



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of the Assistant Secretary
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Washington, D.C. 20201

with Senate
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FROM: HHS/ASL STAFF (Jim Hickman 690-7627)

DATE: June 21, 1995

PAGES: 9 (including cover)

SUBJECT: Materials from 6/21/95 Welfare Reform Press Conference (Senate)

Attendees: Senators Gramm (R-TX), Faircloth (R-NC), Craig (R-ID), Helms (R-NC), Kyl (R-AZ); Representatives Hutchinson (R-AR), Talent (R-MO)

Attached:

- o Statement by Sen. Faircloth (R-NC)
- o Summary of "Missing" Provisions in Packwood Mark (Faircloth)
- o Letter from conservative interest groups criticizing the Packwood mark



LAUCH FAIRCLOTH

NEWS RELEASE

Faircloth Statement - Welfare Press Conference 6/21/95

"As most of you know, before coming to the Senate in January of 1993, I spent 45 years in the private sector meeting a payroll as a businessman and a farmer.

I know first hand that in the private sector if you have a problem with your business, you had better fix it and not tinker around with it or pretend to fix it, but actually fix it, or else you will be out of business.

Unfortunately, the Finance Committee's welfare reform bill does not fix the problem of welfare dependency. It merely tinkers around the edges, pretending to be reform, and if we do not fix this problem then our country is going to go out of business. Since 1955, the working taxpayers of this country have put up \$5.4 trillion of their hard-earned dollars in a failed effort to end welfare dependency and we have more poverty today than when we started.

The Finance Committee bill does not even address or attempt to fix the problem that is the root cause of welfare dependency: illegitimacy - the rise in out-of-wedlock births. This is unacceptable.

The Finance Committee bill does not include any provision to take away the current cash incentive for young women to have children out of wedlock. The Senate should follow the House's example and deny direct cash benefits to women under 18 who have children out-of-wedlock. The Senate should also include a family cap on benefits to take away the cash incentive for welfare mothers which rewards continuous out-of-wedlock births.

The Finance Committee bill supported by Chairman Packwood and Senator Dole goes so far as to strike the first line of the House Welfare reform bill which says, "marriage is the foundation of a successful society." Only in Washington would that statement be considered radical.

Since my campaign for the Senate in 1992, I have made it clear that anyone receiving welfare benefits should have to work for those benefits: workfare not welfare. The original bill released from the Finance Committee did not require any AFDC single mothers to work. Due to numerous objections, the bill has been modified, but will remain pitifully weak in its work requirements.

The single most important part of any successful work program is a pay for performance requirement for people doing community service work. That means that you don't get your benefits unless you do the work. If you fail to do the work, your benefits are reduced on a pro rata basis. It only makes common sense that a welfare recipient shouldn't get paid for work not done. I can assure you that in 45 years of business, I never knowingly paid for work that wasn't done, and I see no reason to treat welfare recipients any differently. However, the Finance Committee bill does not include a pay for performance work provision. This is unacceptable.

I have talked about welfare reform with my colleagues in the Senate since I have been here. I have been consistent in my belief that unless we address the root cause of welfare dependency - illegitimacy, that any attempt at genuine reform will fail and we will have misled the American people.

Serious, fundamental changes need to be made in this bill and I have tried to convince the leadership of that. So far, I have had no success. Therefore, I have no choice other than to oppose the bill in its current form in the full Senate."

Contact: Tom Roddis/ Heide Wood (202) 274-3154

Gramm/Faircloth Press Conference 6/21/95

Provisions in Packwood Welfare "Reform": Report No. 104-96

ISSUE #1 - ILLEGITIMACY

The Packwood bill has no provisions to reduce illegitimacy.

