Security number  
21 be used as an identifier. And we are phasing into the adminis-  
22 trative problem of having to use the number for a potential  
23 piece of legislation that is pending.

24 MR. WEIZENBAUM: Yes, I think what you are saying  
25 is that you are, in fact, not the appropriate people to ask

MV-224 1 that question of. Perhaps the authors of H.R.-1 or those who  
2 support H.R.-1 should be asked instead of you.

3 MR. OVERS: Of course, we are an administrative  
4 agency and we are doing the administrative planning that is  
5 required to implement potential legislation like this.

6 MR. WEIZENBAUM: I don't think I should push this  
7 questioning of you any further on this particular line, because  
8 I am pretty sure you are not the right people to ask.

9 Let me just indicate what I am leading to in any  
10 case, if I may.

11 MRS. GROMMERS: Please.

12 MR. WEIZENBAUM: I think the rationale for enumerating  
13 welfare recipients is that the enumeration, when completed, will  
14 make it easier to deliver services to the clients in a uniform  
15 way. It will make it easier to detect duplication of services,  
16 to detect fraud, and that sort of thing.

17 And ultimately, I think the basic consideration is one  
18 of efficiency.

19 And even more ultimately, beyond that, is that there  
20 is a saving of money involved. All these services could, in fact,  
21 be delivered without an enumeration. There would be some  
22 duplication if it were done as it is being done today without  
23 duplication, and that duplication, some of it fraudulent, and  
24 some not, would cost a lot of money.

25 Of course, the system you are talking about would also

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1 cost a lot of money.

2 Now, we could take an entirely different attitude.  
3 One could, say, enumerate all people who file income tax returns  
4 indicating an income, whether taxed or not -- I forget what  
5 that is called -- gross income -- indicating an income of  
6 more than \$20,000 a year. Enumerate those people. Okay.

7 And do all the cross-checking and so on that such  
8 an enumeration would then allow, and the rationale behind that  
9 would be that one would in fact collect a lot of money, where  
10 collection here is a kind of savings because in effect the  
11 people from whom we are not collecting this kind of money at  
12 the moment are getting the benefit -- perhaps illegal, but  
13 nevertheless a kind of benefit.

14 I suggest the phrase you used earlier, "the receptivity  
15 of the people," is in fact a very loaded phrase, loaded with  
16 meaning -- perhaps not what you intended but nevertheless it  
17 turns out that the people, the population we are talking about,  
18 that is, the welfare clients, are in fact receptive in the sense  
19 that they are in no position to complain.

20 They do complain occasionally, as pointed out that  
21 25 per cent of the requests of one kind or another simply don't  
22 come back. That is a kind of silent complaint.

23 I think this is very near to the heart of one of  
24 the main themes that this committee should eventually be looking  
25 at, and I think that this is not something that you can decide,

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1 and I don't think it is useful to push this line of inquiry  
2 further with you.

3 But I thought it important to at least put it on  
4 the record that this is what I have in mind.

5 MRS. GROMMERS: Mrs. Gaynor?

6 MRS. GAYNOR: Pass at the moment.

7 MRS. GROMMERS: Mrs. Gaynor, would you like to have  
8 someone else present a question for you so you don't have to  
9 use your voice?

10 MRS. GAYNOR: No, I will come back.

11 MRS. GROMMERS: Mr. Gallati?

12 MR. GALLATI: I just want to make sure I understood  
13 correctly. If I gather correctly what you gentlemen are saying,  
14 the main reason that you are going the route of the Social  
15 Security number is the imminent passage of the H.R.-1. This  
16 is your overriding consideration, is that correct?

17 MR. ROACHE: Yes. I don't know whether I agree  
18 with the word "imminent," but in any event, expected passage  
19 of the welfare reform legislation, let's say.

20 MR. GALLATI: And I haven't looked into all the  
21 ramifications beyond that. In other words, you feel you have  
22 a compulsion to do this because of this demand that would be  
23 made upon you in light of H.R.-1?

24 MR. ROACHE: I think it is stated earlier that it  
25 is really a question of efficiency, and this is what we are

IV-227 1 looking for. Efficiency and economy in administration of the  
2 program.

3 It might be useful, if you are not aware of some of  
4 the provisions of H.R.-1 or some of the other versions of  
5 welfare reform, that much of the administration would pass  
6 from the states to the federal government.

7 And the need for interchange of data would increase.  
8 And there are some required services that would be provided  
9 which means that that interchange would be perhaps, we believe,  
10 two-directional -- back and forth.

11 And whether you use Social Security number, or name,  
12 date of birth, sex, or what, to identify the individuals, there  
13 must be some common rules of the game so we can communicate  
14 intelligently the information we are exchanging.

15 MR. GALLATI: There's no question about that in my  
16 mind. The only question I have is this common identifier --  
17 be it what it may -- is no longer considered an option to you.  
18 You now have to go by Social Security number because of H.R.-1.  
19 So, in effect, you are controlled by H.R.-1. This gets back to  
20 what Joe is pointing out, that we shouldn't be really asking  
21 you these questions because you are bound by H.R.-1, or at least  
22 you feel you are.

23 MR. ROACHE: The provision of H.R.-1 is for the use  
24 of the Social Security number.

25 MR. WEIZENBAUM: You have run out of degrees of

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1 freedom.

2 MRS. GROMMERS: What are you going to do when H.R.-1  
3 is not passed?

4 MR. ROACHE: Well, I made a statement earlier that  
5 we have an existing and we expect a continuing need for inter-  
6 change of data. And we believe that there is a need for this  
7 kind of identifier, whether H.R.-1 is passed or not.

8 And, again, I am not sure we should talk about H.R.-1.  
9 I think we should talk about welfare reform. We don't know what  
10 is going to be passed. We have had so many different versions.

11 But we expect welfare reform legislation and we ex-  
12 pect that will increase the interchange of data on welfare  
13 clients.

14 MRS. GROMMERS: But you are really able to do this  
15 on your own, independent of any welfare reform. Supposing  
16 welfare reform is abolished? You are still able to do this  
17 under your own authority. So I think probably questions could  
18 be addressed to this question.

19 MISS NOREEN: I pass again for the moment.

20 MRS. GROMMERS: Mr. Miller?

21 MR. MILLER: I am just curious whether you have any  
22 theory as to why you only had 57,000 correlations with the  
23 100,000 Social Security numbers. That seems abysmally poor  
24 for something that is thought to be the great universal solvent.

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1 MR. OVERS: I really don't have any theories at this  
2 point in time. We haven't evaluated the results because the  
3 whole pilot is not complete.

4 There are even considerable differences between  
5 states in terms of correlations. Mr. Bridges and I were talking  
6 about that this morning. The fact that in Georgia there were  
7 fewer verifications than in other states by approximately 20  
8 per cent, and neither one of us have been able to figure out  
9 why at this point in time.

10 MR. MILLER: You can't figure out whether it is in  
11 your records or the state records?

12 MR. OVERS: No, we can't, or whether it is charac-  
13 teristic of the population or whether it is -- we just don't  
14 know.

15 MR. MILLER: It might ultimately tell you something  
16 about the utility of the Social Security number.

17 MR. OVERS: It might.

18 MRS. GAYNOR: I just wanted to ask what is the cost  
19 of this pilot project that you are going ahead on?

20 MR. OVERS: I can't answer that question.

21 MRS. GAYNOR: How could you do a project and not  
22 know the cost? I don't understand this. Don't you get funded  
23 for this?

24 MR. OVERS: I will be glad to furnish the group  
25 that statistic.

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1 MRS. GAYNOR: Could you, please?

2 MRS. GROMMERS: Could we also know who was the  
3 decision-making focus? Who decided to go ahead with this?

4 MR. OVERS: I think we know that. It would be the  
5 Commissioner of Social Security and the Commissioner of SRS.

6 MRS. GAYNOR: The decision to go ahead with this  
7 was with the Commissioner?

8 Does this also come from the Secretary in any way?

9 MR. OVERS: The Secretary was informed, yes.

10 MRS. GAYNOR: He was informed, but the decision was  
11 made at the Commissioner level?

12 MR. OVERS: I am sure the Secretary concurred or it  
13 would not have proceeded?

14 MRS. GAYNOR: Is that true?

15 MR. OVERS: I must make that assumption. I wasn't  
16 privy to the discussions.

17 MRS. GAYNOR: Well, I am a little afraid of assumptions  
18 sometimes, that is the only reason I asked.

19 MRS. GROMMERS: Do you know when the decision was  
20 made? Just in terms of time?

21 MR. CLEAVER: I can answer as far as hard copy. The  
22 program instructions which announced the SRS concurrence was  
23 dated January 14 of this year, and there is other material  
24 which Social Security Administration put out which has another  
25 date on it prior to that, I believe, in December, because it



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1 took a while for us to get our papers out.

2 MRS. GROMMERS: About the same time this committee  
3 was being formed. And after the testimony before the other  
4 committee.

