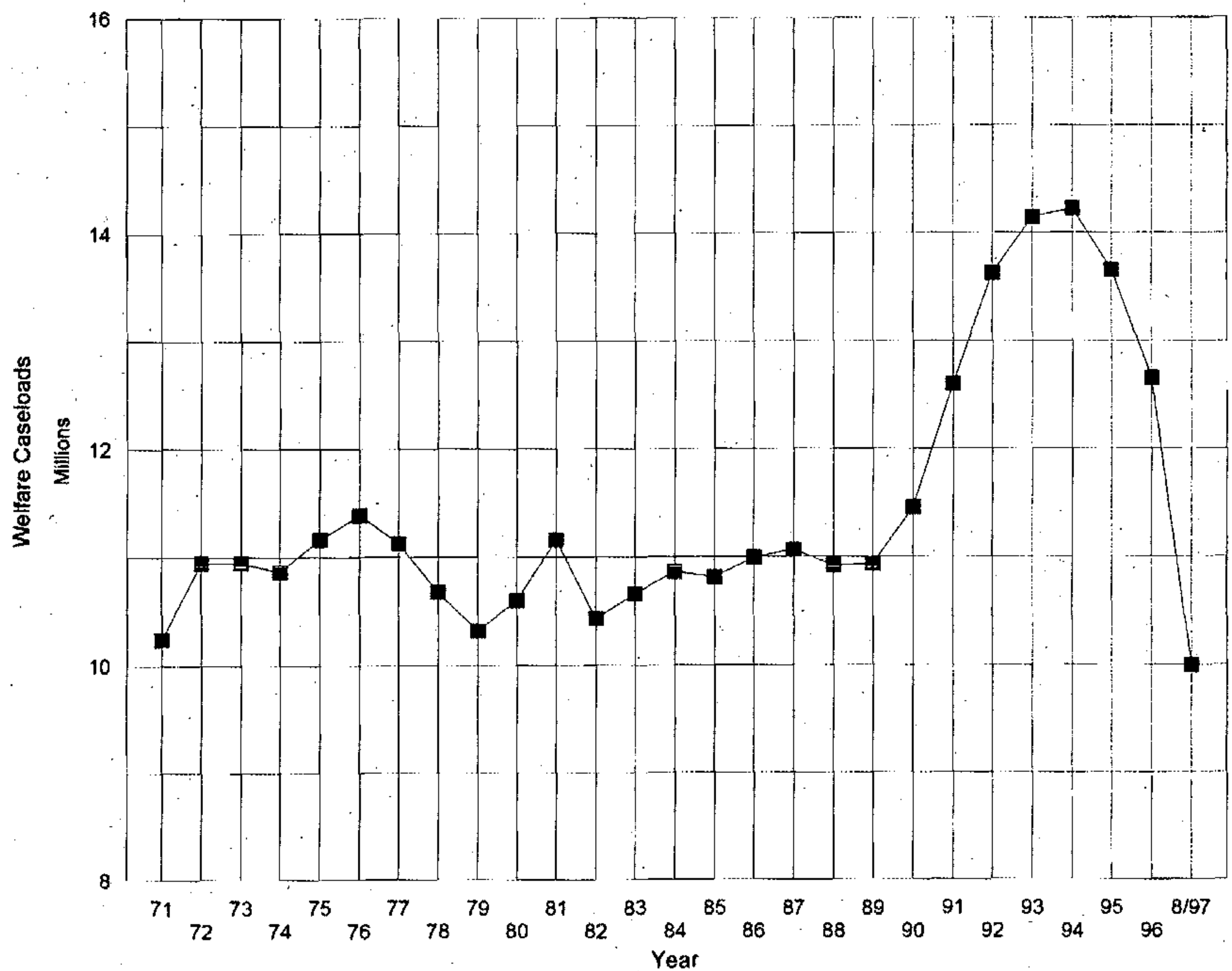
Welfare Caseloads: Below 10 Million for the First Time Since 1971

Caseloads fell 2.2 million in first year of welfare law, 4.1 million since President Clinton began to reform welfare



From August 1996 to August 1997, welfare caseloads fell from 12.2 to just under 10 million.

CHANGE IN WELFARE CASELOADS

Total AFDC/TANF families and recipients

	Jan.93	Jan.94	Jan.95 (millions)	Jan.96	Aug97	percent(93-97)
Families	4.963	5.053	4.936	4.628	3.612	-27%
			1,351,000 fewer families			
Recipients	14.115	14.276	13.918	12.877	9.995	-29%
			4,120,000 fewer recipients			

Total AFDC/TANF recipients by State

state	Jan.93	Jan.94	Jan.95	Jan.96	Aug97	percent(93-97)
Alabama	141,746	135,096	121,837	108,269	70,851	-50%
Alaska	34,951	37,505	37,264	35,432	33,082	-5%
Arizona	194,119	202,350	195,082	171,617	136,706	-30%
Arkansas	73,982	70,563	65,325	59,223	47,480	-36%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,269,558	-6%
Colorado	123,308	118,081	110,742	99,739	59,634	-52%
Connecticut	160,102	164,265	170,719	161,736	151,542	-5%
Delaware	27,652	29,286	26,314	23,153	20,560	-26%
D.C.	65,860	72,330	72,330	70,082	63,627	-5%
Florida	701,842	689,135	657,313	575,553	394,343	-44%
Georgia	402,228	396,736	388,913	367,656	241,478	-40%
Hawaii	54,511	60,975	65,207	66,690	74,480	+37%
Idaho	21,116	23,342	24,050	23,547	6,846	-68%
Illinois	685,508	709,969	710,032	663,212	555,668	-19%
Indiana	209,882	218,061	197,225	147,083	107,436	-49%
Iowa	100,943	110,639	103,108	91,727	75,106	-26%
Kansas	87,525	87,433	81,504	70,758	47,860	-45%
Kentucky	227,879	208,710	193,722	176,601	148,609	-35%
Louisiana	263,338	252,860	258,180	239,247	129,273	-51%
Maine	67,836	65,006	60,973	56,319	45,138	-33%
Maryland	221,338	219,863	227,887	207,800	149,028	-33%
Massachusetts	332,044	311,732	286,175	242,572	195,473	-41%
Michigan	686,356	672,760	612,224	535,704	419,777	-39%
Minnesota	191,526	189,615	167,949	171,916	152,765	-20%
Mississippi	174,093	161,724	146,319	133,029	86,910	-50%
Missouri	259,039	262,073	259,595	238,052	179,955	-31%
Montana	34,848	35,415	34,313	32,557	24,573	-29%
Nebraska	48,055	46,034	42,038	38,653	37,985	-21%
Nevada	34,943	37,908	41,846	40,491	28,854	-17%
New Hampshire	28,972	30,386	28,671	24,519	16,952	-41%
New Jersey	349,902	334,780	321,151	293,833	252,200	-28%
New Mexico	94,836	101,676	105,114	102,648	61,435	-35%
New York	1,179,522	1,241,639	1,266,350	1,200,847	989,200	-16%

