

THE WH

Office of the Press Secretary

For Immediate Release

July 31, 1996

PRESS BRIEFING
BY
SECRETARY OF HEALTH AND HUMAN SERVICES DONNA SHALALA
AND
ASSISTANT TO THE PRESIDENT FOR
POLICY PLANNING BRUCE REED

The Briefing Room

3:12 P.M. EDT

MS. GLYNN: Good afternoon, everyone. To finish the briefing on welfare reform we have Secretary of Health and Human Services Donna Shalala and Assistant to the President for Policy Planning Bruce Reed.

SECRETARY SHALALA: Thank you very much. I think the President outlined his reasons for signing the bill brilliantly. Let me talk a little about the reasons why the President vetoed earlier bills and what we've gained, what the policy gains have been in this bill.

First, Medicaid is a stand-alone entitlement program. No longer is it linked -- it's not linked to welfare, and the Medicaid program is allowed to continue. We would still like some reforms in that Medicaid program, but the important thing is that welfare recipients will not be losing their Medicaid, and Medicaid will continue for millions of poor Americans who need health care.

Second, there's \$4 billion more for child care in this bill, and we were able to restore the health and safety standards for the child care system in this country, which were absolutely critical. There was an attempt by the Republicans to remove them.

Third, there is no food stamp block grant. The food stamp program stays intact. There's no ceiling limit on it. The President did outline that we have some concerns about the way the cuts were taken, and we'll be looking at those as we do our detailed analysis.

Fourth, there's no child welfare block grant. The child welfare services, which have been the most sensitive kind of services in this country, to limit them in any way -- these are the services that cover foster care, adoption services, 21 states are already under some court order. The Republicans originally wanted to curb those services, put caps on it, block grant it. We said not a chance. These are the most vulnerable children in our society and you have to back away from those proposals.

There are greater protections in this bill for disabled children. There is a doubling of the contingency fund to protect against economic downturns. It's now \$2 billion, instead of \$1 billion, which is what they had in previous bills. That's extremely important.

For those that believe that we ought to continue to entitlement, the contingency fund becomes critical. That's what is taken up and used if there is an economic downturn in a state. If a state goes into an economic downturn, the people that need help are

MORE

Q What does that bring the total to of child care for the six years?

SECRETARY SHALALA: Fourteen billion dollars.

Q And the 10th thing -- one other question, guys. Will that 10th thing that you named -- you listed -- the unmarried teen moms --

SECRETARY SHALALA: Remember, one of the original bills

Q What's the provision now?

SECRETARY SHALALA: Unmarried teen moms will be able to finish high school. They'll get support while they're finishing high school as opposed to being cut off from any kind of aid.

Q Is that required or is it up to the states --

MR. REED: When the House Republicans put forward their bill early last year, they included a provision that would have required every state to ban every teen mother from receiving assistance just because they were poor, young and unmarried as the President said.

Q It wasn't in the bill that went to the President the first time was it?

MR. REED: No, no. That's something that was in the original House bill and the President singled that out in his 1995 State of the Union. We had a hard-fought battle which we won early on, and it's not included in the final bill.

SECRETARY SHALALA: Remember for many of us, it's the improvement since our first discussions with the Republicans. Dragging them originally into getting child support into the bill became very important. They did not have it in their original bill; we insisted on it. Child support enforcement for the first time will have the national dimension to it, which means we'll be able to track people down successfully across state lines.

Q Secretary Shalala, you never said whether you liked the bill in response to the last question. And, also, you have liberal Democrats like Charlie Rangel going to the floor saying my President will boldly throw 1 million children into the street. How do you react to those sorts of comments?

SECRETARY SHALALA: Well, first, I hope that the governors intend to prove Charlie, my good friend Charlie Brown -- Charlie Rangel -- Charlie Rangel wrong. And it's the way they're going to manage this program.

Second, I do think it's a good welfare bill. There are parts of it that the President outlined that are outside the welfare bill that we have deep and serious concerns about that include the immigration provisions and the nutrition provisions and, hopefully, we'll be able to make significant strides in getting improvements over our concerns.

Q Will you outline what it is exactly about the nutrition provisions that are objected to?

SECRETARY SHALALA: The President outlined the shelter allowance as one example. For people that -- for low income people working people in some cases, who have very high shelter costs having their calculation for food stamps based on taking into account a certain amount of their shelter costs, the issue is -- it's over 50

monitor what's happening very carefully. We will be able to tell whether states are adding additional money. We will know how many states are moving people into jobs and whether they're staying in those jobs. So we will have information, hopefully state by state, that will tell us what's happening and be able to report to the President and report to Congress about what's going to happen.

The important thing about this bill, and every piece of research has told us, that the states must have a stake in the outcome. They must be a full partner. The more they're involved in it, the more likely you are to get success in terms of state programs. That's what the MDRC told us in their research, and so we have moved dramatically to give the states the authority to design their own programs.

Q Will the bill change anything that's happening in the many states with waivers? Are they exempt -- in addition to being exempt from the work requirements in the bill, are they exempt from any other provisions?

SECRETARY SHALALA: Well, the states will be able to -- we have to go back and look at this very carefully. I think that they will be able to take their waivers, look at the new bill, and be able to shape what their overall program -- and remember, some of our waivers are for one county. They will have a lot more flexibility in terms of statewide programs now, in terms of expanding some of those county activities. And so I do expect some changes in the states.

Q Will they be forced to change anything, though, or --

SECRETARY SHALALA: The bill basically allows them to keep their waivers and to work with the rest of the bill. So to the extent that they're forced to it, is -- I think the answer is, there is no forcing, but there are more opportunities in the new bill that they will want to take advantage of. And I think that's the best way to characterize it.

Q -- follow up to that. What's the fate of the Wisconsin waiver?

SECRETARY SHALALA: Well, Wisconsin now has -- I can't talk about Wisconsin. You're going to have to answer Wisconsin. I'm recused. Go ahead. I'm going to Wisconsin --

MR. REED: When this bill becomes law, Wisconsin should be able to do the welfare reform plan that they submitted to us.

Q In other words, the President will take no action on the pending waiver request? What's the --

Q Is it moot --

MR. REED: Yes, I think it's essentially moot.

Q Bruce, when will -- the President said he'd be sending legislation up to fix some of the holes, the problems he saw with the bill, notably the immigrants who will not get Medicaid and other proposals. When will that legislation be ready? When are you planning to send --

SECRETARY SHALALA: He is -- you know, we just analyzed this bill for the President. We just got it, and he told us to get to work. So, we'll let you --

MR. REED: I think that the prospects of enacting that legislation in this Congress are not very good given the circumstances we've run into in the last several weeks.

Q But from your own starting point --

MR. REED: Our own starting point was, I think --

SECRETARY SHALALA: Deficit-neutral, basically.

MR. REED: The President's 1996 welfare reform plan saved \$42 billion combined.

Q No, I mean your own starting point when --

MR. REED: In 1994?

Q Yes.

MR. REED: Which was deficit --

SECRETARY SHALALA: Which was deficit-neutral, basically. Let me also point out that the President has laid out a series of gains for the low income people in this country. From food stamps to Ryan White, to protections in the Medicare program, we have a superb record in this administration. For a generation of vulnerable Americans, this is the most important step we can take -- to move from the status quo, to move people from dependency on the welfare system to a job. And I support the President in his decision.

Q Secretary Shalala, can you talk about the sufficiency of the \$2 billion contingency fund? If we had a serious national downturn --

SECRETARY SHALALA: If we have a serious national downturn, we need to go back to Congress and make changes. Everybody knows that. The Republicans know that. We know that. The Fed just put out a report in Cleveland pointing out the importance of the economic stabilizing effect of federal money. If you don't, recessions go deeper and broader in states. And the business community could hardly be taxed to pull them out. And everybody will be clamoring back for more resources in the contingency fund. And that, I think, everybody has conceded.

MR. REED: But also, saving the food stamp program has an even greater stabilization effect. Food Stamps is much more responsive to economic downturns than the current AFDC program.

THE PRESS: Thank you.

END

3:34 P.M. EDT

WR - Press
Conf.

THE WHITE HOUSE
WASHINGTON

December 28, 1994

MEMORANDUM FOR HAROLD ICKES
GEORGE STEPHANOPOULOS
RAHM EMANUEL
BARRY TOIV
MARK GEARAN
GINNY TERZANO
BRUCE REED

FROM: PHIL CAPLAN
SUBJECT: Secretary Shalala's Press Conference Tomorrow

Attached is material I received yesterday from Kevin Thurm regarding Secretary Shalala's press conference tomorrow (12/29) on the HHS analysis of the GOP orphanage proposal. The event is scheduled for 10:30 am.

If you have any comments or edits, or if you need any more information, please call me on 6-2572 or Kevin directly at 690-6133.

Thank you.

12/27

NOTE TO KEVIN THURM ---

Here are several items for White House clearance. They include a press release; statement; questions and answers; and charts prepared by ASPE. The charts will be included in the press packet.