5 Mr. Muchmore?

6 MR. MUCHMORE: Pass. Specifically because of the  
7 fact that I am interested in the project in a different way.  
8 Namely, the fact that we are verifying some of the work -- the  
9 company I am with.

10 MRS. GROMMERS: You are interested?

11 MR. MUCHMORE: I am an interested participant.

12 MRS. GROMMERS: Mrs. Silver?

13 MRS. SILVER: I have not so much a question as an  
14 observation. I was a little amazed at the number of alleged  
15 numbers that didn't check out. I was also interested in the  
16 letters you sent requesting the people to apply, and you got,  
17 as I remember, the statistics, roughly half of them back, which  
18 is not very many in a way, and in a way it is also an astonish-  
19 ing response to a mailing, because so often mailings of that  
20 magnitude you will be lucky to get maybe 10 per cent back.

21 I am not sure if subsequent mailings would help  
22 that much. You might have to go back and call and see them, or  
23 whatever, because you waste a lot of time with mailing.

24 MR. MUCHMORE: May I go back and pick up a question  
25 which follows hers? It is recipients in every case that you

AV-232 1 dealt with, correct?

2 MR. OVERS: Correct. I think I need to make it clear  
3 that the mailing of the applications for a Social Security  
4 number for those people that we didn't verify, for those people  
5 that didn't have a number -- that did not come from the Social  
6 Security Administration. This request came from the states.

7 MR. MUCHMORE: That is the point I want to make.

8 MR. CLEAVER: But if I can add, as I remember that  
9 chart, some of the mailings were as late as in July. This is  
10 now August, and I am sure some of these statistics were perhaps  
11 developed for the committee report, and I think we are talking  
12 about fairly preliminary figures as far as when a mailing is  
13 normally considered to be finished or ready for recycling.

14 It seems to me a month, roughly, is not a long time.

15 MR. OVERS: And you would have to know how many of  
16 the applications which were mailed actually reached the addressee.

17 MRS. GROMMERS: Mr. Burgess?

18 MR. BURGESS: Maybe there will be a question at the  
19 end, but I might make an observation.

20 I would like to commend Mr. Skelton from Florida for  
21 this documentation, which is really the first piece of information  
22 of this kind that we have had about the range of information of  
23 data that are maintained by an agency -- in this case a state  
24 agency -- and the extent to which it is available.

25 And I just glanced through this compilation, but it

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1 just incredible to me to note the relatively few classes of  
2 information on which there are restrictions for its diffusion,  
3 to the extent that medical records, correspondence, narrative  
4 records of personal information with respect to family services  
5 is available to other state and federal agencies.

6 And I think another inference -- I think that is a  
7 very useful thing for the committee to see -- and I think there  
8 is another inference that one can make from this and that is  
9 in almost every case where there is an X, that is, where the  
10 information, where the file is closed, in almost every case  
11 that X is based on a statutory obligation or a responsibility,  
12 which suggests that information is available generally unless  
13 there is a statute prohibiting its diffusion.

14 And I think there are implications for the committee  
15 with respect to that inference about alternative ways of pro-  
16 tecting the diffusion of information without going the statutory  
17 route.

18 Let me just ask one question at the end of this.  
19 That is, what is it that -- and anybody could answer this who  
20 wanted to -- why is it necessary in the name even of efficiency  
21 to diffuse information to other agencies about things like  
22 the family services category, things like medical records and  
23 narrative recordings of interviews, and things like that?

24 MR. ROACH: Let me take a crack at it from the  
25 standpoint of some very new legislation we have now which we

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1 refer to as the WIN -- Talmadge amendments. This requires  
2 registration of employable welfare recipients for employment  
3 with the Department of Labor and the determination of employ-  
4 ability can be influenced by medical records, the medical health  
5 of the adult or of children in the family. That is one  
6 example.

7 MR. BURGESS: But why couldn't -- if somebody applied  
8 for employment, why couldn't the medical information be gained  
9 at that time?

10 MR. ROACHE: Well, in the first place, it is not a  
11 voluntary application for employment. It is a mandatory ap-  
12 plication. If an adult member of a family is employable, you  
13 have to make the determination of employability, and that  
14 determination is influenced by their state of health and the  
15 state of health of other members of the family.

16 If there is a disabled member in the family that  
17 needs the care of an adult, that adult is not employable.

18 MR. MILLER: I just want to connect with Phil. Be-  
19 cause I noticed this very helpful chart. Just for the record,  
20 and for the attention of the committee members who might not  
21 have noticed it, over on this chart -- HBI record -- which  
22 presumably is the NCIC record we heard about this morning --  
23 is marked A, available for other HRS agencies, and is also  
24 marked A, available for other state and federal agencies.

25 Mr. Roderick is telling us that they insist on the

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1 NCIC terminal being in the hands of a law enforcement agency  
2 in Florida. That is all very well and good, but apparently  
3 under Florida law, whatever comes into that NCIC terminal is  
4 available to other state and federal agencies.

5 MRS. GROMMERS: Mr. De Weese?

6 MR. DE WEESE: That is a point I also noted, and,  
7 if you will notice also, this information will go to the  
8 vocational rehabilitation segment, and I would venture to say  
9 probably this is connected with the state employment service  
10 and this will be a direct funnel to private employers of criminal  
11 justice information, which is what the FBI claims doesn't happen,  
12 but in fact it does through systems like this, subterfuges  
13 like this.

14 MR. SKELTON: Dr. Miller, I would like to clarify  
15 that. Those are individuals who have been convicted of crimes  
16 and not alleged.

17 MR. WEIZENBAUM: Are you sure about that? We heard  
18 Inspector Roderick of the FBI this morning, and he told us about  
19 the FBI files, that those files, although referred to on the  
20 order of 30 times this morning alone by him as "criminal history"  
21 files, and this is often amended to read "serious criminal  
22 history" files, but in fact they are arrest records, which  
23 sometimes result in convictions, but very often not.

24 Now, are you still sure of what you say?

25 MR. SKELTON: They are arrest records. The record I

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1 am referring to is a file of people, of convicted felons.

2 MR. WEIZENBAUM: I am talking about the FBI records.

3 MR. SKELTON: Yes. The FBI records on file in the  
4 Division of Corrections on individuals convicted of crimes.

5 MR. MILLER: We are talking about the availability  
6 of the FBI criminal history files coming in on the NCIC terminal  
7 in the State of Florida.

8 MR. SKELTON: I know nothing about that.

9 MR. GALLATI: Can I help a little on this? One must  
10 recognize the fact that Mr. Roderick this morning was talking  
11 in terms of the NCIC. The NCIC probably has never contributed  
12 to these records here.

13 These are FBI records from the Division of Identifica-  
14 tion, presumably, which is the manual system which has been  
15 going on for the last 30 or 40 years.

16 The NCIC records today are so minimal -- there are  
17 only 165,000 records in the NCIC, nationwide -- and as far as  
18 terminals are concerned, they are very, very closely guarded,  
19 the terminals.

20 MR. MUCHMORE: Also, he continually at the same time  
21 separated a seven-month history from a manual history, so there  
22 is all the difference in the world.

23 MR. GALLATI: Right.

24 MRS. GROMMERS: Mr. Siemiller?

25 MR. SIEMILLER: Pass.

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1 MRS. GROMMERS: Mr. Aronoff?

2 MR. ARONOFF: As I gather it, the two commissioners  
3 developed a policy that it would be necessary to gear up for  
4 H.R.-1, which policy was at least impliedly approved by the  
5 Secretary on January 14 of this year, and then in order to go  
6 forward, you notify -- let me finish my statement, and then you  
7 can correct me -- you notified, if I read the staff papers cor-  
8 rectly, all the states generally of your intention and then  
9 took a pilot program with five states in order to help your-  
10 selves, and that the reasons this was done was because of the  
11 efficiency and because of the necessity of H.R.-1.

12 In developing your pilot program, which was going to  
13 increase your efficiency on the one end, did you also develop  
14 standards of confidentiality of the records that you were going  
15 to be getting in anticipation of H.R.-1, that you would plug  
16 into that same pilot program?

17 MR. ROACHE: Let me make a statement on that first,  
18 and then let the others elaborate on it.

19 The answer I think is "no," we did not. We do have  
20 regulations covering the safeguarding of information, and with  
21 respect to specific safeguards for this particular enumeration,  
22 I believe the answer is "no."

23 MR. OVERS: The same regulations apply. The states  
24 are bound by the same regulations that they would be bound by  
25 in any data interchange with the Social Security Administration

( MV-238 1 with respect to benefits payable under the Title.

2 MR. CLEAVER: Another point is the only additional  
3 information that isn't on the standard application for Social  
4 Security number was the welfare identifying number, so it could  
5 go back through the office and maybe the category of assistance,  
6 so that we get some idea of how they are spread out and who has  
7 what numbers in what categories.