state	Jan.93	Jan.94	Jan.95	Jan.96	Aug97	percent(93-97)
North Carolina	331,633	334,451	317,836	282,086	222,883	-33%
North Dakota	18,774	16,785	14,920	13,652	10,404	-45%
Ohio	720,476	691,099	629,719	552,304	433,792	-40%
Oklahoma	146,454	133,152	127,336	110,498	73,837	-50%
Oregon	117,656	116,390	107,610	92,182	54,083	-54%
Pennsylvania	604,701	615,581	611,215	553,148	417,881	-31%
Rhode Island	61,116	62,737	62,407	60,654	54,628	-11%
South Carolina	151,026	143,883	133,567	121,703	78,316	-48%
South Dakota	20,254	19,413	17,652	16,821	12,233	-40%
Tennessee	320,709	302,608	281,982	265,320	157,924	-51%
Texas	785,271	796,348	765,460	714,523	468,611	-40%
Utah	53,172	50,657	47,472	41,145	30,990	-42%
Vermont	28,961	28,095	27,716	25,865	22,048	-24%
Virginia	194,212	194,959	189,493	166,012	117,360	-40%
Washington	286,258	292,608	290,940	276,018	237,198	-17%
West Virginia	119,916	115,376	107,668	98,439	75,313	-37%
Wisconsin	241,098	230,621	214,404	184,209	97,383	-60%
Wyoming	18,271	16,740	15,434	13,531	4,279	-77%
Guam	5,087	6,651	7,630	8,364	7,477	+47%
Puerto Rico	191,261	184,626	171,932	149,944	139,971	-27%
Virgin Islands	3,763	3,767	4,345	4,953	4,323	+15%

Note: as of July 1, 1997, all states changed their reporting system from AFDC to TANF

Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
January 1998

CHANGE IN WELFARE CASELOADS SINCE ENACTMENT OF THE NEW WELFARE LAW

Total TANF families and recipients

	Aug.96	Aug.97 (millions)	percent
Families	4.389	3.612 *777,000 fewer families*	-18%
Recipients	12.202	9.995 *2,207,000 fewer recipients*	-18%

Total TANF recipients by State

state	Aug.96	Aug.97	percent
Alabama	100,510	70,851	-30%
Alaska	35,540	33,082	-7%
Arizona	169,440	136,706	-19%
Arkansas	56,230	47,480	-16%
California	2,578,450	2,269,558	-12%
Colorado	95,790	59,634	-38%
Connecticut	159,060	151,542	-5%
Delaware	23,650	20,560	-13%
D.C.	69,290	63,627	-8%
Florida	533,800	394,343	-26%
Georgia	329,160	241,478	-27%
Hawaii	66,480	74,480	+12%
Idaho	21,800	6,846	-69%
Illinois	640,870	555,668	-13%
Indiana	141,850	107,436	-24%
Iowa	85,940	75,106	-13%
Kansas	63,780	47,860	-25%
Kentucky	170,890	148,609	-13%
Louisiana	228,120	129,273	-43%
Maine	53,790	45,138	-16%
Maryland	194,130	149,028	-23%
Massachusetts	219,580	195,473	-11%
Michigan	501,440	419,777	-16%
Minnesota	169,740	152,765	-10%
Mississippi	122,750	86,910	-29%
Missouri	222,820	179,955	-19%
Montana	28,240	24,573	-13%
Nebraska	38,510	37,985	-1%
Nevada	33,920	28,854	-15%
New Hampshire	22,940	16,952	-26%
New Jersey	275,700	252,200	-9%
New Mexico	99,660	61,435	-38%
New York	1,143,960	989,200	-14%

state	Aug 96	Aug 97	percent
North Carolina	266,470	222,883	-16%
North Dakota	13,130	10,404	-21%
Ohio	549,310	433,792	-21%
Oklahoma	96,010	73,837	-23%
Oregon	78,420	54,083	-31%
Pennsylvania	530,520	417,881	-21%
Rhode Island	56,460	54,628	-3%
South Carolina	113,430	78,316	-31%
South Dakota	15,840	12,233	-23%
Tennessee	238,890	157,924	-34%
Texas	647,790	468,611	-28%
Utah	39,060	30,990	-21%
Vermont	24,270	22,048	-9%
Virginia	152,680	117,360	-23%
Washington	268,930	237,198	-12%
West Virginia	89,039	75,313	-15%
Wisconsin	148,890	97,383	-35%
Wyoming	11,400	4,279	-62%
Guam	8,314	7,477	-10%
Puerto Rico	151,023	139,971	-7%
Virgin Islands	4,898	4,323	-12%

Note: as of July 1, 1997, all states changed their reporting system from AFDC to TANF

Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
January 1998

WR-Caseload

Welfare Caseloads

	Baseline Recipients (Jan. 93)	Recipients (in month noted)	Percentage Drop	Decline since Jan. 93	Decline since Aug. 96
May 96 (data we had when law was signed)	14.115	12.499	11%	1.616	
Aug. 96* (when law was signed)	14.115	**12.202**	14%	**1.913**	
Jan. 97	14.115	11.360	20%	2.755	
Feb. 97	14.115	11.262	20%	2.853	
Mar. 97	14.115	11.156	21%	2.959	
Apr. 97	14.115	10.969	22%	3.146	1.233
May 97	14.115	10.748	24%	3.367	1.454
June 97	14.115	10.494	26%	3.621	1.708
July 97**	**14.115**	**10.258**	**27%**	**3.857**	**1.944**

*Note that when the welfare law was signed in August 1996, only had caseload data through the month of May 1996 was available. Thus, the public statements made at that time were based on that May 1996 data.