- 1) The bill strikes the house provision prohibiting the use of federal funds to give cash aid to unmarried mothers under age 18.
- 2) The bill strikes the "family cap" provision of the House bill prohibiting the use of federal funds to give added cash benefits to mothers who have added children while already enrolled in AFDC.
- 3) Strikes the findings from the House bill showing that illegitimacy has harmful social and personal consequences. The elimination of this language will make it impossible to design and operate welfare policies intended to discourage illegitimacy. The Supreme Court has held that in order for government policy to distinguish between marriage and illegitimacy and to devise policies to discourage the latter, the government must demonstrate that a compelling social interest is served. The findings section of the House bill was intended to demonstrate that the government does have a compelling interest in reducing illegitimacy. With this language removed, it is most likely that welfare policies at the federal or state level to reduce illegitimacy will be blocked by the courts.
- 4) Strikes the House provision that requires mothers prospectively enrolling in AFDC to establish paternity (with some exceptions).
- 5) Strikes the illegitimacy ratio provision from the House bill which increases state's block grant if the state reduces illegitimacy without a corresponding increase in abortions.

ISSUE #2 - GUTTING WORK REQUIREMENTS

- 1) The bill eliminates all work requirements on single mothers. The House bill required a specified percentage of the AFDC case load to engage in work activities. The Packwood bill guts that by substituting work and education in place of work.
- 2) The House bill required AFDC-UP fathers to be placed in a "pay-for-performance" work program, if the fathers failed to perform the required number of hours of work each week, their benefits are cut pro rata.
- 3) The bill eliminates the House provision which gives states credit for caseload reduction for purposes of meeting their "work" goals. The elimination of this provision

converts the entire bill into a massive ultra-expensive training and make-work boondoggle. The bill mandates that 2 million welfare recipients must be in expensive training or CETA work programs in the year 2000.

4) The Packwood bill creates a system evaluating and ranking state work and training programs that is purely liberal. Under this system, which measures only welfare exits, not reductions in applications and caseload, Michael Dukakis would be deemed more successful than Tommy Thompson.

5) The Packwood bill eliminates the House provision which encourages (but does not require) states to focus work requirements first on single mothers who do not have pre-school children. Without this provision, state bureaucrats will focus training programs on single mothers with infants and then complain that they cannot meet federal standards because the feds did not give them enough money for daycare.

ISSUE #3 - DECEIVING VOTERS

One of the greatest obstacles to welfare reform over the last fifteen years has been the fact that welfare bureaucracies deliberately use phony statistics in order to create the illusion of reform. Specifically voters and policy makers have been misled by statistics which claim that large numbers of welfare recipients are required to work when in fact few are.

An important feature of this deception is what might be called the "game of the shrinking denominator." Example: bureaucrats may claim 50 percent of welfare recipients are required to work. What legislators and the public are not told is that vast numbers of welfare recipients have been quietly excluded from the count and have been omitted from the denominator in the calculation. When the numbers are presented in terms of the overall welfare caseload the apparent level of required work will fall dramatically (to 20 or 25%).

The clear purpose of playing the shrinking denominator game is to mislead. Historically, both the public and legislators have been bamboozled by this sort of statistical legerdemain.

H.R. 4, the House Welfare Bill, deliberately abolished the "shrinking denominator" ploy. Work requirements and participation rates presented are honestly in terms of the whole AFDC caseload. The intention is to make the numbers clearly understood by policy-makers and the public. The Packwood bill deliberately overturns this and returns to the game of misleading numbers and shrinking denominators which has been such an impediment to real reform in the past.

The only purpose of Packwood's statistical distortion is to deceive, to create the appearance that reform is far bolder than it really is. Liberals have utilized this ploy for years; real reformers should steer clear of it.

Packwood staffers have already attempted to use the shrink the denominator game to mislead Senate staffers by claiming that the participation requirements are higher in the Packwood bill than in the House bill. This is untrue; they have simply mangled the numbers in order to confuse.