8 Presumably the adult categories are pretty well  
9 enumerated and presumably the children are not. But these are  
10 presumptions.

11 But as I understood your question, you said the two  
12 commissioners decided on policy to go ahead with H.R.-1.

13 MR. ARONOFF: No, I don't think I said that. I said  
14 "in anticipation of."

15 MR. CLEAVER: All right. Sorry.

16 MR. OVERS: I may have misunderstood, too, whether  
17 or not you said the two commissioners decided to go ahead with  
18 welfare enumeration generally, and then selected five states.

19 Basically, the commissioners decided to pilot enumera-  
20 tion of five states and then to determine what the administrative  
21 problems and so forth were, if and when we move ahead.

22 MR. ROACHE: We published a program instruction to  
23 all states.

24 MR. ARONOFF: Right. I am reading from the staff  
25 paper. You didn't say that, but I am taking -- there was a



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1 memorandum that went out to all states, wasn't there?

2 MR. OVERS: Right, telling them of this enumeration.  
3 A part of that was due to the fact that the states -- not all  
4 the states, but many states -- were asking us to move ahead,  
5 both SRS and Social Security, to move ahead, and what our plans  
6 were, and in some cases they were moving ahead on their own.

7 And this, of course, as a kind of a planned status  
8 report, then tends to give those states that would normally  
9 have gone ahead some motivation to wait and see what happens  
10 with that kind of a pilot.

11 MR. ARONOFF: If we start from that point, then,  
12 if H.R.-1 were to be enacted, it mandates that the Social  
13 Security number will be used, and I assume that in its course  
14 H.R.-1 has also had the benefit of the expertise of various  
15 commissioners and people working under the commissioners.

16 Do you assume negatively then that it is the position  
17 of the Department that the present rules regarding confidential-  
18 ity, the present law regarding confidentiality, are sufficient  
19 to take into consideration wide use of the Social Security  
20 number now as an identifying number? By not doing anything  
21 in that direction, do we assume, then, that it is the position  
22 of the commissioners, if not the Department, that the present  
23 laws are adequate?

24 MR. ROACHE: We are examining with associations such  
25 as the Society of Mental Health, and others of this category,

IV-240 1 this whole business of confidentiality to determine the adequacy  
2 of our regulations.

3 And this really has nothing to do with the Social  
4 Security account number per se. Whether we use the Social  
5 Security account number or not --

6 MR. ARONOFF: This crystallizes it.

7 MR. ROACHE: That is right. So, no, I wouldn't  
8 dare say we have to assume our regulations provide full safe-  
9 guards.

10 MR. BURGESS: Except the Social Security number ex-  
11 acerbates the problem.

12 MR. ROACHE: Exactly. It highlights it.

13 MR. BURGESS: It more than highlights it. It  
14 transforms it into a much more immediate thing.

15 MR. ARONOFF: Would it be too much to ask that this  
16 committee receive the benefit of some of the thoughts that you,  
17 that HEW itself, that the various commissioners have with re-  
18 gard to the issue of confidentiality?

19 In some ways, I suppose we are supposed to be advis-  
20 ing the Secretary and you, but, on the other hand, maybe you  
21 ought to be advising us as to how far you have already gone  
22 yourselves on this subject.

23 MR. ROACHE: Would you like copies of the existing  
24 regulations?

25 MR. ARONOFF: That we have, I think. If I understood

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1 you correctly, I think you said there are existing regulations,  
2 but you are not prepared to say that these regulations are  
3 adequate, and, in fact, you yourselves are thinking in terms  
4 of added confidentiality, irrespective of what the identifying  
5 number is.

6 MR. ROACHE: We are certainly exploring the adequacy,  
7 particularly in the area of mental health, at the moment, be-  
8 cause of the condition that arose in Florida.

9 MR. BURGESS: Can you follow up on that? What would,  
10 in your judgment, from an administrative point of view be the  
11 implication of a decision some place that would not allow you  
12 to use the Social Security number?

13 MR. ROACHE: Do you want a personal judgment? I  
14 think we would still exchange records, but we would do it on  
15 those data elements that are sufficient to uniquely identify  
16 the record that we are exchanging and the name would be suf-  
17 ficient.

18 MR. BURGESS: The name and birthdate?

19 MR. ROACHE: Right. You have to have some -- you  
20 certainly have to have some uniformity with respect to the  
21 syntax of the name, and then you have to have identification  
22 of other data elements that would break the tie when names  
23 duplicate one another, and obviously there is date of birth  
24 and sex and those kinds of information.

25 MR. BURGESS: So you are saying it would not be a

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1 disaster?

2 MR. ROACHE: Well, you would have to define disaster.  
3 From a systems point of view, it is a disaster, but it is not  
4 an impossibility.

5 MRS. GROMMERS: Would you be interested in looking  
6 at the relative cost? You might find out it was cheaper.

7 MR. ROACHE: To go the name route without the number?

8 MRS. GROMMERS: As opposed to what you are doing  
9 now. I hope you are getting good cost data on this experiment.  
10 Are you getting good cost data? Are you getting any  
11 cost data?

12 MR. ROACHE: No, we haven't.

13 MRS. GROMMERS: Is there any way to?

14 MR. ROACHE: Are you talking about a cost benefit  
15 analysis of the use of a number versus a use of other identify-  
16 ing data? We have not done this.

17 MRS. GROMMERS: It is going to cost you a lot. You  
18 are in the middle of an enumeration process and you are able  
19 right now, if you are in the middle of the process, to get  
20 data on what it will cost you per person to enumerate, and, if  
21 you could get that data while you are doing it, and compare it  
22 with what it might cost you on a sample basis to just use the  
23 birth date and name, it might be very interesting.

24 MR. OVERS: A budget was prepared for this, and as  
25 I mentioned before, I don't have the cost figures. We will

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1 furnish them and that does include an analysis of what it costs  
2 for numbers under this kind of a system. I don't believe it  
3 would include the state costs.

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1 MRS. GROMMERS: Some people exceed their budgets  
2 when they are going through their projects, so I mean if you  
3 have an ongoing figure, I think it might be very helpful.  
4 Is there any way you could do this? Get such a figure?

5 MR. OVERS: I will ask, but I can't tell you.

6 MRS. GROMMERS: Mr. Dobbs?

7 MR. DOBBS: This is going to be a sort of a long,  
8 difficult question for me to phrase, but it derives  
9 partially from the line Joe started and others I think have  
10 suggested.

11 The part of the privacy problem does derive from  
12 the fact that you are aggregating data and you are using  
13 this kind of identifier. And you find yourself doing this  
14 at this point in time because someone has established an  
15 objective in the form of welfare reform, as you put it, which  
16 gives some impetus. And the SRS administrator, for example,  
17 in terms of his rationale, points out that in preparing for  
18 HR-1 and its inherent need for interchange, et cetera, et  
19 cetera, that this identification aggregation must be employed  
20 so that income verifications can be made, so that duplicate  
21 payments can be avoided, and that the continuation of needed  
22 services is assured.

23 So that I take it to be the set of objectives  
24 which are to be observed by this.

Yet when I look in the information published by

1 SRS in terms of this brochure which is sort of a public  
2 information oriented kind of thing, that points out that  
3 in fact the problems which are associated with abuses  
4 concerned with overpayment and ineligibility seem to have  
5 arisen as errors that were identified as honest mistakes by  
6 state and local welfare agencies or recipients, operating  
7 under complex rules, et cetera, et cetera.

8 I wonder whether the emphasis is not misplaced.  
9 Am I phrasing the question clearly? That is to say, that if  
10 the problem derives as reported here, is it clear to you  
11 gentlemen that by aggregating data for the purposes stated,  
12 that is income verification and duplicate payments, et  
13 cetera, will in fact address the problems that welfare abuses  
14 have been reported?

15 MR. ROACHE: There is no intent here to imply that  
16 the only purpose for verification is to detect fraud and  
17 abuse. It is to detect errors, be they intentional or un-  
18 intentional.

19 It is to detect duplication, be it intentional or  
20 unintentional.

21 And I don't think this in any refutes the objective.  
22 In effect, it completes it.

23 MR. MARTIN: Let me try the question in a  
24 slightly different way, Mr. Roache. If the brochure to which  
25 Mr. Dobbs has referred is accurate in its assessment of the

1 reasons for the rate of error, then how does a more  
2 complicated, a more sophisticated way of measuring and  
3 identifying the rate of error get at the cause of the error  
4 which is said in the brochure to be the complexity, the  
5 mystification, the difficulty of the rules of the game as they  
6 now exist, which the improved techniques for measuring the  
7 error and identifying are going further to complicate, not  
8 to simplify?

9 In effect, as I understand Mr. Dobbs' question,  
10 he is saying you have identified that the problem is the  
11 complexity of the system. You want to measure the problem  
12 more carefully by complicating the system in order to solve  
13 the problem.