I've also enclosed some generic talking points on welfare reform. Mark Gearan and Ginny Terzano ok'd an earlier draft, but there have been some minor modifications.

Thanks --

Melissa

HHS NEWS

DRAFT

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

2nd Revised DRAFT

Contact: HHS Press Office
(202) 690-6343

G.O.P. PLAN LEAVES POOR CHILDREN AND STATES WITHOUT SUPPORT; SHALALA CONTRASTS MOVIE FANTASY WITH REAL IMPACTS ON CHILDREN

The welfare reform plan proposed by Republican members of the House of Representatives would deny federal welfare benefits to millions of children without providing states nearly enough money to provide for the children in residential or foster care settings, HHS Secretary Donna E. Shalala charged today.

In denying welfare benefits, the proposed "Personal Responsibility Act" suggests orphanages or other residential care for children whose families could no longer support them. But according to an HHS analysis, the proposal would provide only a small fraction of the costs of carrying out such a plan.

The HHS analysis finds that the proposal would result in some 5 million to 6.7 million children being dropped from the rolls of the Aid to Families with Dependent Children program. But funds to be provided to states in place of AFDC would provide only enough money for some 18,000 placements in residential care, or 135,000 placements in foster care.

"The Republican plan is a cruel fraud whose human consequences would fall on children, and whose financial consequences would fall on state taxpayers and private charities," Secretary Shalala said.

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"This plan would prohibit federal assistance to millions of children, whether or not their mothers are willing to work," Secretary Shalala said. "And while the plan casually suggests orphanages as one solution, the level of federal funding provided would only be sufficient to provide residential care to less than one percent of the affected children. For the children themselves, and for state treasuries as well, the cost of this plan in human and financial terms would be unprecedented."

States would be left with two stark choices, Shalala said: use state revenues to provide some sort of residential care, or abandon their traditional responsibility for poor children and hope that private charities or other families members could take up the slack.

The HHS analysis shows that some 644,000 children receiving AFDC in 1993 were born to unmarried mothers under 18 years old. Another 1.3 million were born to AFDC mothers aged 18-20. The Republican plan would require states to deny benefits to children of unmarried mothers under 18, and would permit states to deny benefits for children of those 18-20.

At the same time, federal funds returned to the states under the Republican plan would total \$646 million. But this amount would be sufficient to pay for only 17,710 spaces in residential care, or 134,690 provisions for foster care.

When fully implemented, some 5 million children would lose benefits if states only denied benefits to those born to mothers under 18, and set a 5-year time limit on benefits, as mandated by the Republican plan, the HHS analysis found. If all states opted further to deny benefits to children of 18 to 20-year-olds, and opted to put a 2-year time limit on benefits, the number of children losing AFDC assistance would be 6.7 million. The analysis also accounts for other requirements in the Republican plan, including paternity establishment and limits on benefits for children born to a family already receiving welfare.

Residential care costs an average \$100 per day, or \$36,500 per year; and foster care costs are about \$400 per month, or \$4,800 per year, according to the Child Welfare League of America.

Secretary Shalala said the "fantasy of the movie Boys' Town must be contrasted with the reality of orphanages and state budgets.

"The real issue here is not whether orphanages or group homes can be loving and compassionate facilities. The issue is what actually happens to millions of real-life children who would be cut from welfare rolls, with no Father Flanagan in sight and no money to pay for the real costs of child rearing."

As an example, Shalala cited the state of Nebraska, where the real Boys' Town is located. In that state, between 18,000 and 24,000 children would be denied AFDC payments under the Republican plan. Yet the federal assistance to provide other forms of care for these children would be enough to provide only 40 spaces in residential settings, or 320 placements in foster care.

In particular, she said, the amount would be enough to pay for only 30 slots at the real Boys' Town, where costs per child are \$49,000 per year.

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DRAFT

Remarks

Donna E. Shalala

U.S. Secretary of Health and Human Services

at

Orphanages Not a Solution to Welfare

Press Conference

December 29, 1994

DRAFT

Good morning. This evening, incoming Speaker, Newt Gingrich will introduce the 1938 movie "Boys Town" on TNT.

It's a story about life in a Nebraska orphanage.

Congressman Gingrich advised the Clinton Administration to watch this movie as an example of his new model for welfare reform -- removing millions of poor children from their homes and the care of their parents, and placing them in orphanages.

I could also suggest some movies that show the downside of orphanage life.

I'm talking about Oliver Twist.

And Nicholas Nickleby.

And Annie.

But I'm sure the incoming Speaker would agree that this debate is not about dueling videos.

It is about the right way to reform welfare.

It is about protecting and fostering the well-being of children.

And it is about making sure this country continues to stand up for family values and parental responsibility.

Orphanages have had a place in American life -- and there are countless stories of young men and women who were saved by the anchor of a place to call home and caregivers who guided them to adulthood.

But, Boys Town is a model of a long-gone era.

It was the fulfillment of one man's dream.

It was never seen as a solution to welfare.

It does not advocate taking children away from their mothers just because they're poor.

And there's one more thing.

Boys Town was a Hollywood movie.

The reality is, when fully implemented, the Republicans' Personal Responsibility Act would prohibit benefits to 5 to 6.7 million children, whether or not their mothers are willing to work.

That's as many as 70 percent of all children on AFDC.

And what will happen to these children?

The Personal Responsibility Act would not only leave them in poverty, but even suggests sending them off to orphanages.

But let's take a closer look at the economics of this option.

First of all, the average annual Federal cost of caring for a child on AFDC is roughly \$1000 dollars, while, according to the Child Welfare League, the average annual cost of orphanage care is \$36,500 dollars.

Even if we ignore the human costs for a moment, the financial savings from the Republican plan returned to the states would only fund about 18,000 orphanage slots for the entire nation -- all fifty states!

So, what will happen to the other 5 or 6 million children who will be without family support or Father Flanagan?

Let's look at Nebraska, for example -- the home of Boys Town:

Currently there are 32,000 children on AFDC in the state.

The Federal AFDC payment per child is \$750 a year.

Under the most restrictive provisions of the Personal Responsibility Act, 24,000 children would no longer be eligible for AFDC.

But the savings accrued from denying them benefits would only pay for 40 orphanage slots.

What would happen to the other 23,960 children -- many of them infants who require extra?

There are several things that could happen.

First, states could pick up the bill -- that's \$36,500 per child for orphanage care...

...a huge cost shift to states..

They could try to expand the already strapped foster care system -- but even foster care, at \$4800 per child, costs 4 times as much as the Federal share of AFDC.

Or...the governor and the state's citizens could hope and pray that private charities or children's other relatives rise to meet the demand.

And if they can't...we can expect to see countless young mothers and their children relegated to lives of poverty, quite possibly on the streets -- homeless and without any hope for the future.

That is not a Hollywood movie.

That's reality.

And it's not a pretty picture.

We have to ask ourselves -- is that the kind of America we want as we enter 1995?

Do we want an America that takes children away from their mothers -- just because they happen to be poor?

Do we want an America that doesn't attempt to get fathers to live up to their responsibilities as parents -- and simply rips kids from their homes?

Do we want an America that says to states and families -- you're on your own -- go fend for yourselves?

I don't think so.

So, I urge all who will watch this movie tonight, to keep in mind that orphanages are no solution to the welfare crisis.

Last year, President Clinton proposed a better idea -- reform the badly broken welfare system in a way that rewards the basic values of work, family and responsibility.

Make its central focus helping people move from welfare to work as quickly as possible, so that they can support themselves and their families.

Require that people on welfare will have to get off of it and go to work after a specified period of time.

Begin a national campaign against teen pregnancy, and tougher enforcement of our child support laws.

In 1995, we must redouble our efforts -- and, as the President has said, we must begin to engage every citizen in the earnest work to fix our broken welfare system.

None of us has all the answers -- but all of us are the answer.

Boys Town is a great movie. I like it, but after the movie, let's sit down together and get the job done.

Happy New Year.

DRAFT

Q's and A's for Orphanage Press Conference

Draft #3

1) In recent days, the Republicans have been saying that orphanages will only be used for abused children -- and that they really are a humane alternative for the children of drug-addicted mothers, for example. Why are you so opposed to orphanages?

A.) We are not at all opposed to residential care for children who really need it -- and for some children, it may be the most appropriate form of care, at least for a short period of time. But the Republican bill would deny aid to the children of all unmarried teenagers -- even if they're doing a good job as parents -- for their entire childhood. That is not good policy -- it's extreme, mean-spirited and wrong.

2) Would President Clinton veto a GOP bill that calls for cutting off aid to young mothers who may be forced to put their babies in orphanages?

A.) I don't think it will come to that. I think many members of Congress understand that there is no substitute for the family and the likelihood that many young mothers would rather face hardship than give up their children. I think many lawmakers will embrace our philosophy which calls for requiring teen mothers to live with a responsible adult and finish school in order to be eligible for benefits.