ISSUE #4 - PROHIBITING WORK BY RETAINING JOBS

The Packwood bill retains nearly all the restrictions of the existing JOBS program. This effectively prohibits any state from maintaining a real work program. The JOB restrictions include:

Employment Displacement The bill asserts that "No work assignment under the program shall result in -- the displacement of any currently employed worker or position." The bill further prohibits any employer from placing a welfare recipient in an open job slot if the employee has ever "reduced its workforce."

There are several consequences of these provisions. A municipal government cannot create "workfare slots" for welfare recipients by moving normal employees into other functions and thereby opening up vacancies which can be filled by workfare participants. The provision that no "position" can be displaced effectively means that no job or task which currently is performed by a normal employee can ever be converted into a workfare slot even if the position is vacant. The provision barring workfare slots for any employer which has ever "reduced its workforce" effectively places a guaranteed floor on the level of employment in municipal governments and says that a municipality may not replace normal employees with workfare participants when job slots become vacant through natural employee attrition.

Prohibition on Pay for Performance Most welfare reforms envision requiring some welfare to perform community service work in exchange for their benefits (ie., workfare) an essential element of a successful workfare program is that the program be based on "pay for performance." Under a pay for performance system the recipient does not receive benefits until he or she has successfully completed the work assignment. If the recipient fails to perform the required number of hours or work (without a valid excuse) the benefits are reduced pro rata. Example: an individual received \$500 month in benefits and was required to work 100 hours. If the individual worked only 90 hours the benefits would be cut by 10% to \$450.

Pay for performance has been shown to cut caseloads dramatically but it has rarely been tried because HHS has sought to prohibit it. HHS has always maintained under both Republican and Democratic presidents that pay for performance is utterly prohibited under JOBS. Unless JOBS is eliminated or there is explicit language permitting pay for performance this prohibition will certainly continue.

Formal Hearings Govern Work Programs. The bill continues to directly apply the Goldberg v. Kelly rule to all work and JOBS programs. This requires a formal hearing and third party adjudication for any action, sanction, or alteration of benefits. This rule has always been a major straight jacket crippling the administration of welfare programs. Historically, this rule has made it very difficult to require responsible behavior from welfare recipients. It makes any scheme which links the level of benefits to performance of work, education, or other activities virtually impossible to operate. Finally, the rule makes "pay for performance" workfare completely impossible since if the recipient fails to perform the required hours of work, the benefits cannot be docked without a formal hearing.

Limits of Wage Supplementation. Under a wage supplement program welfare benefits are converted into a wage subsidy to employees. The employer receives the value of individual's welfare benefits directly from the state. The employer then employs the welfare recipient and pays the recipient a wage which includes the subsidy from the government, plus in most cases, an employer's contribution to the wage. Wage supplementation thus lowers the labor costs and makes it easier for employers to employ welfare recipients.

The Packwood bill contains unnecessary restrictions on work supplementation. First, an individual's participation in wage supplementation is unnecessarily limited to 12 months. Second, after a welfare recipient has participated in work supplementation for 13 weeks, the welfare recipient must be given all the rights and privileges of a normal employee, including, in some cases, union representation, grievance rights, pension rights, vacation and sick leave rights. This makes it far less likely that employers will participate in work supplementation.

Restrictions on Work Experience. The existing restrictions on hours of work under CWEP are retained. In the average state, recipients could be required to work only about 22 hour per week. This amounts to a wage rate of about \$10.90 per hour when the combined value of AFDC, Food Stamps, and Medicaid is considered. After a recipient has been in a CWEP slot for 9 months they must be paid the prevailing wage of normal employees performing similar work. In most localities this means union scale wages.

Goals of JOBS Program. The specified goals of the JOBS program are very much oriented to raising job skills and providing training. The goals of JOBS do not include reducing caseload or making recipients provide a social contribution or labor in exchange for benefits (workfare). The absence of these items as goals will provide plenty of fodder for left wing attorneys seeking to block conservative workfare programs. It will also ensure that HHS bureaucrats issue regulations restricting real workfare.