14 And there is a certain illogic in that process.

15 MR. ROACHE: I didn't get that out of it, because  
16 HR-1 is intended to simplify.

17 MR. MARTIN: We are not talking about HR-1. We  
18 are talking, I think, in the first instance, about what  
19 you are doing now.

20 MR. OVERS: May I take a stab at that, Mr. Martin?  
21 I think this goes back to the question of what would happen  
22 if we didn't use the Social Security number which someone  
23 raised. And again, this is the administrative thing.  
24 Under a part of a provision of welfare reform, I am sure you  
25 are acquainted with the fact that we have levels of payment



1 that are dependent upon other resources -- earnings,  
2 veterans' payments -- and the Social Security number is  
3 used to report earnings, and if we are going to make a  
4 determination of eligibility on the basis of total income,  
5 earnings, Social Security benefits, other income, most of  
6 those things are reported, or many of these things are  
7 reported, by a Social Security number.

8 Certainly the earnings of an individual are.

9 And the amount of a Social Security benefit  
10 that is payable is tied into the Social Security number.  
11 So if we are trying to determine whether an individual's  
12 income is \$110 a month and he is eligible for \$135, we have  
13 to establish that it really is \$110, and it is best  
14 determined by the Social Security number.

15 MR. DOBBS: One can carry that argument, it seems  
16 to me, farther in the sense that if in fact that is what you  
17 would like to achieve, which might be a legitimate objective,  
18 you might not even require the recipient to furnish you  
19 income information at all. In effect, you are saying you  
20 have it all somewhere. Is that not true?

21 MR. OVERS: It is possible. Earnings are reported,  
22 yes.

23 MR. ROACHE: It is verifiable information.

24 MR. DOBBS: You know, in effect, and in fact, you  
25 not only know, but the procedure dictates that you must

1 look at every potential record that contains income informa-  
2 tion, so you may as well not even ask him.

3 You said, in fact, "I have an accurate record."  
4 So you can think of it at those two extremes. If efficiency  
5 is, in fact, what you are aiming at.

6 MR. ROACHE: You know, redundancy detects errors  
7 in many cases, and if you rely on one record, then you  
8 eliminate redundancy, and you eliminate the ability to check.

9 So, yes, we can say we have it, but it's only as  
10 good as the accuracy of the records in which we are carrying  
11 it.

12 MR. CLEAVER: Could I make a comment?

13 The thing that comes out to me as I listen to  
14 the circular logics argument is the fact that many of these  
15 statistics -- they report the complexity of it -- are just  
16 perhaps because of the very thing that we don't have an  
17 identifier. People are doing it manually, reading all the  
18 rules and regulations, and the decisions they make. Let's  
19 say in very general terms it can be computerized. I am not  
20 saying that would happen, but I think maybe we are looking  
21 at the back end of the picture of the reasons why some of  
22 this stuff happens over here.

23 And another point that I would like to make is  
24 that if you are going to not use the Social Security number  
25 and you are in fact going to go to the other agencies with

1 some combination data elements, you have to assure that all  
2 those data elements are in all the other agency records, and  
3 if they are not, you have to get them in there somehow or  
4 change your identifier. I don't see that as a simpler  
5 problem.

6 MR. BURGESS: From the testimony we have had,  
7 there are very few attributes of individuals that are not  
8 in every form that is collected for whatever purpose.

9 MR. ROACHE: Are they uniformly configured?  
10 And this would have to be faced. I agree with you, you are  
11 probably right. But they would have to be uniformly con-  
12 figured or some conversion technique.

13 MRS. GROMMERS: A computer could do something  
14 about that. They wouldn't need to be really uniform. But  
15 at any rate that would be a computer type problem, if you  
16 were doing it with a computer.

17 Could we go to Mr. Ware?

18 MR. WARE: The point I want to speak to has been  
19 touched on to some extent, two or three times. But let me  
20 rephrase it and make sure I understand what I am hearing.

21 The arguments that we have heard for the Social  
22 Security number, the universal identifier, et cetera, have  
23 always been very subjective ones. It is in the name of  
24 efficiency, computer systems have to talk together, et  
25 cetera, et cetera.

1 I have a very clear impression there has been  
2 no serious analytic effort applied to the question of how  
3 do we make the federal government talk to the states about  
4 these areas of data.

5 I was under the impression there had been no  
6 studies that have addressed the question of what do we pay  
7 if we have a universal identifier, and what do we have to  
8 pay if we don't. Is that an accurate impression?

9 MR. ROACHE: I would say so.

10 MR. WARE: It would be spooked into an ad hoc  
11 arrangement by the pressure of time.

12 MR. ROACHE: Yes.

13 MRS. GROMMERS: Mr. Ware, would you make the point  
14 that you made to me, too, at lunch about the differences  
15 between what we are really talking about, identifiers --

16 MR. WARE: I will state it, but we can't clarify  
17 it here. I was saying to the chairman earlier that at some  
18 point this committee ought to address the very careful  
19 semantics distinction between identification and authentica-  
20 tion, which is a distinction made extremely carefully,  
21 especially on the defense side of government.

22 And that the Social Security number may well be  
23 an authenticator and may well not be an identifier.

24 MR. CLEAVER: I don't know how it responds to  
25 your question. I wonder if the planners would agree, perhaps,

1 if there has been no study.

2 MR. WARE: I am just relating the impression I  
3 get from listening to fellows like yourself talk, and on  
4 other occasions.

5 MR. ROACHE: I think it is safe to say we, as a  
6 body -- as Bill pointed out, there are other planners who  
7 aren't represented here. I don't know what efforts they have  
8 made.

9 MR. WARE: We have no hard numbers.

10 MR. MUCHMORE: There have been program numbers  
11 and cost numbers submitted to the Senate on the hearings  
12 relative to this.

13 MR. WARE: Of the consequences of not having a  
14 universal identifier?

15 MR. MUCHMORE: No, of the relationship between  
16 the cost of one program over the other in relation to the  
17 states.

18 MR. WARE: But as a decision-maker, how do I make  
19 a rational decision without knowing the cost of the alterna-  
20 tive?

21 MR. MUCHMORE: You don't.

22 MRS. GROMMERS: One of the things you appear to  
23 be looking for here is an authenticator as opposed to, or  
24 perhaps in addition to. Mr. De Weese?

25 MR. DE WEESE: Yes. In your security brochure,

1 you talk about -- that all files, for example, if they are  
2 marked A, are available to all federal, state and local  
3 agencies on a need-to-know basis. I am always intrigued  
4 by the need-to-know basis, and I wonder how you define  
5 that.

6 MR. SKELTON: This is one of the areas we had  
7 to wrestle with the various divisions in our department about  
8 to make sure there are not unreasonable requests made for  
9 information that would require a lot of time to develop.

10 MR. DE WEESE: Time -- that is the criteria?

11 MR. SKELTON: That is mainly the criteria. We  
12 had a serious discussion on this the day before yesterday,  
13 trying to finalize the directives where they brought up this  
14 subject, for example, if somebody in one of the divisions  
15 wanted to know how many blue-eyed inmates we had in the  
16 Division of Corrections, would this be worthwhile information  
17 to develop, and the Corrections people might come back and  
18 say, "I don't think that is a reasonable request to make."

19 MR. DE WEESE: So he didn't have a proper need  
20 to know?

21 MR. SKELTON: No. Now they can appeal that on a  
22 lower level. If the person down below in the research  
23 section says, "I don't think you need that," and the other  
24 guy says, "Yes, I do," they get the two division directors  
25 together and they decide whether they are going to get it.

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1 But whether or not the request is reasonable is  
2 the criteria we use.

3 MR. DE WEESE: Then by a need to know, you don't  
4 mean balancing the needs of the individual and having the  
5 record kept private against the interests of the person  
6 seeking the record?

7 MR. SKELTON: No.

8 MR. DE WEESE: Okay. I want to make one more  
9 point.

10 MR. SKELTON: Can I use another example?

11 Vocational Rehabilitation counselor comes into  
12 the state mental hospital and he would like to look at the  
13 file of an individual who is about ready to be released from  
14 the mental hospital, and he comes in and says, "We are going  
15 to try to place this individual in a rehabilitation situation."

16 And the counselor in the hospital says, "I don't  
17 think that is any of your business."

18 At that point, he gets a little serious discussion  
19 on a little higher level, because rehabilitation has made a  
20 decision to try to do something for this individual whom  
21 they have been advised is ready to be released. So the  
22 rehabilitation counselor says, "I need to know it," and the  
23 other says, "I don't think you do."

24 But if he can't convince him that he needs to know  
25 it, it comes to a higher level.

1 MR. WEIZENBAUM: The clinching argument the  
2 counselor can make is, "Oh, come on, it's right there, it  
3 will only take a second to show it to me." That is what you  
4 said. That is the clinching argument.

5 MR. DE WEESE: Before you said these were convicted  
6 felons. According to this chart, you maintain also records  
7 on 118,000 juveniles, people who are juvenile delinquents,  
8 possibly not even youth offenders, but just delinquents or  
9 truants or something.