3.) House Republicans say that their plan, by denying aid to unmarried teenagers, will reduce out-of-wedlock births. Have you made that assumption in your calculations?

A.) No, for two reasons. First, because the Republican plan would deny assistance to the children of unmarried teenagers for their entire lives -- and includes a lifetime ban on aid for thousands of children who are already born. In other words, a 19-year-old girl with a two-year-old son will be ineligible for assistance for the next 16 years under their bill -- even if she works for an extended period of time before she applies for assistance. So their bill's primary effect would be to penalize large numbers of young mothers who are already struggling to make it -- not to reduce out-of-wedlock births.

Second, it's difficult to predict what would happen to the rate of out-of-wedlock births if young girls were denied assistance. Most social scientists would tell you that teenagers have babies for reasons totally unrelated to AFDC benefits, so the effect is likely to be negligible.

We certainly agree that teenage pregnancy is a huge problem and it will take nothing less than a comprehensive plan to address it. And whether or not you believe that the welfare system is part of the problem, everyone agrees that it must be changed to become part of the solution. There is no simple answer, but I don't think the public supports the notion of denying all support to babies born to young mothers, many of whom are already poor.

- 4.) Under the Republican bill, though, a teenage girl and her child could receive assistance if she married the child's father. Don't you think this is a worthy goal?
 - A.) It's certainly a worthy goal, and I agree that children are better off with two parents. However, I believe we need a more comprehensive approach designed to promote parental responsibility and support working families -- including stronger efforts to establish paternity, better child support collections, family-friendly tax provisions, requirements that teenagers live at home and stay in school and abstinence-based programs to prevent teen pregnancy in the first place.

- 5.) The Child Welfare League estimates that 25 percent of poor children affected by the Republican plan would end up in orphanages. Do you agree with that figure?
 - A.) I wouldn't want to speculate on what the right number is. However, our analysis clearly shows that the federal funding available would be sufficient only for residential care for less than one percent of the children. That's an unbelievable gap between resources and need -- and state taxpayers are going to pay the price one way or the other.

- 6.) Many Republicans argue that the extended families of children cut off from AFDC will take them in. Do you think this is likely?
 - A.) I think it's impossible to predict what a poor mother or her family would do, particularly if faced with the knowledge that a child will be ineligible for assistance for his entire childhood. Many of these young mothers may not have families to turn to, or their relatives may be just as needy as they are. But with a ban on federal assistance, each governor is going to have to face a tough choice between abandoning thousands of poor children or raising state taxes to pay for care.

- 7.) Does the President favor the concept of block-granting food programs to the states as the GOP proposes?
- A.) I think President Clinton is going into this welfare reform debate with an open mind. The idea of block grants to states may have some attractive elements, but there are also serious drawbacks to block-granting food programs, particularly in terms of the hunger safety net and the fiscal situation of states during a recession.
- 8.) Would the President go along with a 12% overall reduction of funding for those programs the GOP wants rolled into the block grants?
- A.) I think the President will take a good look at what is being proposed and evaluate each idea on its own merits. HHS has already proposed some streamlining and consolidations that will cut down on administrative papershuffling and increase efficiency in the programs. But again, we need to evaluate these proposals in terms of their real effects -- particularly on states.
- 9.) States have a wide range in the amount of AFDC payments made to recipients but the food stamp benefit is constant from state to state. Does the administration believe that the food stamp program should be protected in welfare reform discussions?
- A.) The food stamp program was founded on the federal government's commitment to ensuring that families do not go hungry in this, the richest nation in the world. This administration believes in preserving the founding principle behind the food stamp program and our concept of welfare reform must respect that principle.
- 10.) Senator Nancy Kassebaum believes the federal government should turn over to the states all responsibility for welfare programs. Is that a position President Clinton could embrace as a former governor?
- A.) Some programs such as food stamps and Medicaid have been good federal-state partnerships. While there may be some merits to making states totally responsible for social service needs of their residents, it is an idea that cannot be embraced without fully exploring all the ramifications for the federal government, the states and the recipients.

- 11.) President Clinton says HHS has granted more welfare waivers than the two previous administrations combined. If waivers continue at this pace, will it be necessary to do national welfare reform legislation?
- A.) The waivers we have granted reflect this president's commitment to allowing states the flexibility to experiment with various approaches for welfare reform based on their individual differences. A national welfare reform plan would still allow each state great flexibility in designing its approach, but would be overlaid with a federal framework that provides a basic structure and system of protections against changing circumstances for both the states and their recipients.
- 12.) President Clinton introduced his welfare reform bill last spring but hasn't said a word about it since then. Is he backing away from his own bill or does the administration plan to reintroduce the WRA?
- A.) We introduced a good, strong, centrist bill this year that was based on the President's fundamental principles and lifetime work on this subject -- work requirements, time limits, the toughest possible child support enforcement, teen pregnancy prevention, and elimination of fraud and abuse. We'll put our ideas before the new Congress, and so will others. The Clinton administration is committed to working across party lines and listening to leaders at all levels of government to produce real, lasting reform.
- 13.) With the administration making an obvious effort to reposition itself, is it likely that we will see changes in the President's prescription for welfare reform?
- A.) If there are changes made in what this administration proposes for welfare reform, they will reflect the many conversations we have had with state and local elected officials, the people who administer the welfare system and most importantly, the recipients themselves. But our principles haven't changed. We believe that there are solutions to teen pregnancy, welfare dependency, and child support enforcement to which both the political parties and the overwhelming majority of Americans can agree.

14.) When and where is the President's Welfare Reform Conference and who will attend?

A.) The date and time for the bipartisan working session have not been set, but I expect the list of attendees to include members of Congress, governors, and local officials. I agree with the President that this session should be the first step in an honest dialogue about our country's broken welfare system and what we must do to fix it.

15.) What does the administration hope to accomplish at the conference President Clinton has called for next month? Is this a signal that the administration is prepared to compromise?

A.) This meeting is the first step in bringing leaders together from around the country and across party lines to look for common ground on the problems and solutions to welfare reform. We don't expect to reach consensus on legislation at this session, but our hope is that the bipartisan atmosphere will lead to an honest debate about how to fix a welfare system that all Americans agree needs fundamental change.

16.) Wasn't this conference called by President Clinton just to get him back into the welfare reform picture?

A.) Few, if any members of Congress have track records as long as President Clinton's on the issue of welfare reform, and he has never been on the sidelines of this debate. We introduced a comprehensive and realistic bill this year to reform the welfare system. The president is committed to a vigorous effort to forge a basic welfare reform proposal that both parties can embrace. The American people want their elected officials to put aside their partisan differences and work in new ways to solve their problems. We think this meeting can begin to do just that.

17.) House Republicans appear pretty unified behind their welfare reform proposal. Is the administration hoping that you can at least slow it down and make some changes in the Senate?

A.) I think your premise is wrong. Many members of the Republican party have begun to express their concerns about some of the more extreme provisions of their proposal. We believe that they will be open to many of the elements of the more fair and thoughtful approach we have advocated. I hope discussions of this importance will be governed by good policy not politics.

- 18.) The Republican's welfare reform plan purports to save \$40B over five years while the President's plan spends about \$10B. Do you think taxpayers and members of Congress will favor a plan that spends over a plan that saves?
- A.) All of the welfare reform proposals save money in some places and cost money in others, and we remain committed to a welfare reform bill that is budget-neutral. But simply shifting costs to states, as the House Republican bill does, is not the solution.
- 19.) Leon Panetta has said that any welfare reform proposal "worth it's salt" must save money. In light of this statement, will you be changing the financing provisions of your original legislative plan?
- A.) The Clinton Administration recognizes the need to reform the welfare system in a manner that is both far-reaching and fiscally sound. We are committed to working with Congress to create a plan that is budget neutral.
- 20.) The CBO recently reported that the Work and Responsibility Act of 1994 would spend more and save less money than the Clinton Administration estimated in its own calculations. How do you respond to this analysis?
- A.) Our welfare reform legislation proposed unprecedented changes in the welfare system, including a two-year time limit on cash benefits, and some disagreement about cost estimates is to be expected. Traditionally, CBO has been very conservative about predicting the savings that will come from changing behavior with new incentives to reward work and responsibility, and their assumptions will also be used to score other welfare reform plans. We remain committed to passing welfare reform legislation that is meaningful, bold and budget-neutral.
- 21.) Since the costs of AFDC are split about 50/50 with the states, won't state governments reap substantial savings under the Republican plan? And won't those savings be available to fund orphanages or foster care placements?
- A.) The states will save some money under some provisions of the Republican plan, but those amounts will be relatively small -- certainly too small to pay for all of the residential care that could be needed. And while our analysis looked only at the federal resources to be transferred to the states, it's worth noting that we also did not attempt to account for other provisions that would represent a cost-shift -- like reductions in federal funding for nutrition programs.

The point here is that each governor is going to face a tough choice between abandoning thousands of poor children or raising the necessary revenue to pay for care.

22.) Do you oppose orphanages, or do you believe they are appropriate for some children?