** Data released 11/17/97.

Welfare Caseloads as Percent of Population

Year	Welfare Caseload (millions)	Population (millions)	Percent
1969	6.706	202.677	3.3%
1970	8.466	205.052	4.1%
1971-1992	bet. 8-13	bet. 207-255	bet. 4.1-5.3%
1993	14.142	258.137	5.5%
1994	14.225	260.660	5.5%
1995	13.652	263.034	5.2%
1996	12.648	265.284	4.7%
July 1997*	10.258	266.789	3.8%

* Data released 11/17/97.

CHANGE IN WELFARE CASELOADS

WR - Caseloads

Total AFDC/TANF families and recipients

	Jan.93	Jan.94	Jan.95 (millions)	Jan.96	July97	percent(93-97)
Families	4.963	5.053	4.936	4.628	3.742	-25%
			1,221,000 fewer families			
Recipients	14.115	14.276	13.918	12.877	10.258	-27%
			3,857,000 fewer recipients			

Total AFDC/TANF recipients by State

state	Jan.93	Jan.94	Jan.95	Jan.96	July97	percent(93-97)
Alabama	141,746	135,096	121,837	108,269	74,097	-48%
Alaska	34,951	37,505	37,264	35,432	33,663	-4%
Arizona	194,119	202,350	195,082	171,617	137,899	-29%
Arkansas	73,982	70,563	65,325	59,223	51,506	-30%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,282,389	-5%
Colorado	123,308	118,081	110,742	99,739	60,056	-51%
Connecticut	160,102	164,265	170,719	161,736	144,943	-9%
Delaware	27,652	29,286	26,314	23,153	21,841	-21%
D.C.	65,860	72,330	72,330	70,082	64,326	-2%
Florida	701,842	689,135	657,313	575,553	407,598	-42%
Georgia	402,228	396,736	388,913	367,656	243,541	-39%
Hawaii	54,511	60,975	65,207	66,690	74,297	+36%
Idaho	21,116	23,342	24,050	23,547	8,006	-62%
Illinois	685,508	709,969	710,032	663,212	547,958	-20%
Indiana	209,882	218,061	197,225	147,083	107,355	-49%
Iowa	100,943	110,639	103,108	91,727	73,837	-27%
Kansas	87,525	87,433	81,504	70,758	47,434	-46%
Kentucky	227,879	208,710	193,722	176,601	151,190	-34%
Louisiana	263,338	252,860	258,180	239,247	178,335	-32%
Maine	67,836	65,006	60,973	56,319	44,972	-34%
Maryland	221,338	219,863	227,887	207,800	154,166	-30%
Massachusetts	332,044	311,732	286,175	242,572	196,630	-41%
Michigan	686,356	672,760	612,224	535,704	424,612	-38%
Minnesota	191,526	189,615	167,949	171,916	151,201	-21%
Mississippi	174,093	161,724	146,319	133,029	87,118	-50%
Missouri	259,039	262,073	259,595	238,052	182,022	-30%
Montana	34,848	35,415	34,313	32,557	21,258	-39%
Nebraska	48,055	46,034	42,038	38,653	37,455	-22%
Nevada	34,943	37,908	41,846	40,491	27,896	-20%
New Hampshire	28,972	30,386	28,671	24,519	19,157	-34%
New Jersey	349,902	334,780	321,151	293,833	253,700	-27%
New Mexico	94,836	101,676	105,114	102,648	78,404	-17%
New York	1,179,522	1,241,639	1,266,350	1,200,847	1,002,936	-15%

state	Jan.93	Jan.94	Jan.95	Jan.96	July97	percent(93-97)
North Carolina	331,633	334,451	317,836	282,086	231,506	-30%
North Dakota	18,774	16,785	14,920	13,652	10,508	-44%
Ohio	720,476	691,099	629,719	552,304	449,123	-38%
Oklahoma	146,454	133,152	127,336	110,498	74,567	-49%
Oregon	117,656	116,390	107,610	92,182	56,299	-52%
Pennsylvania	604,701	615,581	611,215	553,148	432,907	-28%
Rhode Island	61,116	62,737	62,407	60,654	52,196	-15%
South Carolina	151,026	143,883	133,567	121,703	76,608	-49%
South Dakota	20,254	19,413	17,652	16,821	12,497	-38%
Tennessee	320,709	302,608	281,982	265,320	163,236	-49%
Texas	785,271	796,348	765,460	714,523	554,878	-29%
Utah	53,172	50,657	47,472	41,145	31,975	-40%
Vermont	28,961	28,095	27,716	25,865	22,403	-23%
Virginia	194,212	194,959	189,493	166,012	119,430	-39%
Washington	286,258	292,608	290,940	276,018	238,920	-17%
West Virginia	119,916	115,376	107,668	98,439	80,359	-33%
Wisconsin	241,098	230,621	214,404	184,209	100,387	-58%
Wyoming	18,271	16,740	15,434	13,531	4,957	-73%
Guam	5,087	6,651	7,630	8,364	7,844	+54%
Puerto Rico	191,261	184,626	171,932	149,944	141,215	-26%
Virgin Islands	3,763	3,767	4,345	4,953	4,309	+15%

Note: as of July 1, 1997, all states changed their reporting system from AFDC to TANF

Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
November 1997

CHANGE IN WELFARE CASELOADS SINCE ENACTMENT OF THE NEW WELFARE LAW

Total TANF families and recipients

	Aug.96	July97 (millions)	percent
Families	4.389	3.742	-15%
		647,000 fewer families	
Recipients	12.202	10.258	-16%
		1,944,000 fewer recipients	