10 So we are not talking about convicted felons, but  
11 juvenile delinquents.

12 MR. SKELTON: Those records are very confidential.

13 MR. DE WEESE: But they are classified according  
14 to the same need-to-know basis.

15 MR. SKELTON: But that is within the same HRS  
16 agency.

17 MR. WARE: Need to know is generally simply a  
18 certain indication that an individual must have some access  
19 to some information to do his job, whatever his job is.

20 MR. DOBBS: Within his agency.

21 MR. ARONOFF: Something less than a subpoena.

22 MR. WARE: It is an administrative certification  
23 that he has to have access for something he is supposed to do.

24 MR. MARTIN: As determined by the requestor.

25 MR. WARE: No, as determined by the job he is



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1 assigned to do by his superior.

2 MR. DE WEESE: I assume a private corporation, a  
3 personnel officer, would have legitimate need to know  
4 criminal records.

5 MR. WARE: No. How do you deduce that? He has  
6 got a big desire, maybe, but the keeper of the criminal  
7 records has not asked that personnel officer to do any job.

8 MRS. GROMMERS: Senor Anglero.

9 MR. ANGLERO: Here we have a presentation from  
10 the state level. I would like to have a reaction to what  
11 we might see, like a take-over from the federal level or  
12 regional services that have been administered at the state  
13 level, specifically the ones provided through proposed  
14 legislation, HR-1, and I would like to know also, in terms  
15 of policy, first, you feel there would be a trend to  
16 federalize programs that presently exist as far as the  
17 states demonstrated supposedly an inability to handle them.

18 We know some of this. Yesterday we talked with  
19 the Indian Health Services and one of the unique services  
20 that are provided through the Department of Special Affairs,  
21 and also we have the Social Security Administration. It is  
22 not services, but in some ways payment, and we have now what  
23 we might have under HR-1 in some aspects -- not all of it.

24 And we can look forward at the state level,  
25 county level, local government level -- we will always have

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1 problems in servicing that will direct us to try to  
2 centralize all these services toward federalization.

3 The rest is a problem for myself. And second, I  
4 don't know how many of the states have adequate capability,  
5 in this case, ADP operating systems, and in such a way that  
6 not only this aspect of their autonomy could be in jeopardy,  
7 but also available to know the socio-economic conditions of  
8 the population and to make the decisions that could be  
9 hampered by the centralization of the programs like this.

10 MR. ROACHE: I am not sure I got the question.  
11 Did you make a comment or a question?

12 MR. ANGLERO: I would like to have someone from  
13 the states react first.

14 MR. BRIDGES: To the federalization?

15 MR. ANGLERO: I know many governors have  
16 reacted to this H.R.-1. Some say it brings us federal  
17 sharing, but we will take welfare. But there is more things  
18 behind that.

19 MR. BRIDGES: Well, our state -- Georgia -- is  
20 in favor of federalization. And I think the majority of  
21 the states are. I have seen votes that were taken and they  
22 are in favor of it.

23 MR. ANGLERO: Is it the same?

24 MR. SKELTON: The state of Florida spent  
25 considerable time analyzing H.R.-1, trying to find out really

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1 how much more it was going to cost the state. We finally  
2 came to the conclusion it was really going to cost the  
3 state of Florida a heck of a lot more than we were spending  
4 on welfare today.

5 And endorsement of H.R.-1 was less than  
6 enthusiastic by the state of Florida. As a matter of fact,  
7 the Congressional delegation from Florida voted ten to two  
8 against H.R.-1.

9 Mrs. Gaynor, did you have a comment?

10 MRS. GAYNOR: In following up this same thing,  
11 I think this is one of the things I was attempting to look  
12 at when I asked the cost of the program itself.

13 It seems to me kind of -- and this is my own  
14 personal opinion, and I can state it as such -- it seems to  
15 me that we are wasting a lot of money on a federal level  
16 where if they could just utilize this money on a state  
17 level and let the federal government act as a consultant, if  
18 they want to look at what is going on.

19 What you are doing is putting a burden on states  
20 which is really horrendous and what happens is all the  
21 money is going into administrative costs and it never gets  
22 down to the people who need the service.

23 Does anybody ever look at these things, really?

24 MR. ROACHE: I think you get a lot of opinions  
25 on either side. You know the attitude of the administration,

1 as I have heard it from people who are supporting the  
2 administration's version of H.R.-1, is that if there are  
3 two things the federal government does well, it is collect  
4 money and spend money.

5 We can write checks. And so when it comes to  
6 cash assistance, that job we can do quite well.

7 Now in order to do it, it is obvious that  
8 information has to be collected at the state level. But  
9 that is being done today in the case of Social Security  
10 Administration. It is a federally-operated program. So it  
11 has been demonstrated that it can be performed by the  
12 federal government.

13 But I am sure you would get just as many arguments  
14 out of the state side, because the states do indeed have  
15 to continue to maintain records on this disadvantaged  
16 population, not just for cash payment, but for medical  
17 services and social and rehabilitative services and general  
18 assistance.

19 So I wouldn't profess to say what the general  
20 attitude is. There is mixed feeling in the Congress and in  
21 the Finance Committee of the Senate on this very issue,  
22 who should administer H.R.-1.

23 MRS. GAYNOR: I talk really from a kind of  
24 management point of view. If you are spending all this  
25 kind of money, doesn't anybody ever come up with cost

1 figures on those things?

2 It is going to cost the state more money, the  
3 federal government more money, in a sense, really. Does  
4 anybody ever look at these things in a management point of  
5 view in relationship to cost and benefits, really?

6 I only ask a taxpayer. Okay?

7 MR. ROACHE: You may be asking the wrong party.

8 MRS. GAYNOR: Why? Aren't you involved in  
9 management assistance? Don't these things concern you?

10 MR. ROACHE: I am not writing the legislation.

11 MRS. GAYNOR: I am not talking about legislation,  
12 but even before the legislation is made, perhaps you may be  
13 able to contribute something to the so-called legislators.  
14 Or is this my job as a citizen?

15 MR. ROACHE: No. No. I think the problem we are  
16 faced with is one of the serious complexities of administra-  
17 tion of welfare today as we are administering it through a  
18 combination of federal and state money, and we don't  
19 in any manner attempt to dictate or mandate the manner in  
20 which it is going to be operated at the state level.

21 The complexities, therefore, are as great as  
22 there are state operations. And in cash assistance, there  
23 are about 1100-plus payment systems in the state.

24 Logic would kind of dictate that if you can  
25 reduce 1100 to one, maybe there are some savings.

1 But we have never been staffed, nor -- and it  
2 really would take a tremendous amount of researching to go  
3 out and do this.

4 Now remember, I am speaking now for SRS, and not  
5 for the Office of Family Benefits Planning, or the Social  
6 Security Administration. If HR-1 gets passed, SRS is out of  
7 the picture in terms of cash payments. So we are not making  
8 the study.

9 MR. WEIZENBAUM: You know Mr. Ball, I take it?

10 MR. ROACHE: I have heard of the gentleman.

11 MR. WEIZENBAUM: As I recall -- and this is from  
12 memory -- he came and testified before us and he told us  
13 that should H.R.-1 be passed -- and he was much in favor of  
14 it being passed, or at least exhibited that attitude --  
15 should it be passed, then the first year after the legisla-  
16 tion, he would be spending \$2 billion of federal money.

17 This includes the implementation cost of the  
18 system. It is clear that in the first six months of that  
19 period, the system would not actually be dispensing money.  
20 So he is talking about \$2 billion the first year.

21 MR. ROACHE: I can't respond to that. That is  
22 Mr. Ball.

23 MR. WEIZENBAUM: We were speechless, too.

24 (Laughter.)

25 MRS. GROMMERS: Mrs. Hardaway?

1 MRS. HARDAWAY: Let me come back a moment to  
2 the ease of the Social Security number, and it would make it,  
3 of course, easier between you and the states.

4 We have discussed that a lot this afternoon.

5 MR. WARE: You should not make that assumption.

6 MRS. HARDAWAY: No, they have said this this  
7 afternoon, that this would assist them, that it is easier.

8 Now, one of the selling points, so to speak, of  
9 the welfare reform program is the fact that the adult who is  
10 able will be put to work and that will be done at the state  
11 level.

12 Would you then assume, or would it be your  
13 opinion, that it would then be easier to go into the  
14 Labor Department via the Social Security number and set up  
15 another system that would link into your assistance payments  
16 program?

17 In other words, would that not be a pretty easy  
18 way to set up another system in the Labor Department to let  
19 some state level in the Labor Department know who is available  
20 for work?

21 MR. ROACHE: Well, I don't know the answer.

22 First off, we are already in that posture, because  
23 of the WIN-Talmadge amendments.

24 As a matter of fact, it is the law. Employables  
25 have to be registered. Okay. So at the moment we are doing

1 it totally on a manual basis.