Requirement of State-wide JOBS Coverage. The bill retains the provision of existing law requiring that states' operate a JOBS program in every political sub-division within the state. However, it is very possible that a state might not need or wish to run JOBS in all localities. Moreover, HHS bureaucrats are likely to write regulations which expand this provision and require state to provide a wide range of services and training programs in each locality.

Employability Plan. The bill retains the provision from existing law requiring that the state negotiate an individual employability plan with each recipient participating in JOBS. This cumbersome and pointless provision should be termed the "full-employment for social workers act." It can greatly and unnecessarily expand the cost of operating work and training programs.



June 21, 1995

The Honorable Lurch Faircloth
United States Senate
Washington, D.C. 20510



Christian Coalition

Dear Senator Faircloth:

On behalf of the millions of members of our collective organizations, we believe that the welfare bill must include the family cap, the teen mother "child exclusion," the illegitimacy ratio, a requirement that states set numerical goals for the reduction of out-of-wedlock births, and empirical findings detailing the disastrous effects of illegitimacy. We find it very difficult to support the current bill, which makes no meaningful attempt to curb the sharp increase in out-of-wedlock births, and we urge the Senate leadership to respond immediately to the concerns voiced by millions of our constituents.

By allowing factional differences to dominate public perception of the debate, we jeopardize our opportunity to claim credit for shared accomplishments, like ending the entitlement status of welfare, that are already close to fact. We also run a very real risk of coding the issue to those who want no real reform.

Yet, we believe that political unity is a Pyrrhic victory if applied only to the passage of failed ideas. And we agree with Senators Faircloth, Santorum, Lott, and Gramm, who wrote in their letter to the Finance Committee that any attempt at welfare reform that fails to acknowledge illegitimacy as one of the key engines driving welfare dependency will itself prove a failure.

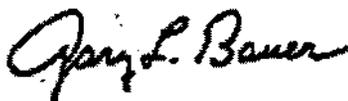
Out-of-wedlock pregnancy is a strong predictor of poverty, and unwed mothers are far more likely both to rely on government to support their children and to spend more years on welfare once enrolled. Moreover, children born outside of marriage are more likely to depend on welfare and to give birth to illegitimate children when they reach adulthood. Because illegitimacy feeds both poverty and itself, there is no credible reason to believe that we can reverse the tandem trends of welfare dependency and family breakdown until we address illegitimacy.

The course of the welfare debate over the last year indicates that an amazingly broad, bipartisan coalition, including even Bill Clinton, now agrees that illegitimacy is one of the central problems to be addressed in the welfare debate. There is less consensus, of course, on the definition of the means to address that problem — largely because no one knows of any government program that is as likely to reduce illegitimate pregnancies over the long-term as terminating cash benefits for unwed mothers. A major change in the behavior of young men and women will occur only when the prospect of having a child out of wedlock bears such immediate, tangible economic consequences that those concerns override all other considerations.

Only by historical accident were unwed mothers — of any age — ever included in the AFDC program. Frances Perkins, President Roosevelt's Secretary of Labor and chief architect of welfare policy, opposed extending federal entitlements to unmarried mothers because she foresaw that subsidizing illegitimacy would escalate family breakdown. It would be ironic at best if the current majority in the Senate were to find themselves to the left of the most liberal member of the Roosevelt Administration because they rejected that intuition, now confirmed by years of sad experience.

By including the family cap, the teen mother provision, and the illegitimacy ratio in the welfare bill, we have the opportunity to stimulate a discussion of family breakdown in every state. Failure even to address illegitimacy, by contrast, threatens to place a premium on factional bickering that will preclude *any* meaningful discussion of welfare reform this year. And failure to forge consensus in an election season on an issue as fundamental as welfare reform will almost inevitably undermine confidence that the Republicans deserve to define the future of the welfare state, much less regain the White House.