Total TANF recipients by State

state	Aug.96	July97	percent
Alabama	100,510	74,907	-25%
Alaska	35,540	33,663	-5%
Arizona	169,440	137,899	-19%
Arkansas	56,230	51,506	-8%
California	2,578,450	2,282,389	-11%
Colorado	95,790	60,056	-37%
Connecticut	159,060	144,943	-9%
Delaware	23,650	21,841	-8%
D.C.	69,290	64,326	-7%
Florida	533,800	407,598	-24%
Georgia	329,160	243,541	-26%
Hawaii	66,480	74,297	+12%
Idaho	21,800	8,006	-63%
Illinois	640,870	547,958	-14%
Indiana	141,850	107,355	-24%
Iowa	85,940	73,837	-14%
Kansas	63,780	47,434	-26%
Kentucky	170,890	151,190	-12%
Louisiana	228,120	178,335	-22%
Maine	53,790	44,972	-16%
Maryland	194,130	154,166	-21%
Massachusetts	219,580	196,630	-10%
Michigan	501,440	424,612	-15%
Minnesota	169,740	151,201	-11%
Mississippi	122,750	87,118	-29%
Missouri	222,820	182,022	-18%
Montana	28,240	21,258	-25%
Nebraska	38,510	37,445	-3%
Nevada	33,920	27,896	-18%
New Hampshire	22,940	19,157	-16%
New Jersey	275,700	253,700	-8%
New Mexico	99,660	78,404	-21%
New York	1,143,960	1,002,936	-12%

state	Aug.96	July97	percent
North Carolina	266,470	231,506	-13%
North Dakota	13,130	10,508	-20%
Ohio	549,310	449,123	-18%
Oklahoma	96,010	74,567	-22%
Oregon	78,420	56,299	-28%
Pennsylvania	530,520	432,907	-18%
Rhode Island	56,460	52,196	-8%
South Carolina	113,430	76,608	-32%
South Dakota	15,840	12,497	-21%
Tennessee	238,890	163,236	-32%
Texas	647,790	554,878	-14%
Utah	39,060	31,975	-18%
Vermont	24,270	22,403	-8%
Virginia	152,680	119,430	-22%
Washington	268,930	238,920	-11%
West Virginia	89,039	80,359	-10%
Wisconsin	148,890	100,387	-33%
Wyoming	11,400	4,957	-57%
Guam	8,314	7,844	-6%
Puerto Rico	151,023	141,215	-6%
Virgin Islands	4,898	4,309	-12%

Note: as of July 1, 1997, all states changed their reporting system from AFDC to TANF

Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
November 1997

WR-Caseloads

WELFARE CASELOADS HAVE DECLINED MORE THAN 3 ½ MILLION UNDER PRESIDENT CLINTON
October 8, 1997

President Clinton announced today that welfare caseloads have declined another 250,000, bringing the total reduction to more than 3.6 million since he became President, a drop of 26 percent. In the 10 months from August 1996 when he signed welfare reform into law through June 1997 (the numbers released today), welfare rolls have declined by 1.7 million to just under 10.5 million. For the first time since 1969, less than 4 percent of the U.S. population is on welfare. A total of 49 out of 50 states have lowered their welfare rolls -- 14 states by 40 percent or more.

Later today, Vice President Gore will announce that the federal government has made tremendous progress in fulfilling its commitment to hire 10,000 welfare recipients by the year 2000, doing its fair share to lower the welfare rolls.

The new caseload numbers underscore the success of the welfare reform law as it begins its second year. This 3.6 million caseload decline is the largest in history. Today, welfare caseloads, which fell by a record 1.9 million in the President's first three-and-a-half years in office, are on course to have dropped by 2 million <u>more</u> in the one year after signing the law.

President Clinton has made welfare reform a top priority of his Administration. During his first four years in office, the President granted federal waivers to 43 States to require work, time-limit assistance, make work pay, improve child support enforcement, and encourage parental responsibility. In August 1996, President Clinton signed into law the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), a comprehensive bipartisan welfare reform bill that establishes the Temporary Assistance for Needy Families (TANF) program. Since signing the bill into law, the President has focused on efforts to create jobs to move people from welfare to work, which include fighting for and winning an additional $3 billion for welfare to work in the Balanced Budget Act, mobilizing the business community to hire welfare recipients, working with civic, religious and non-profit groups to mentor families leaving welfare for work, and hiring our fair share of welfare recipients in the federal government.

CHANGE IN WELFARE CASELOADS

Total AFDC/TANF families and recipients

	Jan.93	Jan.94	Jan.95 (millions)	Jan.96	Jun.97	percent(93-97)
Families	4.963	5.053	4.936	4.628	3.782	-24%
			1,181,000 fewer families			
Recipients	14.115	14.276	13.918	12.877	10.494	-26%
			3,621,000 fewer recipients			

Total AFDC/TANF recipients by State

state	Jan.93	Jan.94	Jan.95	Jan.96	Jun.97	percent(93-97)
Alabama	141,746	135,096	121,837	108,269	81,417	-43%
Alaska	34,951	37,505	37,264	35,432	34,860	NC
Arizona	194,119	202,350	195,082	171,617	140,292	-28%
Arkansas	73,982	70,563	65,325	59,223	51,845	-30%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,336,238	-3%
Colorado	123,308	118,081	110,742	99,739	79,210	-36%
Connecticut	160,102	164,265	170,719	161,736	153,253	-4%
Delaware	27,652	29,286	26,314	23,153	21,596	-22%
D.C.	65,860	72,330	72,330	70,082	65,331	-1%
Florida	701,842	689,135	657,313	575,553	422,183	-40%
Georgia	402,228	396,736	388,913	367,656	254,890	-37%
Hawaii	54,511	60,975	65,207	66,690	74,179	+36%
Idaho	21,116	23,342	24,050	23,547	16,804	-20%
Illinois	685,508	709,969	710,032	663,212	554,223	-19%
Indiana	209,882	218,061	197,225	147,083	109,772	-48%
Iowa	100,943	110,639	103,108	91,727	76,684	-24%
Kansas	87,525	87,433	81,504	70,758	48,576	-45%
Kentucky	227,879	208,710	193,722	176,601	152,667	-33%
Louisiana	263,338	252,860	258,180	239,247	179,868	-32%
Maine	67,836	65,006	60,973	56,319	48,232	-29%
Maryland	221,338	219,863	227,887	207,800	151,331	-32%
Massachusetts	332,044	311,732	286,175	242,572	194,071	-42%
Michigan	686,356	672,760	612,224	535,704	430,561	-37%
Minnesota	191,526	189,615	167,949	171,916	154,171	-20%
Mississippi	174,093	161,724	146,319	133,029	95,982	-45%
Missouri	259,039	262,073	259,595	238,052	184,441	-29%
Montana	34,848	35,415	34,313	32,557	22,490	-35%
Nebraska	48,055	46,034	42,038	38,653	35,955	-25%
Nevada	34,943	37,908	41,846	40,491	28,725	-18%
New Hampshire	28,972	30,386	28,671	24,519	19,586	-32%
New Jersey	349,902	334,780	321,151	293,833	243,900	-30%
New Mexico	94,836	101,676	105,114	102,648	78,404	-17%
New York	1,179,522	1,241,639	1,266,350	1,200,847	1,011,135	-14%