2 MRS. HARDAWAY: I realize that, but I am saying --

3 MR. ROACHE: I would think --

4 MRS. HARDAWAY: It is a suppose question. It is  
5 sort of a suppose question. If welfare reform does pass  
6 and the system that you have in the five states becomes  
7 nationwide, would it then not seem feasible that it would  
8 be the way to transmit it through the Social Security  
9 number into the Labor Department via the records that you  
10 get from the states?

11 MR. ROACHE: I would assume so.

12 MRS. HARDAWAY: All right.

13 MRS. GROMMERS: Mr. Impara?

14 MR. IMPARA: Pass.

15 MRS. GROMMERS: Mrs. Lanphere?

16 Mrs. Lanphere is the Assistant Supervisor of  
17 the Bureau of Services to Families and Children of the  
18 Department of Institution, Social and Rehabilitative Services  
19 of Oklahoma.

20 MR. ROACHE: We are acquainted.

21 MRS. LANPHERE: So I have a very direct interest  
22 in this. Even though I don't work in the assistance payments  
23 division, I do work in the services area, and this brings  
24 up one thing, Mr. Roache, perhaps you could elaborate on  
25 for the group.



1           You mentioned the need for increased data  
2 exchange.

3           MR. ROACHE: Yes.

4           MRS. LANPHERE: And one you have mentioned is  
5 WIN. For instance, we are interested in the success of WIN  
6 in reducing the rolls. I wonder if you could give any  
7 other examples of the increased needs you see, for instance,  
8 other services that we give, what effect it would have on  
9 reducing grants, and so forth.

10          MR. ROACHE: I am having difficulty -- one of  
11 them has already been mentioned, and there is a third one  
12 that perhaps ought to be mentioned.

13          But we have what we call the BENDEX system, which  
14 is a beneficiary data exchange system.

15          We are exchanging data now to verify income  
16 from Social Security Administration through the use of  
17 the claim number.

18          There is a deficiency in this right now and  
19 Bill Cleaver mentioned this in terms of the paper we got  
20 from your agency which is that all it can do is verify the  
21 amount of benefits if benefits have been reported, and the  
22 claim number has been cited.

23          But if neither has occurred, the benefits have  
24 neither been reported nor the claim number furnished, it  
25 doesn't verify whether any benefits are being made available

1 from SSA.

2 So ideally, what we want to do is use the SSA  
3 account number and cross-reference it to the claim number  
4 to determine benefits.

5 It smacks of the idea of verification again.  
6 There is also the procedure where under Medicaid we pay  
7 insurance premiums into Medicare, and, to be honest about  
8 it, I am not familiar with the procedural details of how  
9 that works in terms of identifying the client for whom we  
10 are paying the insurance premium.

11 But the identification could obviously be  
12 Social Security number, and I would think it would be.

13 MR. SKELTON: The identification is the Social  
14 Security number on Medicare.

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MV-1

1 MR. BRIDGES: One other way it might help in services,  
2 I think, is that you are not required to give services to former  
3 and potential, which means that this group is outside of the  
4 group getting cash benefits, and, therefore, obviously you have  
5 to collect data on these people which means that you have to  
6 have some system used for those people to collect this data and,  
7 again, outside of the cash payment.

8 So it would be a whole lot easier to use the Social  
9 Security number for that.

10 MRS. LANPHERE: We have just recently implemented  
11 the services on that. I wonder, Mr. Overs, for my second  
12 question, you mentioned that one of the purposes of this whole  
13 thing was to identify the problems and assess them in regard  
14 to this. I wonder, could you expand a little more on the  
15 problems that you have identified in your assessment?

16 MR. OVERS: Well, of course, one is the sheer volume  
17 of verification issuance that we have been faced with. We knew  
18 that before we started on the pilot, because we are presently  
19 issuing about six million numbers, original numbers, annually.  
20 And we could be faced with issuing 18-1/2 million in two years  
21 -- or issuing and verifying.

22 So we are just trying to see how quickly this can  
23 be done.

24 The problems are that we haven't started to deal  
25 with states that don't have sophisticated computer systems,

IV-2

1 where we would have to get data that is prepared manually and  
2 converted to magnetic tape.

3 The states then wouldn't have any facilities to  
4 accept magnetic tape records back.

5 So there are many states where we don't have that  
6 capability. Just the so-called computer bugs. Tapes that are  
7 not compatible, equipment that may not be compatible, that  
8 sort of thing -- mechanical breakdowns.

9 As I mentioned, the Hurricane Agnes storm was com-  
10 pletely unforeseen. We have a large ADP operation in Wilkes  
11 Barre and most of our key tape equipment there to issue numbers  
12 centrally, and that was two stories under water for about eight  
13 weeks.

14 So there is a nice delay within a two-year time  
15 frame that we have to get into the business of verifying and  
16 issuing numbers in a two-year time frame.

17 I can foresee decentralized systems versus centralized  
18 systems in states, and this goes again to the point of computers.

19 Some states have highly decentralized systems where  
20 we wouldn't be able to deal with a state government and we would  
21 really to be dealing with a lot of counties in trying to get  
22 numbers, verify numbers, and correspondence back and forth.

23 These are some of the things that are coming out  
24 of this, and, of course, a major one is with all of these  
25 problems, even the states selected for the pilot, it still hasn't

MV-3

1 gone as fast as we thought it would.

2 MR. ALLEN: Mr. Skelton, could you elaborate a little  
3 on the resistance or reticence, possible objections, of profes-  
4 sional associations to the enumeration as it was going on in  
5 Florida? Was this similar elsewhere?

6 MR. SKELTON: I can't speak for any other state.  
7 The main objection was from the Psychiatric Associations --  
8 both the Florida Psychiatric Association and the American  
9 Psychiatric Association -- when they found we were collecting  
10 the Social Security number on the Social Services Information  
11 System form, which is tied in to the program financial planning  
12 projects that we are involved in with HEW.

13 I know I am using a lot of strange words here for  
14 people around the table, but program financial planning is a  
15 very detailed cost accounting system that HEW is developing for  
16 determining costs of social services being delivered.

17 This is manual. It is being talked for PSP.

18 But the objection comes from the fact that the  
19 Social Security number is being obtained carte blanche from  
20 everybody that comes into a community mental health center,  
21 whether or not he is eligible, whether or not the center is  
22 eligible for reimbursement for services rendered to him, be-  
23 cause they have got word of the pilot state project that was  
24 being done by HEW and the Social Security Administration, and  
25 immediately became afraid that the data being collected locally

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1 would eventually find its way up into a national data bank.

2 Even though right now the information remains in  
3 the patient's file and is not even transmitted to the state  
4 center that we operate in the State of Florida. It remains in  
5 that file. But it is the mere fact that somebody is getting a  
6 nationally-known number on a form that scares them to death  
7 because they don't know whether they are eligible to be reim-  
8 bursed under Titles 4-A and 16 of the Social Security Act  
9 until they collect all this information and analyze it.

10 MRS. GROMMERS: Mr. Davey?

11 MR. DAVEY: I would like to come back to the theme  
12 that Florence has been talking about, the idea of budgeting and  
13 controls and what it is we are all working for.

14 Mr. Overs gave a good summary of your experience to  
15 date and the kinds of problems you are running in to on the  
16 federal level on the enumeration program.

17 Mr. Bridges, could you tell us a little bit about  
18 what it is like at the state level? What kinds of problems  
19 do you see from your standpoint?

20 I assume that you are representing Georgia from the  
21 standpoint that this is one of the states which is in this pilot  
22 project. What kinds of problems are you running into and just  
23 what are you doing about them?

24 MR. BRIDGES: Well, the principal problem is the one  
25 Mr. Overs mentioned, that of time. And it is sort of a related

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1 item which I wouldn't say is a problem, but is a condition  
2 under which we would work under the use of the Social Security  
3 numbers is the fact that since there is a delay in getting that  
4 number we would have to create and use a dummy number of some  
5 sort until we get that official number.

6 But this is a mechanical type thing we can't handle.  
7 But I wouldn't say that is a problem but that it's just some-  
8 thing that you have.

9 MR. DAVEY: Is that something you foresaw?

10 MR. BRIDGES: Yes. It is a matter of response,  
11 really -- response time -- because apparently if a person is  
12 found eligible in Georgia, we get a check tomorrow or within  
13 a week, and, of course, we can't get a number in that time.  
14 We assign a number currently when he walks in the door. So  
15 we can have no problem with this.

16 MR. DAVEY: So it is really a question of using that  
17 interim number until you can get the Social Security number  
18 verified and whatever else needs to be done and assigned to that  
19 person and then you do away with that interim number?

20 MR. BRIDGES: Yes.

21 MRS. GROMMERS: Senor Anglero has a question, and I  
22 want to ask Professor Miller if he has one last question that  
23 would be the last one.