(A to come from ACF)

23.) How did you arrive at the figure of \$1000 for the average federal share of AFDC per child?

(A to come from ASPE)

DRAFT

Welfare Reform Working Group
Talking Points: **OVERALL PLAN**
REDRAFT: December 22, 1994

"I believe we must end welfare as we know it, because the current welfare system is a bad deal for the taxpayers who pay the bills and for the families who are trapped on it. The American people deserve a government that honors their values and spends their money judiciously, and a country that rewards people who work hard and play by the rules."
President Clinton, 12/8/94

The President's commitment to welfare reform is part of his longstanding commitment to the middle class values of work, responsibility and family. While governor of Arkansas, President Clinton worked closely with elected officials from both parties to pass the Family Support Act. As President, he has given more than 20 states the flexibility to reform welfare at the local level and introduced the most comprehensive welfare reform legislation ever proposed.

Now he's invited the country's bipartisan leadership to come together to forge a national consensus on welfare reform -- and restore American values to a badly broken welfare system. Americans have asked their elected officials to put aside politics as usual and begin earnest work to solve our nation's problems -- and welfare reform is at the top of our agenda. People want their leaders to stop the partisan bickering, come together, and roll up their sleeves and get to work.

The President is fighting to reward work and responsibility in every government program. The Earned Income Tax Credit had already been signed into law, cutting taxes for 15 million working Americans and creating an incentive to work and stay off welfare. As a next step, the Middle Class Bill of Rights will reduce taxes for millions more Americans who work hard to save money, raise their children and train for a better economic future. The welfare system, like the tax system, must be changed to reward work and responsibility.

Welfare reform must ensure that taxpayers' money is well spent. The federal government should help young mothers and their children escape welfare, but it shouldn't support long-term dependency. That is why the President would invest in education and training, not orphanages; devote more resources to child support enforcement, not less; put a two year time limit on welfare benefits; require work for those who are able to work; and mount a new effort to fight welfare fraud. The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

Welfare reform should give single parents a chance at the middle class. Work is still the best social program ever invented, and anyone who can work should do so. But if you're going to require work, there has to be a job there, along with the requirement that people on welfare will have to get off it and go to work after a specified period of time. There also has to be support for people who are working and raising their children - like education, training and child care.

Welfare reform must strengthen families, because there is no substitute for caring families when it comes to teaching children the value of work and responsibility. We need to launch a national campaign against teen pregnancy, and make it clear that no-one should get pregnant or father a child if they're not prepared to take responsibility for that child's future. Teenagers who do have a child must be required to live at home with their parents, finish high school, work and pay child support, but they must also get the help they need to become good role models for their children. Arbitrarily denying aid to young mothers and putting their children in orphanages will weaken families, not strengthen them.

CHILDREN AFFECTED BY THE PERSONAL RESPONSIBILITY ACT, 1993

STATE	Number of AFDC Children Born When Their Mothers were < 18	Federal Dollars Per AFDC Child Born When Their Mothers were < 18	Federal AFDC Dollar Difference From Current Law	Number of AFDC Children Born When Their Mothers were 18-20	Total Number of Children Eliminated Least Restrictive	Total Number of Children Eliminated Most Restrictive	Number of orphanage slots
Alabama	12,000	480	5,650,000	18,000	59,000	73,000	150
Alaska	1,000	1580	1,745,000	2,000	7,000	11,000	50
Arizona	9,000	1020	8,957,000	20,000	61,000	85,000	250
Arkansas	6,000	540	3,243,000	11,000	31,000	41,000	90
California	64,000	1810	116,909,000	155,000	872,000	1,212,000	3,200
Colorado	6,000	800	4,508,000	12,000	40,000	50,000	120
Connecticut	10,000	1100	10,507,000	19,000	60,000	81,000	290
Delaware	2,000	900	1,961,000	4,000	10,000	14,000	50
Dist. of Col.	5,000	990	4,461,000	8,000	35,000	39,000	120
Florida	40,000	740	29,760,000	73,000	246,000	326,000	820
Georgia	26,000	780	20,666,000	46,000	128,000	190,000	570
Hawaii	1,000	1530	2,227,000	4,000	16,000	26,000	60
Idaho	1,000	1000	618,000	2,000	4,000	6,000	20
Illinois	43,000	790	34,353,000	95,000	352,000	401,000	940
Indiana	12,000	700	8,606,000	25,000	71,000	98,000	240
Iowa	3,000	1410	4,714,000	9,000	31,000	43,000	130
Kansas	4,000	870	3,059,000	8,000	29,000	39,000	80
Kentucky	9,000	830	7,359,000	17,000	75,000	99,000	200
Louisiana	19,000	500	9,795,000	36,000	129,000	151,000	270
Maine	2,000	1240	2,538,000	5,000	19,000	30,000	70
Maryland	14,000	910	13,049,000	29,000	78,000	109,000	360
Massachusetts	11,000	1680	18,717,000	31,000	106,000	146,000	510
Michigan	39,000	1010	39,300,000	72,000	290,000	364,000	1,080
Minnesota	7,000	1260	9,158,000	15,000	51,000	80,000	250
Mississippi	13,000	410	5,170,000	24,000	85,000	100,000	140

DRAFT

STATE	Number of AFDC Children Born When Their Mothers were < 18	Federal Dollars Per AFDC Child Born When Their Mothers were < 18	Federal AFDC Dollar Difference From Current Law	Number of AFDC Children Born When Their Mothers were 18-20	Total Number of Children Eliminated Least Restrictive	Total Number of Children Eliminated Most Restrictive	Number of orphanage slots
Montana	1,000	2390	1,339,000	3,000	8,000	12,000	40
Nebraska	2,000	750	1,548,000	5,000	18,000	24,000	40
Nevada	2,000	640	1,331,000	4,000	12,000	16,000	40
New Hampshire	1,000	3310	1,859,000	2,000	6,000	9,000	50
New Jersey	20,000	1070	20,923,000	46,000	153,000	188,000	570
New Mexico	3,000	1040	2,949,000	8,000	22,000	31,000	80
New York	49,000	1190	58,233,000	106,000	334,000	515,000	1,600
North Carolina	22,000	880	19,310,000	45,000	121,000	163,000	530
North Dakota	1,000	1370	796,000	2,000	6,000	8,000	20
Ohio	26,000	1060	27,773,000	70,000	290,000	365,000	760
Oklahoma	5,000	970	5,166,000	12,000	44,000	57,000	140
Oregon	4,000	1930	7,326,000	9,000	28,000	41,000	200
Pennsylvania	32,000	930	29,500,000	66,000	245,000	315,000	810
Rhode Island	3,000	950	2,525,000	6,000	22,000	28,000	70
South Carolina	10,000	640	6,490,000	19,000	62,000	82,000	180
South Dakota	1,000	830	637,000	2,000	7,000	10,000	20
Tennessee	16,000	570	9,193,000	31,000	106,000	139,000	250
Texas	37,000	680	25,028,000	74,000	265,000	335,000	690
Utah	2,000	1620	2,467,000	4,000	11,000	19,000	70
Vermont	1,000	1840	1,061,000	2,000	7,000	11,000	30
Virginia	12,000	790	9,275,000	22,000	73,000	93,000	250
Washington	8,000	1450	11,281,000	19,000	74,000	116,000	310
West Virginia	3,000	1030	3,118,000	7,000	32,000	44,000	90
Wisconsin	12,000	1390	16,698,000	27,000	81,000	111,000	460
Wyoming	400	1540	599,000	1,000	4,000	5,000	20
Total	644,000	1000	648,505,000	1,342,000	5,011,000	6,688,000	17,710

Numbers might not add due to rounding

Total includes U.S. territories

DRAFT

U.S. TOTAL

NUMBER OF AFDC CHILDREN BORN TO UNMARRIED MOTHERS UNDER 18	644,000
FEDERAL SHARE OF AFDC PER CHILD BORN TO UNMARRIED MOTHERS UNDER 18	\$1,000
MINIMUM NUMBER OF CHILDREN DENIED BENEFITS. *	5,011,000
MAXIMUM NUMBER OF CHILDREN DENIED BENEFITS. *	6,688,000
NUMBER OF ORPHANAGE SLOTS FUNDED	17,710

*Based on 1993 data. Assumes full effects of implementation of PRA (2001).

CALIFORNIA

NUMBER OF AFDC CHILDREN BORN TO UNMARRIED MOTHERS UNDER 18	64,000
FEDERAL SHARE OF AFDC PER CHILD BORN TO UNMARRIED MOTHERS UNDER 18	\$1,810
MINIMUM NUMBER OF CHILDREN DENIED BENEFITS. *	872,000
MAXIMUM NUMBER OF CHILDREN DENIED BENEFITS. *	1,212,000
NUMBER OF ORPHANAGE SLOTS FUNDED	3,200

* Based on 1993 data. Assumes full effects of implementation of PRA (2001).