state	Jan.93	Jan.94	Jan.95	Jan.96	Jun.97	percent(93-97)
North Carolina	331,633	334,451	317,836	282,086	234,371	-29%
North Dakota	18,774	16,785	14,920	13,652	10,992	-41%
Ohio	720,476	691,099	629,719	552,304	480,903	-33%
Oklahoma	146,454	133,152	127,336	110,498	75,766	-48%
Oregon	117,656	116,390	107,610	92,182	57,873	-51%
Pennsylvania	604,701	615,581	611,215	553,148	439,333	-27%
Rhode Island	61,116	62,737	62,407	60,654	54,275	-11%
South Carolina	151,026	143,883	133,567	121,703	77,854	-48%
South Dakota	20,254	19,413	17,652	16,821	13,143	-35%
Tennessee	320,709	302,608	281,982	265,320	167,386	-48%
Texas	785,271	796,348	765,460	714,523	561,060	-29%
Utah	53,172	50,657	47,472	41,145	31,931	-40%
Vermont	28,961	28,095	27,716	25,865	22,593	-22%
Virginia	194,212	194,959	189,493	166,012	122,505	-37%
Washington	286,258	292,608	290,940	276,018	248,830	-13%
West Virginia	119,916	115,376	107,668	98,439	75,331	-37%
Wisconsin	241,098	230,621	214,404	184,209	107,490	-55%
Wyoming	18,271	16,740	15,434	13,531	5,392	-70%
Guam	5,087	6,651	7,630	8,364	7,470	+47%
Puerto Rico	191,261	184,626	171,932	149,944	142,156	-26%
Virgin Islands	3,763	3,767	4,345	4,953	4,363	+16%

Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
September 1997

Questions and Answers on Welfare Caseloads
October 8, 1997

<u>Caseload Numbers</u>

Question: **Why does the Administration say that welfare reform has already been a success?**

Answer: President Clinton announced today that welfare caseloads have declined another 250,000, bringing the total reduction to more than 3.6 million since he became President, a drop of 26 percent. In the 10 months from August 1996 when he signed welfare reform into law through June 1997 (the numbers released today), welfare rolls have declined by 1.7 million to just under 10.5 million. For the first time since 1969, less than 4 percent of the U.S. population is on welfare. A total of 49 out of 50 states have lowered their welfare rolls -- 14 states by 40 percent or more. This is the largest caseload decline in history: in no other comparable time period have as many people come off the rolls.

Year	Welfare Caseload (millions)	Population (millions)	Percent
1969	6.706	202.677	3.3%
1970	8.466	205.052	4.1%
1971-1992	bet. 8-13	bet. 207-255	bet. 4.1-5.3%
1993	14.142	258.137	5.5%
1994	14.225	260.660	5.5%
1995	13.652	263.034	5.2%
1996	12.648	265.284	4.7%
June 1997*	10.494	266.789	3.9%

* Data released today.

The bipartisan welfare plan that the President signed last year is dramatically changing the nation's welfare system into one that requires work in exchange for time-limited assistance. The law contains strong work requirements, a performance bonus to reward states for moving welfare recipients into jobs, state maintenance of effort requirements, comprehensive child support enforcement, and supports for families moving from welfare to work -- including increased funding for child care and guaranteed medical coverage. State strategies are making a real difference in the success of welfare reform, specifically in job placement, child care and transportation.

Even before the Personal Responsibility and Work Opportunity Act became law, many states were well on their way to changing their welfare programs to jobs programs. By granting Federal waivers, the Clinton Administration allowed 43 states -- more than all previous Administrations combined -- to require work, time-limit assistance, make work pay, improve child support enforcement, and encourage parental responsibility. The vast majority of states have chosen to continue or build on their welfare demonstration projects approved by the Clinton Administration.

Question: **How many people were on welfare when President Clinton took office? When he signed the welfare law? Today?**

Answer: There were 14.12 million people on welfare in January 1993, 12.20 million in August 1996, and today's numbers (data from June 1997) show 10.49 million recipients. [Note: when the President signed the welfare law in August 1996, we had only May 1996 data in hand, which showed 12.49 million people on welfare. Thus, some news stories from that day use that number.]

Question: **The President often uses the decline in welfare caseloads as a measure of the success of welfare reform. Isn't the decline due mainly to the good economy?**

Answer: Welfare caseloads are the best measure we have right now of the success of welfare reform. According to a May report by the Council of Economic Advisors (CEA) over 40 percent of the reduction in the welfare rolls can be attributed to the strong economic growth during the Clinton Administration, nearly one-third can be attributed to waivers granted to states to test innovative strategies to move people from welfare to work, and the rest is attributed to other factors -- such as the Clinton Administration's decisions to increase the Earned Income Tax Credit, strengthen child support enforcement, and increase funding for child care.

Question: **How can you use the decline in the welfare caseloads as a measure of success when we don't know what's happening to these former recipients?**

Answer: Not enough time has passed for research studies to be completed, but we do know people are leaving the rolls voluntarily, since time limits haven't gone into effect yet, and thus we expect they've left welfare for better opportunities.

Question: **Which are the 14 states that have cut their rolls by 40% or more in the last four years?**

Answer: The 14 states are: Alabama, Florida, Indiana, Kansas, Massachusetts, Mississippi, North Dakota, Oklahoma, Oregon, South Carolina, Tennessee, Utah, Wisconsin, and Wyoming. (See attached state-by-state table.)

Question: **Only one of the 50 states has had an increase in its welfare caseloads -- Hawaii, which has experienced a 36% increase. Why?**

Answer: This is a complex question to answer because of conditions unique to Hawaii, including the local economy and different population and demographic trends. Hawaii is a state where economic recovery from a recession lags behind the nation as a whole. It is also unique in that it is geographically remote from the rest of the country, making its economy more contained. Eligibility changes in Hawaii since 1995 have brought additional families into the system, but state officials report that they have simultaneously increased their emphasis on work for those who are on the welfare rolls. Finally, Hawaii reports that they had an influx of welfare recipients from other U.S. Pacific territories -- Guam and the Mariana Islands -- in 1994.