24 MR. ANGLERO: The first thing is, I don't think that  
25 when I was trying to make my question, I don't think we finished.

MV-6

1 But I would like to make a remark before trying to  
2 get an answer of what I think was my second question.

3 When we tried to make some kind of position or tried  
4 to plan in many instances, we cannot make investigations, re-  
5 search is not available.

6 This is something that happens all around. And what  
7 we do is take different patterns, different ways, different  
8 samples of how services and different operations are delivered  
9 and then analyze them and by comparison we find which ones work  
10 better and might end up with one or the other. We clearly add  
11 up the one that works better because of its individual or  
12 particular situation.

13 I would say that federalization would be against  
14 that. So we lose something in terms of having compared some  
15 system of what might be in California versus a system that could  
16 operate in other places in the whole country, because there  
17 would be only one system, so it would be all bad.

18 Or it could be all good, but it could be all bad.  
19 Hopefully it would be all good, but there would be no one to  
20 blame but the federal government and that is not easy in some  
21 ways.

22 But what I was interested in really before was your  
23 feeling of the information systems for the different states.  
24 Can you tell me if 50 per cent or more or less of the states  
25 have developed ADP capability already?



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1 MR. ROACHE: Well, in terms of numbers of systems,  
2 it is 27 per cent that are automated, but obviously in terms  
3 of numbers of client population, I don't have the figure on  
4 that. But this would be the significant largest population  
5 because we are talking about the larger states.

6 But the number is 27 per cent of the states are  
7 automated.

8 MR. ANGLERO: Of the 50 states plus Porto Rico?

9 MR. ROACHE: And I have to explain just a minute,  
10 because we are not talking about one system per state, because  
11 under the welfare administration in the states there are two  
12 conditions -- one of two conditions exist.

13 Either it is a state administered program, as is the  
14 case in Florida, and as you see it is administered at one agency  
15 and is an umbrella agency; or it is a state-supervised, locally  
16 administered program, as is the case in Virginia, Maryland,  
17 California, New York -- the larger states are administered at  
18 the county level. So you have as many systems as you have  
19 counties in those cases.

20 MR. ANGLERO: But you have 27 per cent of the states,  
21 so you have 70 per cent of the states that do not have that  
22 capability.

23 My question is simple. At least in Porto Rico, in  
24 this aspect, we have not developed our ADP capability. I am  
25 in charge, but I have not been able to do it. But that is

MV-8

1 another story and some day I could talk about it.

2 But my concern is this -- we have not developed this  
3 capability, so my department, the department I work with, will  
4 be taken out of the picture, completely out of the picture in  
5 the process of collecting the information and processing the  
6 checks, validation, certification, and all this.

7 The department will be out of the picture, most of  
8 it, because it will be paid by the federal government. So it  
9 would be good if we have some ADP capability, and then you could  
10 take advantage of our established ADP system and probably we  
11 will be able to benefit from this valuable information that will  
12 tell us socio-economically how our population is or what popu-  
13 lation is leaving Porto Rico, or in other cases in other states.

14 But if, like Porto Rico, we have not developed this  
15 ADP capability, then we lose this instrument to analyze. So  
16 we will keep on. We will be out of it and then if we want to  
17 know what kind of population we have, socio-economically, we  
18 have to go again to analyze all these people.

19 I don't know. This for me would be a problem.

20 MRS. GROMMERS: Professor Miller, do you have a  
21 last comment?

22 MR. MILLER: My dear, unless you can read my mind  
23 better than I, the only thing I would like to ask at this point  
24 is whether we can adjourn.

25 MRS. GROMMERS: Mr. Martin has one question and a

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1 short announcement.

2 MR. MARTIN: Under your regulations, the draft regu-  
3 lation -- forgetting H.R.-1 for a moment -- you would require  
4 the states to obtain the number.

5 Supposing the states seek to do this and fail?  
6 What is the consequence under your regulation for the individual?

7 MR. ROACHE: Just so we understand the question, you  
8 are saying if the state failed? Or if the individual refused?

9 MR. MARTIN: As I understand your regulation, it  
10 levies on the state, right?

11 MR. ROACHE: That is right.

12 MR. MARTIN: So I am saying, suppose that the require-  
13 ment levied by your regulation doesn't produce the result that  
14 you wanted to, what are the implications in each of the 50  
15 states, if you know, for the individuals, and have you thought  
16 about that?

17 MR. ROACHE: The implications for the individual and  
18 the state? The recipient?

19 MR. MARTIN: Those are the people that you want the  
20 state to enumerate or to cause to be enumerated and to collect  
21 the number from.

22 MR. ROACHE: If you will pardon me just a minute,  
23 the reason I am asking, there are several issues involved here.

24 One is a failure of a state to comply and they are  
25 held out of compliance and you have compliance hearings to

( -10

1 reduce the amount of federal financial participation. That is  
2 why I was asking the question.

3 The other is, if a welfare recipient refuses to give  
4 a number, does he still get service, does he still get assistance?  
5 Because that is like a human rights type of consideration, you  
6 see, and you haven't asked either one of those, as I understand  
7 your question.

8 I think your question is, suppose the state doesn't  
9 get the number, what is going to be the effect on the recipient?

10 MR. MARTIN: Right.

11 MR. ROACHE: And are you talking under current or  
12 H.R.-1?

13 MR. MARTIN: I said under your proposed regulation,  
14 which is designed to take effect without regard to H.R.-1.

15 MR. ROACHE: I would say if the state failed, the  
16 state is the one administering it, and they will probably con-  
17 tinue to provide the assistance that the recipient requires.

18 MR. MARTIN: What about the other branch? You have  
19 identified the two contingencies. What do you intent shall  
20 happen to an individual, supposing the state tries to comply  
21 with your regulation but is frustrated in its efforts to do so  
22 by individuals -- some of these people that aren't replying.  
23 Are you in effect telling the states that if they can't force  
24 people to get Social Security numbers they have to deny them  
25 welfare payments and social services?

11 1 MR. ROACHE: It is unresolved.

2 MR. CLEAVER: May I? One is the fact that that is  
3 a draft -- the specific point you are referring to.

4 Now in the previous draft, I personally, because of  
5 my systems orientation, added two words -- request the Social  
6 Security number and deny services if they refuse to get one.

7 Now in our committee meetings, this was roundly  
8 beaten about the head and shoulders by the program people and  
9 policy people saying we did not make that a condition of  
10 eligibility.

11 Now in the draft as it now exists, essentially wait-  
12 ing deliberation of this committee, the word in there is  
13 "requirement." It doesn't say what you do if you don't get  
14 the number.

15 Now the proceedings of the regulation issuance are  
16 that this must go to Mr. Twiname for his consideration, for  
17 general counsel, for policy, for everything.

18 If he agrees with the language that is in there, it  
19 then goes through another form of procedure of being issued as  
20 a notice of proposed rule making, it goes before all the state  
21 administrators, before the National Welfare Rights Association,  
22 the Council of State Governments, and I don't even know the  
23 whole story, but it does follow that, all of these responses  
24 are received.

25 If no one objects, okay.

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1 If legal says we don't have the legislative authority,  
2 it is dead right there.

3 If someone says, "Take out 'require' and say 'request',  
4 it goes out that way. Personally, I say it is ineffectual, but  
5 I am not the one to decide.

6 But I think the answer to your question is that is  
7 has no effect yet.

8 But it must be deliberated by all these other bodies.  
9 This is a document out of an operating committee.

10 MR. MARTIN: Have you made an analysis of the laws  
11 of the 50 states to try to make some prediction of what the  
12 likely consequences of what your regulation would be if it  
13 survived the process you just described intact without change?  
14 Do you know what you are unleashing with your regulation under  
15 existing state laws as to which -- let's say you adopted a  
16 totally benign, totally neutral stance -- not an unlikely con-  
17 sequence.

18 MR. CLEAVER: No, I haven't.

19 MR. MARTIN: Do you think that would be a relevant  
20 inquiry to make before you propose a regulation which is de-  
21 signed to make a legal requirement on the behavior of the 50  
22 states?

23 MR. CLEAVER: On my part?

24 MR. MARTIN: And the localities?

25 MR. CLEAVER: On my part, I would say probably not,

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1 because I consider myself to be operating under a directive to  
2 do that.

3 In very mild defense of that, I would say that most  
4 of the states that we have talked to, primarily in the nation-  
5 wide administration program, have said, "Why don't you get on  
6 your hind legs up there and mandate the Social Security number  
7 as a personal identifier?"

8 These people presumably know state law. I am not  
9 saying that is the kind of deliberations you go to in a --

10 MR. MARTIN: Are you monitoring the deliberations?  
11 It is pending in California. Are you monitoring that? Is that  
12 part of a decision process?

13 MR. CLEAVER: I am not monitoring. But I am aware.

14 MR. MARTIN: Is anyone?

15 MR. CLEAVER: I presume legal counsel is. When this  
16 document gets up there, they would do what they thought appro-  
17 priate.