GEORGIA

NUMBER OF AFDC CHILDREN BORN TO UNMARRIED MOTHERS UNDER 18	26,000
FEDERAL SHARE OF AFDC PER CHILD BORN TO UNMARRIED MOTHERS UNDER 18	\$780
MINIMUM NUMBER OF CHILDREN DENIED BENEFITS. *	128,000
MAXIMUM NUMBER OF CHILDREN DENIED BENEFITS. *	190,000
NUMBER OF ORPHANAGE SLOTS FUNDED	570

Based on 1993 data. Assumes full effects of implementation of PRA (2001).

NEW YORK

NUMBER OF AFDC CHILDREN BORN TO UNMARRIED MOTHERS UNDER 18	49,000
FEDERAL SHARE OF AFDC PER CHILD BORN TO UNMARRIED MOTHERS UNDER 18	\$1,190
MINIMUM NUMBER OF CHILDREN DENIED BENEFITS.*	334,000
MAXIMUM NUMBER OF CHILDREN DENIED BENEFITS.*	515,000
NUMBER OF ORPHANAGE SLOTS FUNDED	1,600

* Based on 1993 data. Assumes full effects of implementation of PRA (2001)

HHS NEWS

Reed
with Press Confs.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOR IMMEDIATE RELEASE
Thursday, Dec. 29, 1994

Contact: HHS Press Office
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GOP PLAN LEAVES POOR CHILDREN AND STATES WITHOUT SUPPORT; SHALALA CONTRASTS MOVIE FANTASY WITH REAL IMPACTS ON CHILDREN

The welfare reform plan proposed by Republican members of the House of Representatives would deny federal welfare benefits to millions of children without providing states nearly enough money to provide for the children in residential or foster care settings, HHS Secretary Donna E. Shalala charged today.

In denying welfare benefits, the Republican proposal suggests orphanages or other residential care for children whose families could no longer support them. But according to an HHS analysis, the proposal would provide only a small fraction of the costs of carrying out such a plan.

The HHS analysis finds that the proposal would result in some 5 million children being dropped from the rolls of the Aid to Families with Dependent Children program. But funds to be provided to states in place of AFDC would only provide enough money for fewer than 9,000 placements in residential care, or about 61,000 placements in foster care.

"The Republican plan is a cruel hoax whose human consequences would fall on children, and whose financial consequences would fall on state taxpayers and private charities," Secretary Shalala said.

- MORE -

"The solution to the welfare crisis is not to send children to orphanages, it's to send their parents to work," Shalala said. She said the Republican plan would prohibit federal assistance to millions of children, whether or not their mothers are willing to work.

"And while the plan casually suggests orphanages as one solution, the level of federal funding provided would only be sufficient to provide residential care to less than one percent of the affected children," she said. "For the children themselves, and for state treasuries as well, the cost of this plan in human and financial terms would be unprecedented."

States would be left with two stark choices, Shalala said: use state revenues to provide some sort of residential or other care, or hope that private charities or other family members could take up the slack.

The HHS analysis found that, if the proposal were fully in place and implemented today, some 5 million children would be denied benefits. The benefits would be denied as a result of the proposal's requirement that states exclude coverage for children born to mothers under 18, as well as requirements for a five-year time limit on benefits, for paternity establishment, and for limits on benefits for children born to a family already receiving welfare.

At the same time, federal funds returned to the states under the Republican plan would total \$293 million. But this amount would be sufficient to pay for only 8,029 spaces in residential care, or 61,055 provisions for foster care.

The amount of funding returned to states is determined by a formula in the proposal, which involves the number of children denied benefits because of the age of the mother, as well as other age- and year-related factors. The HHS analysis shows that some 650,000 children receiving AFDC in 1993 were born to unmarried mothers under 18 years old.

In addition, the proposal would permit states to deny benefits to children born to mothers aged 18-20, and would permit a 2-year time limit on benefits. If all states adopted these options, the total number of children to lose benefits would be about 6.9 million. The amount of funding which states would receive in this circumstance would total about \$1.1 billion, enough to fund only 29,616 spaces in residential care, or 225,200 provisions for foster care.

Residential care costs an average \$100 per day, or \$36,500 per year; and foster care costs are about \$400 per month, or \$4,800 per year, according to the Child Welfare League of America.

Secretary Shalala said the "fantasy of the movie Boys Town must be contrasted with the reality of orphanages and state budgets.

"The real issue here is not whether orphanages or group homes can be loving and compassionate facilities. The issue is what actually happens to millions of real-life children who would be cut from welfare rolls, with no Father Flanagan in sight and no money to pay for the real costs of child rearing."

As an example, Shalala cited the state of Nebraska, where the real Boys Town is located. In that state, some 19,000 children would be denied AFDC payments under the Republican plan. Yet the federal assistance to provide other forms of care for these children would be enough to provide only 16 spaces in residential settings, or 122 placements in foster care.

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**NUMBER OF CHILDREN DENIED BENEFITS
UNDER THE REPUBLICAN WELFARE PLAN
AND THE NUMBER OF ORPHANAGE SLOTS FUNDED**

STATE	Total Number of AFDC Children	Minimum Number of Children Denied Benefits*	Federal Savings Returned to States	Number of Federally Funded Orphanage Slots***
Alabama	99,000	58,000	2,977,000	82
Alaska	24,000	8,000	424,000	12
Arizona	137,000	64,000	3,998,000	109
Arkansas	51,000	27,000	1,089,000	30
California	1,812,000	1,024,000	64,152,000	1,758
Colorado	82,000	37,000	2,082,000	57
Connecticut	110,000	60,000	4,152,000	114
Delaware	23,000	11,000	1,095,000	30
Dist. of Col.	46,000	38,000	1,851,000	51
Florida	489,000	258,000	12,409,000	340
Georgia	281,000	122,000	7,143,000	196
Hawaii	39,000	19,000	862,000	24
Idaho	14,000	5,000	427,000	12
Illinois	483,000	362,000	11,821,000	324
Indiana	143,000	77,000	3,548,000	97
Iowa	66,000	32,000	1,832,000	50
Kansas	59,000	27,000	1,080,000	30
Kentucky	151,000	81,000	2,985,000	82
Louisiana	190,000	134,000	2,470,000	68
Maine	45,000	21,000	1,144,000	31
Maryland	150,000	90,000	4,855,000	133
Massachusetts	207,000	108,000	8,471,000	232
Michigan	447,000	279,000	16,670,000	457
Minnesota	126,000	60,000	3,641,000	100
Mississippi	124,000	88,000	1,983,000	54
Missouri	176,000	94,000	4,406,000	121

(continued)

**NUMBER OF CHILDREN DENIED BENEFITS
UNDER THE REPUBLICAN WELFARE PLAN
AND THE NUMBER OF ORPHANAGE SLOTS FUNDED (continued)**

STATE	Total Number of AFDC Children	Minimum Number of Children Denied Benefits*	Federal Savings Returned to States	Number of Federally Funded Orphanage Slots***
Montana	23,000	7,000	749,000	21
Nebraska	32,000	19,000	584,000	16
Nevada	24,000	13,000	561,000	15
New Hampshire	19,000	7,000	720,000	20
New Jersey	244,000	160,000	8,676,000	238
New Mexico	58,000	25,000	1,212,000	33
New York	741,000	349,000	27,116,000	743
North Carolina	227,000	133,000	9,332,000	256
North Dakota	12,000	5,000	410,000	11
Ohio	483,000	279,000	10,647,000	292
Oklahoma	90,000	45,000	1,554,000	43
Oregon	79,000	33,000	3,724,000	102
Pennsylvania	418,000	252,000	12,616,000	346
Rhode Island	42,000	23,000	1,095,000	30
South Carolina	109,000	61,000	2,416,000	66
South Dakota	15,000	7,000	305,000	8
Tennessee	199,000	101,000	3,122,000	86
Texas	541,000	288,000	11,331,000	310
Utah	36,000	11,000	949,000	26
Vermont	18,000	6,000	529,000	14
Virginia	134,000	79,000	2,350,000	64
Washington	191,000	75,000	5,497,000	151
West Virginia	75,000	36,000	1,788,000	49
Wisconsin	166,000	87,000	6,481,000	178
Wyoming	11,000	4,000	218,000	6
Total	9,702,000	5,338,000	293,068,000	8,029

Numbers might not add precisely due to rounding

Total includes U.S. territories

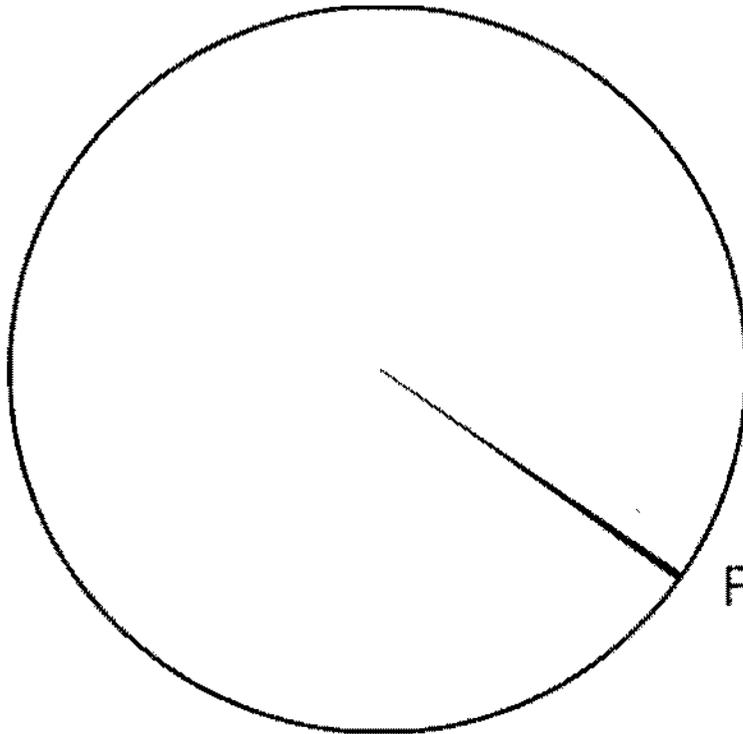
Based on 1993 data. Assumes full effects of PRA implementation.