Fair Labor Standards Act and Worker Protections

Question: **Why is the Administration undermining welfare reform by insisting that participants in workfare programs get the protections of the Fair Labor Standards Act (FLSA) and other employment laws?**

Answer: We believe that worker protection laws, such as the Fair Labor Standards Act, should apply to workfare participants in the same way they apply to other workers. If a workfare participant counts as an "employee" under these laws, then she should get protection. No one doing real work should be paid a subminimum wage.

And we believe that paying working welfare recipients the minimum wage and giving them other worker protections will promote, not undermine, the goals of welfare reform, because it will give them the ability to support their families and break the cycle of dependency.

We will work with states to ensure that they can comply with this policy, without undue financial burden, while still meeting the welfare law's work requirements. Of course, if states place welfare recipients in private jobs, then the minimum wage already applies. And we are working to minimize costs associated with the application of employment laws to workfare participants in other ways.

Work Participation Rates

Question: **Why are so many states not meeting the work rates? Does that mean welfare reform is a failure?**

Answer: Almost all the states are meeting the work rates for one parent families, which make up a full 93 percent of the caseload. The only work rates states are having trouble meeting are the much higher ones that apply to two parent families, which are a very small portion of the caseload. [The law requires 25 percent of the total welfare caseload to work and 75 percent of the two parent families to work.]

Question: **How many states do you expect to fail the work rates?**

Answer: We are not sure. States have until mid-November to report data. Informally, most states have told us they will meet the overall 25 percent work rate, but many have reported concerns about meeting the 75 percent two parent rate. As you may know, the Associated Press surveyed states and found 19 states expect to fail the two parent work rates and seven states do not know. However, because of the staggered start dates for state TANF plans, only two-thirds of states have to report data and are subject to financial penalties this fiscal year, and none of these states will be reporting more than three months of data (from July 1- September 30th).

Question: **Will the Administration penalize states that fail the work rates?**

Answer: We will impose penalties on states that do not meet work rates. We believe it is critical that states place a priority on putting welfare families to work. The law does provide states with the opportunity to receive a credit toward the work rates for those who leave the welfare rolls and allows them to propose a corrective compliance plan in lieu of a penalty. We will evaluate these requests on a case by case basis.

Question: **Is the Administration going to weaken the two parent work rate through regulations, as The New York Times has reported?**

Answer: The welfare law explicitly says that states shall receive a "pro rata reduction of the participation rate due to caseload reductions" and provides a formula for reducing the work rates from, for example, 75 to 50 percent, if the state has had a 25 percent caseload reduction. Thus it is the law, not the regulation, which provides the caseload credit.

<u>Child Support Computer Systems</u>

Question: **Haven't a lot of states failed to meet the October 1st deadline for having state-wide child support computer systems in place? What is the Adminstration planning to do about this?**

Answer: States have had nine years to develop these computer systems, and we don't intend to extend the deadline any further. We do, however, believe that the current law -- which requires us to withhold <u>all</u> federal child support funds when a state misses the deadline -- will undermine efforts to collect child support for needy families. Thus, while we proceed with the penalty process, we intend to accept the invitation from members of Congress such as Chairman Clay Shaw to try to work together to devise an improved penalty structure. [Note: 17 states and the District of Columbia did not meet the deadline.]

<u>Child Support Enforcement -- National New Hire Directory</u>

Question: **What is the National Directory of New Hires?**

Answer: The National Directory of New Hires, which went on line October 1st, is part of the welfare law's new tools to collect child support from deadbeat parents. The best way to collect child support is to take it right out of parents' paychecks, a process called "wage withholding." Before now, it was easy for the 30 percent of parents who live in a different state from their children to avoid wage withholding because the state where their children live didn't know where they worked. The National Directory of New Hires will change all that. The Department of Health and Human Services estimates that the new hire directory will increase child support collections by $6.4 billion over the next ten years.

Question: **Do you have any concerns about privacy issues raised by such a database?**

Answer: We believe it is critically important we do everything we can to ensure that parents pay the child support they owe. Federal law requires the Department of Health and Human Services to establish safeguards to protect privacy and ensure the data are used only by authorized persons for authorized uses. These issues were reviewed in great detail as the child support legislation was considered in the last Congress, and there was strong bipartisan support for the establishment of the new hire directory and other new child support enforcement measures.

THE WHITE HOUSE

WASHINGTON

October 7, 1997

STATEMENT ON NEW WELFARE CASELOAD NUMBERS

DATE:	October 8, 1997
LOCATION:	South Lawn
BRIEFING:	8:30 - 8:45 Diplomatic Reception Room
EVENT TIME:	8:45 - 8:55 am South Lawn (Open Press)
FROM:	Bruce Reed/Cynthia Rice

I. PURPOSE

To announce new welfare caseload figures.

II. BACKGROUND

You will be announcing today that welfare caseloads have declined another 250,000, bringing the total reduction to more than 3.6 million since you became President, a drop of 26 percent. In the 10 months from August 1996 when you signed welfare reform into law through June 1997 (the numbers released today), welfare rolls have declined by 1.7 million to just under 10.5 million. For the first time since 1969, less than 4 percent of the U.S. population is on welfare. A total of 49 out of 50 states have lowered their welfare rolls -- 14 states by 40 percent or more.

You will also announce that later in the day Vice President Gore will hold an event to highlight that the federal government has made tremendous progress in fulfilling its commitment to hire 10,000 welfare recipients by the year 2000, doing its fair share to lower the welfare rolls.

The 3.6 million caseload decline you are announcing today is the largest in history and shows that welfare caseloads, which fell by a record 1.9 million in your first three-and-a-half years in office, are on course to have dropped by 2 million more in the one year after signing the law.

III. PARTICIPANTS

- The President

IV. PRESS PLAN

Open Press.

V. SEQUENCE OF EVENTS

- You will make remarks from a podium and then proceed to Marine One for departure.

VI. REMARKS

Remarks provided by Speechwriting.

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(internal)

Welfare Caseloads

	Baseline Recipients (Jan. 93)	Recipients (in month noted)	Percentage Drop	Decline since Jan. 93	Decline since Aug. 96
May 96 (data we had when law was signed)	14.115	12,499	11%	1.616	
Aug. 96* (when law was signed)	14.115	12.202	14%	1.913	
Jan. 97	14.115	11.360	20%	2.755	
Feb. 97	14.115	11.262	20%	2.853	
Mar. 97	14.115	11.156	21%	2.959	
Apr. 97	14.115	10.969	22%	3.146	1,233
May 97	14.115	10.748	24%	3.367	1.454
June 97	14.115	10.494	26%	3.621	1.708

*Note that when the welfare law was signed in August 1996, we only had caseload data through the month of May 1996. Our public statements at that time were therefore based on that May 1996 data.