18 MR. MARTIN: So the planning process is a process  
19 that doesn't involve everybody at this stage. Each decision is  
20 going to be made tentatively in the hope somebody will not take  
21 at another level.

22 MR. CLEAVER: No. Personally, as a systems analyst,  
23 I don't feel qualified to go out and investigate the legal  
24 aspects of this.

25 MR. MARTIN: No, I wasn't suggesting that, but having

MV-14

1 identified the issue, it would be nice if the design of the  
2 planning process invoked the relevant expertise contemporaneously  
3 rather than leave it to chance, and hope that at some later level  
4 of review with all the pressures that we know operate on getting  
5 documents on up and so on, that those issues will get surfaced.

6 MR. CLEAVER: Well, the next level when it leaves the  
7 committee is to go to Mr. Twiname, who gives it to legal counsel  
8 and on up.

9 MR. MARTIN: Will these issues be surfaced for  
10 Mr. Twiname? It is too bad none of the policy people from SRS  
11 could be here this afternoon, because you aren't the right  
12 people.

13 MR. ROACHE: I think if we are taking something out  
14 of the meeting that is one of the things we should take back  
15 with us. Truthfully, we had kind of relied on people's view  
16 and judgment of these things and it can be surfaced, no question.  
17 We can surface it as an issue when we send it.

18 MR. MARTIN: The last question. Mr. Overs, could  
19 you describe the extent to which and the consequences that you  
20 feel will flow from the degrading of your enumeration and verifi-  
21 cation process that you are being forced to by this process  
22 that we have been exploring? What steps in the enumeration and  
23 verification process are you having to omit because of the work-  
24 load pressures and what consequences do you think that may have?

MR. OVERS: Well, at the present time, with the



MV-15

1 workload we have now, we are not committing any steps in the  
2 verification enumeration process. We are going through our  
3 normal screening guidelines that we use for our regular Social  
4 Security issuances. If I understand your question correctly.

5 At the same time, we are developing the systems  
6 capabilities internally to be able to handle an ever-increasing  
7 workload in terms of our normal criteria.

8 As a matter of fact, as many of you know, the recom-  
9 mendations of the Social Security number Task Force -- I was a  
10 member of that Task Force -- were to begin to consider tighten-  
11 ing up on the screening process and to make sure that for pro-  
12 gram purposes, for Social Security purposes, that we do really  
13 have a unique identifier.

14 I venture to say that most people in this room have  
15 a Social Security number and for Social Security purposes, that  
16 is, the crediting of earnings for future benefits payable, I  
17 am sure you all want to make sure that your unique identifier  
18 assigned to each of you properly credits those earnings so you  
19 can get the benefits when you retire or when something else  
20 happens in terms of disability or death.

21 So that as we are interested in establishing for  
22 Social Security purposes that unique identifier and maintaining  
23 it, so we are interested in maintaining the screening criteria  
24 for that purpose primarily right now.

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1 problem your first question spoke to?

2 MR. MARTIN: I have a whole lot of hard copy material  
3 from the Social Security Administration which I am probing to  
4 get some disclosure of here, which describes a problem looking  
5 ahead over this period of time through this enumeration process,  
6 that unless you get -- which I gather isn't in prospect yet --  
7 incremental budgets and/or people or both -- it comes to the  
8 same thing -- that you are faced with the possibility of having  
9 to omit certain of the quality control routines in your enumera-  
10 tion and verification process which will result in, as I under-  
11 stand it, a degraded quality of enumeration.

12 And, if that occurs, to the extent that -- let's  
13 assume for a moment that H.R.-1 is not passed, at least very  
14 soon -- then you have not only infected -- to use the term in  
15 the manner that we have explored to uncertain consequences --  
16 the behavior of the state and local government with this number  
17 -- take the case of Porto Rico -- but you have got it with a  
18 number that isn't even as good as the number usually is, and  
19 the process is already disclosing that the number isn't as good  
20 as you thought it was.

21 MR. OVERS: Your point is that we could undertake  
22 any massive enumeration without adequate resources and still  
23 maintain the integrity of the number. You are absolutely cor-  
24 rect. One or two things would happen.

25 We would get the additional resources to maintain

V-17

1 the integrity, or if we are forced to go into that without the  
2 additional resources the integrity of the screening and answer  
3 system would decline obviously.

4 MR. MARTIN: But you are saying, up to now you feel  
5 there hasn't been one iota of declination of the quality through  
6 the pilot phase, through the imminent response to the State of  
7 Virginia, through the response to California?

8 MR. OVERS: No, not because of the filing. Because,  
9 you see, as I said before, we are in the process right now of  
10 enhancing our ADP capability. For example, let me give you one  
11 example.

12 The application for Social Security cards which  
13 contain personal data -- name, date of birth, father's name,  
14 mother's name, sex, that sort of thing -- that we screen, that  
15 up to this point in time we screen annually, that information  
16 is now being put on that megatape.

17 It is being keyed and being put on that megatape,  
18 which means that we are asked to screen that again. It may not  
19 have to be a manual search in the future. It can be an ADP  
20 search, which is faster and more efficient, and you can do  
21 more of it.

22 We are developing that capability now.

23 MR. WEIZENBAUM: We heard testimony from an agency  
24 yesterday that is dealing with a population about which they  
25 tell us it is not uncommon for the individual to have as many

IV-18

1 as six Social Security numbers.

2 MR. OVERS: From a cost standpoint, that is bad,  
3 but if those six Social Security numbers are properly cross-  
4 referenced, we can identify that individual, if I know that you  
5 have six numbers.

6 MR. WEIZENBAUM: If you know, yes.

7 MRS. GROMMERS: Mr. Miller?

8 MR. MILLER: The longer you carry it on, the more  
9 you provoke me.

10 Since the first of this year, under the Department  
11 of the Treasury regulations, anyone opening any kind of a bank  
12 account in effect has to apply for a Social Security number, as  
13 the regulations require the account to be maintained by Social  
14 Security number.

15 Admittedly it is a month, six weeks since that regula-  
16 tion took effect. Have you felt anything over at Social Security,  
17 and how does the increased number of applications for the number  
18 which inevitably will accompany this regulation, particularly  
19 under the young population as they are coming into the work  
20 force, going to college and opening bank accounts -- how will  
21 that interact with the kinds of things David has just been  
22 talking about? Aren't you in a sense already under some gun?

23 MR. OVERS: Yes, absolutely. The number of states,  
24 the number of agencies that are mandating the use of a number  
25 is increasing all the time.

MV-19

1 And we have had, of course to increase our resources  
2 to go into the issuance process and screening process and we  
3 have done so.

4 This is a workload item that is budgeted and has to  
5 be provided.

6 MR. MILLER: I must say, the more personally I think  
7 about this, we are talking about something that time has passed  
8 us by one.

9 MR. WARE: I wanted to ask point blank that question.  
10 Has the boat sailed on the Social Security number? Is it really  
11 over the hump and we might as well give up? You probably know  
12 or have an opinion.

13 MR. OVERS: Well, the move toward the Social Security  
14 number as a universal identifier is well on its way.

15 MR. WARE: How well?

16 MR. OVERS: I really can't tell you.

17 MR. WARE: I thought maybe you would have an impres-  
18 sion since you are in the middle of it.

19 MR. MILLER: It seems to me the patient is already  
20 pinioned by his arms and legs and H.R.-1 is just the stake in  
21 the heart, but the patient isn't moving anywhere.

22 MRS. GROMMERS: To the intensive care unit?

23 I think we had better adjourn.

24 Thank you gentlemen very much for having come and  
25 worked with us.

MV-20

1 MR. ROACHE: May I make a last observation so there  
2 is no misunderstanding.

3 The situation in Florida dealing with the criminal  
4 record is unique to that social agency. I don't know what  
5 influence it has. I know you had other testimony on that.

6 MRS. GROMMERS: We understand also that this is just  
7 specific for Florida and presumably there are other things for  
8 other states.

9 I want to call you attention -- I know you worked  
10 very hard today and I think we really have all enjoyed it very  
11 much as well -- in your folder -- I don't know if you got it in  
12 the mail -- I see there are three documents which I would like  
13 to have you look at. You probably won't have the energy to  
14 read them before tomorrow, but one is the Younger Report, the  
15 Report on the Commission on Privacy, which is about comparable  
16 to our committee in some of its terms of reference. And there  
17 is an OECD report that was mailed out.

18 So those of you who do have it can have a look at it  
19 because the discussion tomorrow is going to be really about what  
20 is going on in the rest of the world that we can pry into.

21 See you tomorrow morning at 9:00 o'clock in Building  
22 31.

23 (Whereupon, at 6:20 p.m., the conference was recessed,  
24 to be resumed the following day, Saturday, August 19th, 1972,  
25 at 9:00 a.m., in Building 31, Conference Room 6, NIH.)

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End Tape 14

END

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