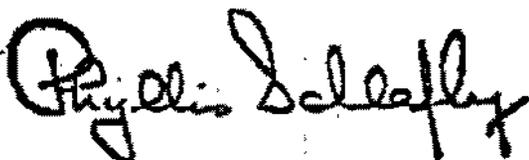
Sincerely,



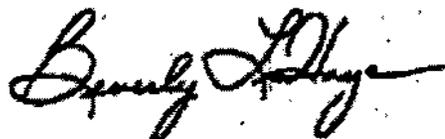
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Family Research Council



Brian Lopina
Christian Coalition



Phyllis Schlafly
Eagle Forum



Beverly LaHaze
Concerned Women for America



Reverend Louis P. Sheldon
Traditional Values Coalition



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FROM: HHS/ASL STAFF (Jim Hickman 690-7627)

DATE: June 22, 1995

PAGES: 3 (including cover)

SUBJECT: Summary of Gramm (R-TX) Press Conference

Summary of Gramm (R-TX), Faircloth (R-C) Welfare Reform Press Conference 6/21/95

Attendees:

The following members attended and made brief opening remarks: Senators Gramm (R-TX), Faircloth (R-NC), Craig (R-ID), Helms (R-NC), Kyl (R-AZ); Representatives Hutchinson (R-AR), Talent (R-MO). Other notables: Robert Rector of the Heritage Foundation, Nelson Rockefeller from Senator Bob Dole's office.

Remarks:

The highlights of member's remarks are as follows:

- o Gramm (R-TX): He reiterated the commitment of the Republican Party in the House Contract with America and the Senate "7 more in 94" plan to dramatically reform the welfare system. He criticized the Packwood mark for falling short of the will of the American people and the Republican majority. According to Gramm, the mark is discredited by preserving the JOBS program (he claims Democrats are offering an amendment to strike JOBS from the Packwood bill as well), exempting 94% of welfare programs (according to the Heritage Foundation) from the block grants, and maintaining 100% of existing the federal mandates to the states. Gramm further claimed that the (conservative) mandates the American people voted for last fall were left out of the bill completely.

Gramm stated that he does not support the Packwood mark as reported out of committee, and will oppose it on the floor unless changes are made. He then outlined two ways the bill could be corrected: 1) create a single block grant of all welfare programs (AFDC, Housing, Food Stamps, Medicaid, and Child Care) with no restriction on expenditures except for requiring states to serve needy people, or 2) adopt the House approach by broadening the base of the block grant and including provisions on the family cap, denying benefits to teen mothers, and denying benefits to immigrants, and mandatory work requirements.

- o Faircloth (R-NC): See attached statement. Faircloth characterized the Packwood mark as "more of the same."
- o Craig (R-ID): Stated the Packwood mark locks in place a failed system.
- o Helms (R-NC): Accused welfare programs of being an invitation to corruption.
- o Kyl (R-AZ): Criticized the Packwood mark for basing the new block grant system on the old AFDC allocation formula, and not on the number of children in poverty in a state.

Clutchinson (R-AR): Stated the goals of welfare reform should be increased state flexibility, reduced out-of-wedlock births, and tough, meaningful work requirements. Claimed the Packwood mark strikes out in all three areas. Feels the Senate Finance bill has nothing in common with House bill which jeopardizes any solution in the conference committee.

Talent (R-MO): Stated the goals of welfare reform are strengthening families and requiring real work, not just creating block grants and saving money.

Questions:

Senate Republican Support-Gramm and Faircloth said they have at least 20 Senators that share their concerns.

Nature of the Debate-Gramm characterized the welfare reform debate as the 1995 version of the healthcare debate.

Should Welfare Reform Exclude Immigrants-Gramm said that all immigrants should be denied benefits on a prospective basis.

Isn't Supporting A Pure Block Grant Approach Inconsistent with Social Mandates-No, the Finance Committee bill takes the worst of both approaches.