CHANGE IN WELFARE CASELOADS

Total AFDC/TANF families and recipients

	Jan.93	Jan.94	Jan.95 (millions)	Jan.96	May 97	percent(93-97)
Families	4.963	5.053	4.936	4.628	3.874	-22%
			1,089,000 fewer families			
Recipients	14.115	14.276	13.918	12.877	10.748	-24%
			3,367,000 fewer recipients			

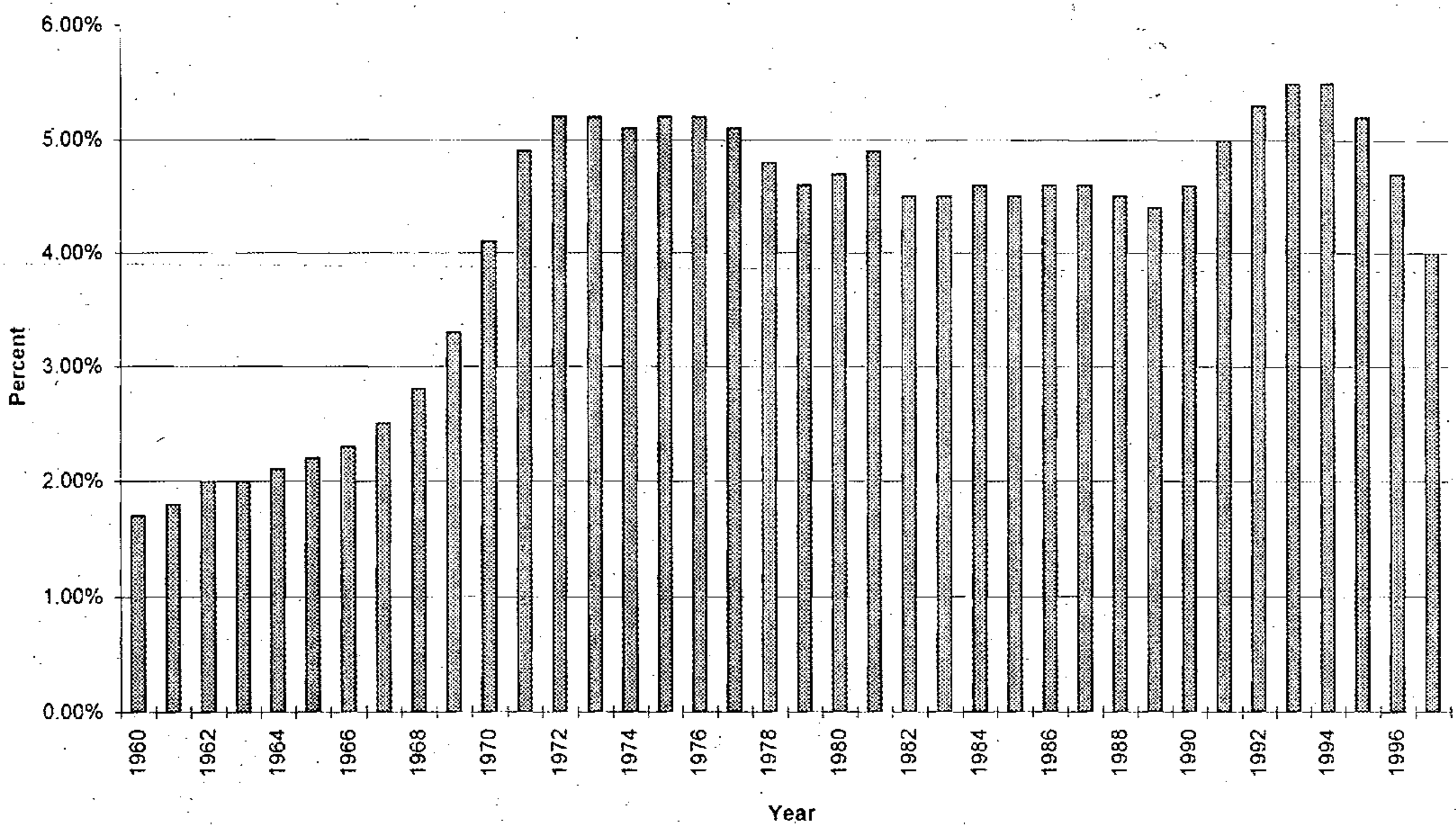
Total AFDC/TANF recipients by State

state	Jan.93	Jan.94	Jan.95	Jan.96	May 97	percent(93-97)
Alabama	141,746	135,096	121,837	108,269	87,506	-38%
Alaska	34,951	37,505	37,264	35,432	36,528	+5%
Arizona	194,119	202,350	195,082	171,617	142,217	-27%
Arkansas	73,982	70,563	65,325	59,223	52,695	-29%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,382,847	-1%
Colorado	123,308	118,081	110,742	99,739	81,778	-34%
Connecticut	160,102	164,265	170,719	161,736	153,364	-4%
Delaware	27,652	29,286	26,314	23,153	21,797	-21%
D.C.	65,860	72,330	72,330	70,082	65,342	-1%
Florida	701,842	689,135	657,313	575,553	433,847	-38%
Georgia	402,228	396,736	388,913	367,656	270,164	-33%
Hawaii	54,511	60,975	65,207	66,690	73,893	+36%
Idaho	21,116	23,342	24,050	23,547	18,176	-14%
Illinois	685,508	709,969	710,032	663,212	560,847	-18%
Indiana	209,882	218,061	197,225	147,083	115,886	-45%
Iowa	100,943	110,639	103,108	91,727	78,133	-23%
Kansas	87,525	87,433	81,504	70,758	51,489	-41%
Kentucky	227,879	208,710	193,722	176,601	156,511	-31%
Louisiana	263,338	252,860	258,180	239,247	184,997	-30%
Maine	67,836	65,006	60,973	56,319	49,606	-27%
Maryland	221,338	219,863	227,887	207,800	158,221	-29%
Massachusetts	332,044	311,732	286,175	242,572	197,719	-40%
Michigan	686,356	672,760	612,224	535,704	438,346	-36%
Minnesota	191,526	189,615	167,949	171,916	154,770	-19%
Mississippi	174,093	161,724	146,319	133,029	100,984	-42%
Missouri	259,039	262,073	259,595	238,052	188,680	-27%
Montana	34,848	35,415	34,313	32,557	23,950	-31%
Nebraska	48,055	46,034	42,038	38,653	36,073	-25%
Nevada	34,943	37,908	41,846	40,491	28,521	-18%
New Hampshire	28,972	30,386	28,671	24,519	20,261	-30%
New Jersey	349,902	334,780	321,151	293,833	246,500	-30%
New Mexico	94,836	101,676	105,114	102,648	81,129	-14%
New York	1,179,522	1,241,639	1,266,350	1,200,847	1,037,712	-12%