*Assumes the requirements that would be mandatory under the proposal: states must deny AFDC to children born to unmarried women under age 18; deny AFDC to children born after the AFDC case opened; deny AFDC to children for whom paternity has not been established; and deny AFDC after a maximum of 60 months of AFDC receipt. Assumes no state adopts more restrictive options.

**This is the minimum number of children who would be denied benefits. Based on options available to the states, as many as 6.7 million children could be denied benefits.

***Number of orphanage slots calculated using \$36,500 - the average yearly cost per child for institutional care.

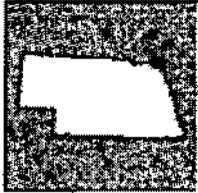
"The Numbers Don't Add Up"



More than 5,000,000 children
lose benefits under the
Republican welfare plan

Fewer than 9,000 orphanage slots
could be funded from federal
savings given to states

"What happens to the other children?"

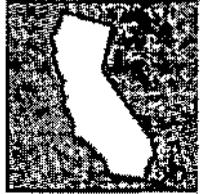


NEBRASKA

Minimum number of children
denied AFDC benefits* 19,000

Orphanage slots that
could be funded from
federal savings 16

* Based on 1993 data. Assumes full effects of implementation of Republican welfare plan.



CALIFORNIA

Minimum number of children denied AFDC benefits*	1,024,000
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Orphanage slots that could be funded from federal savings	1,758
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* Based on 1993 data. Assumes full effects of implementation of Republican welfare plan.



GEORGIA

Minimum number of children denied AFDC benefits*	122,000
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Orphanage slots that could be funded from federal savings	196
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* Based on 1993 data. Assumes full effects of implementation of Republican welfare plan.



NEW YORK

Minimum number of children
denied AFDC benefits* 349,000

Orphanage slots that
could be funded from
federal savings 743

** Based on 1993 data. Assumes full effects of implementation of Republican welfare plan.*

Wash. Post; 12-29-94

Cruel Reality Belies Orphanage Fantasy

House speaker-elect Newt Gingrich (R-Ga.) may have been miscast as the host of TNT's screening of the classic movie "Boys Town." If the network executives wanted someone with experience, they should have asked Sen. Ben Nighthorse Campbell (D-Colo.).

"Boys Town" has become Gingrich's favorite fairy tale ever since he suggested reviving orphanages as a means of reforming the welfare system. Campbell spent three years in orphanages as a child, an ordeal that he says has little in common with the celluloid version.

"The Germans have an old saying, 'He who laughs at scars has never felt wounds,'" Campbell told us. "And I can tell you that Newt has never felt the emotional wounds you get in an orphanage."

Campbell was placed in his first orphanage in 1938, the same year "Boys Town" was filmed. Rather than heartwarming, his experience highlights the harsh realities that Hollywood left on the cutting room floor.

The Colorado Democrat recalls a place where children scrounged for food, received harsh punishment from their superiors by day and ran from sexual molesters in the bathroom at night. He said he would like to clear up Gingrich's apparent belief that living in an orphanage is "akin to dormitory life at Emory University, only for the kiddies."

Campbell and Gingrich were each born to difficult circumstances. Campbell had an alcoholic father who spent time in jail, and a mother who suffered from a terrible case of tuberculosis. Gingrich was born to a single-parent home because his teenage mother divorced her heavy-drinking, physically abusive husband.

The bond between the senator and the speaker-to-be ends there. Gingrich's mother remarried when he was 3 years old, giving Gingrich a stable family structure. Campbell, however, was taken to an orphanage at the age of 5 with his sister. "My mother simply couldn't take care of us because she was in and out of the hospital and dad was off drinking," Campbell said.

Campbell was so frightened when his mother took him to the orphanage that he jumped out of a window

and hid in the trunk of a car. His mother found him because she could hear his sobs. "I can remember screaming out that I would be good," Campbell told our associate Ed Henry. "I associated being abandoned with being bad—that I must have been bad or they wouldn't have left me there."

Sometimes one of the older children in the orphanage would receive a box of oranges from a distant relative. "They'd peel 'em and throw the peelings on the ground," said Campbell. "I can remember more than once, kids coming along—including me—and eating the peelings because we were hungry."

More than anything, however, Campbell hungered for a family. Boys and girls were segregated at the orphanage, so Campbell's contact with his sister was limited to an occasional passing glance in the hallway. He can't remember his father ever visiting him, and only recently did he find out why his mother made the 50-mile trip only a few times.

When Campbell ran for the Senate, he agreed to the release of various documents to the press, including orphanage records he had never seen. Campbell was shocked to read the letters his mother wrote to the orphanage.

"They were absolutely heart-wrenching," he recalled. "She was so poor that she couldn't afford to come see us because [transportation] cost \$5."

While Campbell credits his tough childhood with giving him the will to rise to the Senate, his sister wasn't as lucky. She never got her life on track and died at the age of 44 from a combination of sleeping pills and alcohol.

Even though she didn't leave a note, Campbell believes it was a suicide because she had tried to kill herself once before. "Her reaction to the days in the orphanage [was] to kind of crumble under the stresses of life," Campbell said.

Campbell wants Gingrich to know that the nuns in his orphanage were not like Father Flanagan in "Boys Town."

"They did the best they could," Campbell said. "But when you compare an orphanage to any kind of a home life—whether it's a solid home or even a single-parent home that's got a little bit of trouble—homes are better."

FOR RELEASE UPON DELIVERY
THURSDAY, DECEMBER 29, 1994

*REMARKS BY

DONNA E. SHALALA

SECRETARY OF HEALTH AND HUMAN SERVICES

PRESS CONFERENCE ON ORPHANAGES AND WELFARE REFORM

HUBERT H. HUMPHREY BUILDING
WASHINGTON, D.C.

*THIS TEXT IS THE BASIS OF SECRETARY SHALALA'S ORAL REMARKS.
IT SHOULD BE USED WITH THE UNDERSTANDING THAT SOME MATERIAL MAY
BE ADDED OR OMITTED DURING PRESENTATION.

Good morning. This evening, incoming Speaker, Newt Gingrich will introduce the 1938 movie "Boys Town" on TNT. It's a story about life in a Nebraska orphanage almost 60 years ago.

Congressman Gingrich advised the Clinton Administration to watch this movie as an example of his new model for welfare reform -- removing millions of poor children from their homes and the care of their parents, and placing them in orphanages.

I could suggest some other movies that showcase orphanages. These movies show orphanages to be big, impersonal, bureaucratic warehouses -- places that we decided against years ago -- and for good reason. I'm talking about movies like Oliver Twist. And Nicholas Nickleby. And Annie.

But I'm sure the incoming Speaker would agree that this debate is not about dueling videos. It is about the right way to reform welfare. It is about protecting and fostering the well-being of children. And it is about making sure this country continues to stand up for family values and parental responsibility.

Orphanages once had a place in American life -- and there are countless stories of young men and women who were saved by the anchor of a place to call home and caregivers who guided them to adulthood.

But, the Boys Town of the 1938 movie is a model of a long-gone era. It was never intended as a solution to welfare. It does not advocate taking children away from their mothers just because they're poor. And there's one more thing. Boys Town was a Hollywood movie.

The reality is, when fully implemented, the Republicans' welfare plan would cut off benefits to at least 5 million children, whether or not their mothers are willing to work. That's more than half of all children on AFDC.

And what will happen to these children? The Republican plan would not only leave them in poverty, but even suggests sending them off to orphanages.

But let's take a closer look at the economics of this option.

First of all, the average federal grant for each AFDC recipient is roughly \$1000 dollars. But, according to the Child Welfare League, the average annual cost of orphanage care is \$36,500 dollars.

The federal savings from the Republican plan returned to the states could only fund fewer than 9,000 orphanage slots for the entire nation -- all fifty states!

So, what will happen to the other 5 million children who will be without family support or Father Flanagan?

Let's look at Nebraska, for example -- the home of Boys Town: Currently there are 32,000 children on AFDC in the state. Under the Republican plan, at least 19,000 children would no longer be eligible for AFDC. But the federal savings accrued from denying them benefits -- that would be returned to Nebraska -- would only pay for 16 orphanage slots.

What would happen to the other 18,984 children -- many of them infants who require extra care?

There are several things that could happen.

First, states could pick up the bill -- that's \$36,500 per child for orphanage care...a huge cost shift to states.

They could try to expand the already strapped foster care system -- but even foster care, at \$4800 per child, costs 4 times as much as the average federal grant for AFDC.

Or...the governor and the state's citizens could hope and pray that private charities or children's other relatives rise to meet the demand.

And if they can't...we can expect to see countless young mothers and their children relegated to lives of poverty, quite possibly on the streets -- homeless and without any hope for the future.

That is not a Hollywood movie.

That's reality.

And it's not a pretty picture.

We have to ask ourselves -- is that the kind of America we want as we enter 1995?

Do we want an America that takes children away from their mothers -- just because they happen to be poor?

Do we want an America that doesn't attempt to get fathers to live up to their responsibilities as parents -- and simply rips kids from their homes?

Do we want an America that says to states and families -- you're on your own -- go fend for yourselves?

I don't think so.

The solution to the welfare crisis is not to send children to orphanages...it's to send their parents to work.

Last year, President Clinton proposed a better idea -- reform the badly broken welfare system in a way that rewards the basic values of work, family and responsibility.

Make its central focus helping people move from welfare to work as quickly as possible, so that they can support themselves and their families.

Require that people on welfare will have to get off of it and go to work after a specified period of time.

Begin a national campaign against teen pregnancy, and tougher enforcement of our child support laws.

In 1995, we must redouble our efforts -- and, as the President has said, we must begin to engage every citizen in the earnest work to fix our broken welfare system.

Boys Town is a great movie. I like it, but after the movie, let's sit down together and get the job done.

As I said before, the solution to the welfare crisis is not to send children to orphanages...it's to send their parents to work.

Thank you.

Excerpt

The Personal Responsibility Act

104th Congress
1st Session

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

House Republicans will introduce the following bill

A BILL

To restore the American family, reduce illegitimacy, control welfare spending
and reduce welfare dependence.

1 *Be it enacted by the Senate and House of Representatives of the United*
2 *States of America in Congress assembled.*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as "The Personal Responsibility Act."

5 SEC. 2. TABLE OF CONTENTS.

6 The table of contents for this Act is as follows:

Sec. 1. Short title.

Sec. 2. Table of contents.

TITLE I—REDUCING ILLEGITIMACY

Sec. 100. Sense of the Congress.

Sec. 101. Reduction or denial of AFDC for certain children whose paternity is not established.

1 SEC. 108. GRANTS TO STATES FOR ASSISTANCE TO CHILDREN BORN
2 OUT-OF-WEDLOCK.

3 (a) IN GENERAL.—Title IV of the Social Security Act (42 U.S.C. 601
4 et seq.) is amended by inserting after part B the following:

5 "PART C—GRANTS FOR ASSISTANCE TO CHILDREN BORN OUT-
6 OF-WEDLOCK

7 "SEC. 440. PURPOSE.

8 (a) IN GENERAL.—The purpose of this part is to grant a qualified
9 State the flexibility and resources necessary to provide such services and ac-
10 tivities as the State deems appropriate to discourage out-of-wedlock births
11 and care for children born out-of-wedlock.

12 "(b) QUALIFIED STATE DEFINED.—For purposes of this part, the
13 term 'qualified State' means a State which—

14 "(1) has a plan approved under section 402; and

15 "(2) has certified to the Secretary that—

16 "(A) the payments made to the State under this part will be
17 used by the State in accordance with this part; and

18 "(B) not less frequently than every 2 years, the State will
19 audit the expenditures of the amounts paid to the State under this
20 part.

21 "SEC. 441. USE OF GRANT FUNDS.

22 (a) IN GENERAL.—Except as provided in subsection (b), each qualified
23 State that receives grant funds under this part shall use such funds—

24 "(1) to establish or expand programs to reduce out-of-wedlock
25 pregnancies;

26 "(2) to promote adoption;

27 "(3) to establish and operate orphanages;

28 "(4) to establish and operate closely supervised residential group
29 homes for unwed mothers; or

30 "(5) in any manner that the State deems appropriate to accom-
31 plish the purpose of this part.

32 "(b) PROHIBITIONS ON USE OF FUNDS.—

33 "(1) NO INDIVIDUAL PAYMENTS.—A qualified State that receives
34 grant funds under this part shall not, directly or indirectly, use such
35 funds for providing payments to an individual who is the parent of a
36 child born out-of-wedlock and such child if the parent and the child
37 live—

38 "(A) in a household headed by such parent;

39 "(B) in the household of a relative; or

40 "(C) in any other conventional residential or community set-
41 ting.

1 “(i) IN GENERAL.—The number of excluded children for
2 a State for a fiscal year shall be—

3 “(I) for fiscal year 1996, zero;

4 “(II) for fiscal year 1997, 50 percent of the monthly
5 average number of base year excluded children (as de-
6 fined in clause (ii)) who were under age 1 during the
7 base year (as defined in clause (iii));

8 “(III) for fiscal year 1998, the sum of—

9 “(aa) the monthly average number of base year
10 excluded children who were under age 1 during the
11 base year; and

12 “(bb) 50 percent of the monthly average num-
13 ber of base year excluded children who were over
14 age 1 and under age 2 during the base year;

15 “(IV) for fiscal year 1999, the sum of—

16 “(aa) the monthly average number of base year
17 excluded children who were under age 2 during the
18 base year; and

19 “(bb) 50 percent of the monthly average num-
20 ber of base year excluded children who were over
21 age 2 and under age 3 during the base year;

22 “(V) for fiscal year 2000, the sum of—

23 “(aa) the monthly average number of base year
24 excluded children who were under age 3 during the
25 base year; and

26 “(bb) 50 percent of the monthly average num-
27 ber of base year excluded children who were over
28 age 3 and under age 4 during the base year; and

29 “(VI) for fiscal years after fiscal year 2000, a num-
30 ber determined by the Secretary using a formula
31 which—

32 “(aa) takes into account changes in out-of-wed-
33 lock birth rates in previous years, State incentives
34 to continue programs designed to reduce illegitimate
35 births, and other factors deemed relevant by the
36 Secretary; and

37 “(bb) does not result in a payment to any
38 State under this section for any fiscal year that ex-
39 ceeds the payment made to the State under this sec-
40 tion for fiscal year 2000.

1 “(II) The average monthly number of base year ex-
2 cluded children (as defined in clause (ii) of subparagraph
3 (C)) in the State who were under age 1 during the base
4 year (as defined in clause (iii) of subparagraph (C)) and
5 the number of parents excluded in connection with such
6 children.

7 “(III) The number of months (in whole or in part)
8 by which the date of the enactment of the Personal Re-
9 sponsibility Act of 1995 precedes or succeeds October 1,
10 1995.

11 “(IV)(aa) If the date of the enactment of the Per-
12 sonal Responsibility Act of 1995 precedes October 1,
13 1995, 1; or

14 “(bb) If the date of the enactment of the Personal
15 Responsibility Act of 1995 succeeds October 1, 1995,
16 -1.”.

17 (b) **STUDY.**—Not later than October 1, 1998, and not later than Octo-
18 ber 1 of each of the 3 immediately succeeding years, the Comptroller General
19 of the United States shall submit to the Congress a report on how States
20 have expended funds provided under part C of title IV of the Social Security
21 Act, the effect of such expenditures on the well-being of mothers and chil-
22 dren, and whether there is evidence that illegitimacy rates have changed as
23 as result of the implementation of such part. Any such report may address
24 such related matters as the Comptroller deems appropriate to examine.

25 **SEC. 109. REMOVAL OF BARRIERS TO INTERETHNIC ADOPTION.**

26 (a) **FINDINGS**—The Congress finds that—

27 (1) nearly 500,000 children are in foster care in the United
28 States;

29 (2) tens of thousands of children in foster care are waiting for
30 adoption;

31 (3) 2 years and 8 months is the median length of time that chil-
32 dren wait to be adopted;

33 (4) child welfare agencies should work to eliminate racial, ethnic,
34 and national origin discrimination and bias in adoption and foster care
35 recruitment, selection, and placement procedures; and

36 (5) active, creative, and diligent efforts are needed to recruit par-
37 ents, from every race and culture, for children needing foster care or
38 adoptive parents.

39 (b) **PURPOSE**—The purpose of this section is to decrease the length
40 of time that children wait to be adopted and to prevent discrimination in
41 the placement of children on the basis of race, color, or national origin.

THE WHITE HOUSE
Office of the Press Secretary

Embargoed for Release
Until 10:06 A.M.
Saturday, December 10, 1994

December 8, 1994

RADIO ADDRESS BY THE PRESIDENT TO THE NATION

The Oval Office

5:36 P.M. EST

THE PRESIDENT: Good morning. Earlier this week, I signed the GATT agreement, the most far-reaching international trade pact in our history. And this weekend in Miami, we in the United States are hosting the Summit of the Americas, where the leaders of 34 countries have gathered to promote trade in our own hemisphere.

This Summit of the Americas, and GATT, and everything we've done to expand international trade is really about opening up foreign markets to America's goods and services, so that we can create high-wage jobs and new opportunities for our people here at home.

MORE

But despite all the progress we've made, despite the fact that we have over 5 million new jobs in the last 22 months, the biggest expansion of trade in history, we've had more new construction jobs this year than in the last nine years combined, and we've had a year of manufacturing job growth for the first time in a decade. In spite of all that, millions of hardworking people are still out there killing themselves, working longer hours for lower pay, paying more for health care -- or losing their health coverage than ever before. More and more Americans, even in this recovery, are worried that they could lose their job or their benefits at any time.

There's less disposable income for most working Americans than there was just a decade ago. Many people can't even imagine being able to afford a vacation anymore, let alone send their children to college. And I'm talking about hardworking Americans, who play by the rules; they're tired of watching their earnings benefit people who don't.

There's no greater gap between mainstream American values and modern government than we find in the welfare system. The welfare system was set up for all the right reasons -- to help people who had fallen on hard times temporarily, to give them a hand up for a little while so they could put their lives back in order and move on. And it still works that way for an awful lot of people.

But for millions and millions of people, the system is broken badly, and it undermines the very values -- work, family and responsibility -- that people need to put themselves back on track. The people who are stuck on welfare permanently will be the first to tell you that if we're going to fix it, we have to return to those values, and we have to put them front and center. People who have worked their way off of welfare, after being afraid they'd be on it forever, will be the strongest in saying, we've got to put work, family and responsibility back into the system.

We have to change welfare so that it drives people toward the freedom of work, not the confines of dependence. Work is still the best social program ever invented. Work gives hope and structure and meaning to people's lives. And we won't have ended

MORE

welfare as we know it, until its central focus is to move people off welfare and into a job so that they can support themselves and their families.

We have to change welfare to that it strengthens families and not weaken them. There is no substitute -- none -- for the loving devotion and equally loving discipline of caring parents. Governments don't raise children, parents do. There's some people out there who argue that we should let some sort of big, new institution take parents' place, that we should even take children away from parents as we cut them off welfare, even if their doing a good job as parents, and put the children in orphanages. Well those people are dead wrong. We need less governmental interference in family life, not more.

We have to change the welfare system so that it demands the same responsibility already shouldered by millions and millions of Americans who already get up every day go to work and struggle to make ends meet and raise their children. Anyone who can work should do so. Anyone who brings a child into this world ought to take responsibility for that child. And no one -- no one -- should get pregnant or father a child who isn't prepared to raise the child, love the child and take financial and personal responsibility for the child's future.

That's why welfare reform must include a national campaign against teen pregnancy, and the toughest possible enforcement of our child support laws, along with the requirement that people on welfare will have to get off of it and go to work after a specified period of time. It also means that if you're going to require that, there has to be a job there for them, and support for people who are working to raise their children in the proper way.

I've worked on this welfare reform issue for 14 years, since I first became Governor of my state. I've worked with other Governors, with members of Congress from both parties, but most importantly, with people on welfare and people who've worked their way off of it. I know that most people out there on welfare don't like it a bit, would give anything to get off, and really want to be good, hardworking citizens and successful parents.

There are a lot of ideas out there for reforming welfare -- some are really good, and some are just political attention getters. Since I became President, I've worked hard on this. I've already introduced welfare reform legislation in the last session of Congress. We've also given 20 states relief from cumbersome federal

MORE

bureaucracy rules, so that they can pursue welfare reform on their own. We've done that for more states than the previous two administrations combined.

There's still some disagreement about what we ought to do, but everybody agrees that the system is badly broken and needs to be fixed. It's a bad deal for the taxpayers who pay the bills, and it's a worse deal for the families who are permanently stuck on it.

Two days ago, after meeting with governors from both the Democratic and Republican Parties, I announced that we're going to host a national, bipartisan working session on welfare reform at the White House in January. I call for this session as a first step in an honest and forthright discussion about America's welfare system and how to fix it. It's not going to be easy, but our responsibility to the American people is to put aside partisan differences, and to turn our full attention to the problems at hand. The American people deserve a government that honors their values and spends their money wisely, and a country that rewards people who work hard and play by the rules; working together, that's what we can give them.

Thanks for listening.

END

MORE

HHS FACT SHEET

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

June 1994

Contact: ACF Press Office
(202) 401-9215

FACTS RELATED TO WELFARE REFORM Aid to Families with Dependent Children (AFDC)

Benefits

- AFDC benefit levels range from \$120 per month for a family of three in Mississippi to \$923 per month in Alaska, with the median state paying \$367 in AFDC benefits (January 1993 figures). Food stamp benefits fall as AFDC benefits increase, however, offsetting to some degree the disparity in AFDC benefit levels among the different states.
- AFDC benefit levels have declined by 42 percent in the last two decades. The average monthly benefit for a mother and two children with no earnings has shrunk in constant 1992 dollars from \$690 in 1972 to \$399 in 1992, a 42 percent decline.
- This decline has been partly offset by an increase in food stamp benefits, such that the combination of AFDC and food stamps for a mother and two children with no earnings has declined by 26 percent between 1972 and 1992.
- In all 50 states, AFDC benefits are below the Census Bureau's poverty threshold, varying from 13 percent of the threshold in Mississippi to 79 percent in Alaska (median of 39 percent).

Caseloads

- The number of persons receiving AFDC each year has increased significantly between 1975 and 1993. In 1975, 11.1 million individuals received benefits, and in 1993, 14.1 million persons received AFDC (up from 12.6 million in 1991). Over the same period, the average size of AFDC families has fallen, from 3.2 persons in 1975 to 2.9 persons in 1993.
- Reciprocity rates, defined as the total number of AFDC recipients divided by the state population, have not followed a uniform trend among all states. While rates in some states increased substantially between 1975 and 1992, 22 states experienced a decline in monthly reciprocity rates over that time period.

- Two thirds of AFDC recipients are children. In March 1993, AFDC provided benefits to 9.7 million children.

Expenditures

- Despite the increase in the number of recipients over the time period, benefit expenditures have remained relatively constant in real terms between 1975 (\$21.3 billion) and 1992 (\$22.5 billion). Real spending on AFDC apart from AFDC-UP has actually fallen since 1975, from \$20.3 billion in 1975 to \$20.1 billion in 1992.
- Contrary to the general conception, not all states have experienced an increase in total AFDC expenditures. While the national average between 1985 and 1992 was a 17 percent increase, state-by-state figures varied from an increase of 184 percent in Arizona to a decrease of 38 percent in Wisconsin.
- The share of federal spending devoted to AFDC has declined from 1.5 percent in 1975 to 1.1 percent in 1992.

Recipient Characteristics

- Thirty-four percent of AFDC recipients in 1992 were white, 39 percent were Black and 19 percent Hispanic, as compared to 1973, when 38 percent of AFDC recipients were white, 45.8 percent Black and 13.4 percent Hispanic.
- Only 22 percent of AFDC families reported any non-AFDC income in 1992.
- Forty percent of female welfare recipients gave birth to their first child before the age of 19. Just over half had a high school degree when they entered the AFDC program, and 49 percent had not worked in the 12 months prior to entry.

The JOBS Program

- Overall 16 percent of adult non-exempt AFDC recipients nationwide were enrolled in the JOBS program in 1992. Only Indiana, Maine, Maryland and Guam failed to reach the 11 percent participation rate mandated in the Family Support Act for fiscal year 1992.
- Fiscal year 1992 federal funding for the JOBS program was capped at \$1 billion. However, state spending was only sufficient to draw down two-thirds of the available federal funding for fiscal year 1992, and only 11 states claimed their full allocation of federal funds. Only 19 states intended to spend enough to claim their full allocation in fiscal year 1993.

Other Facts

Living Arrangements of Children

- While the total child population in the United States was approximately the same in 1960 as in 1991, the percent of children living with a single parent increased from 9 percent to 26 percent. The majority of children born today will spend some time in a single-parent family.

Labor Force Participation of Women

- The percent of women who work in the wage labor market has increased dramatically in recent decades. Between 1950 and 1992, the labor force participation of women with children under age 6 increased from 14 percent to 58 percent.

Child Poverty

- In 1992, 22 percent of children lived in poverty. Among children in female-headed families, the rate was 54 percent; among children in families with a male present, the rate was 11 percent.

Child Support Enforcement

- In families with children with an absent father in 1989, 58 percent had a child support order in place, 37 percent received some payment, and 26 percent received the full payment.

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