state	Jan.93	Jan.94	Jan.95	Jan.96	May 97	percent(93-97)
North Carolina	331,633	334,451	317,836	282,086	236,639	-29%
North Dakota	18,774	16,785	14,920	13,652	11,275	-40%
Ohio	720,476	691,099	629,719	552,304	494,743	-31%
Oklahoma	146,454	133,152	127,336	110,498	78,611	-46%
Oregon	117,656	116,390	107,610	92,182	60,633	-48%
Pennsylvania	604,701	615,581	611,215	553,148	446,140	-24%
Rhode Island	61,116	62,737	62,407	60,654	54,539	-11%
South Carolina	151,026	143,883	133,567	121,703	81,363	-46%
South Dakota	20,254	19,413	17,652	16,821	13,328	-34%
Tennessee	320,709	302,608	281,982	265,320	169,413	-47%
Texas	785,271	796,348	765,460	714,523	580,282	-26%
Utah	53,172	50,657	47,472	41,145	32,325	-39%
Vermont	28,961	28,095	27,716	25,865	23,162	-20%
Virginia	194,212	194,959	189,493	166,012	125,668	-35%
Washington	286,258	292,608	290,940	276,018	254,546	-11%
West Virginia	119,916	115,376	107,668	98,439	83,622	-30%
Wisconsin	241,098	230,621	214,404	184,209	110,645	-54%
Wyoming	18,271	16,740	15,434	13,531	5,840	-68%
Guam	5,087	6,651	7,630	8,364	7,382	+45%
Puerto Rico	191,261	184,626	171,932	149,944	143,178	-25%
Virgin Islands	3,763	3,767	4,345	4,953	4,418	+17%

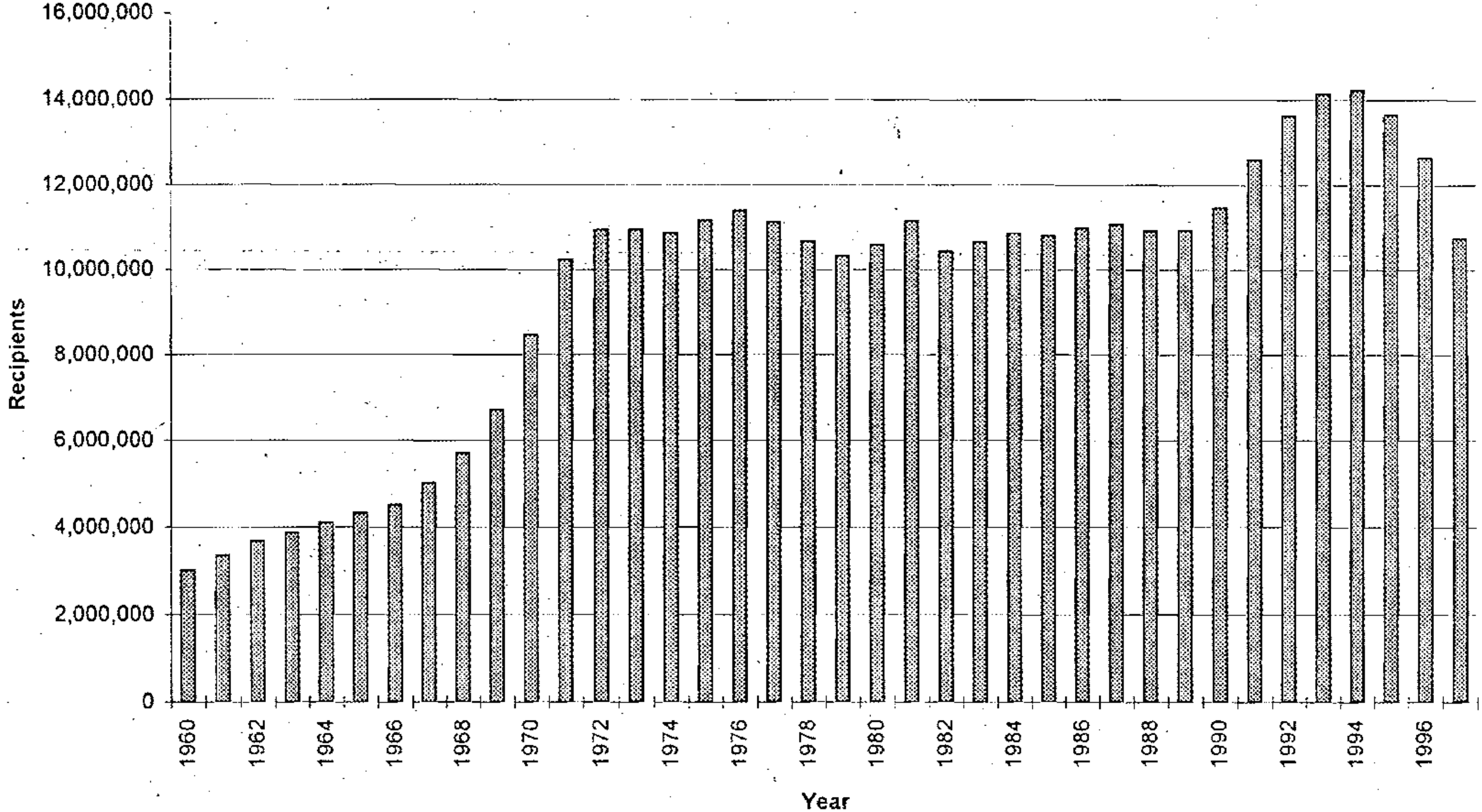
Source:
U.S. Dept. of Health & Human Services
Administration for Children and Families
August 1997

Percentage of US Population on Welfare Since 1960



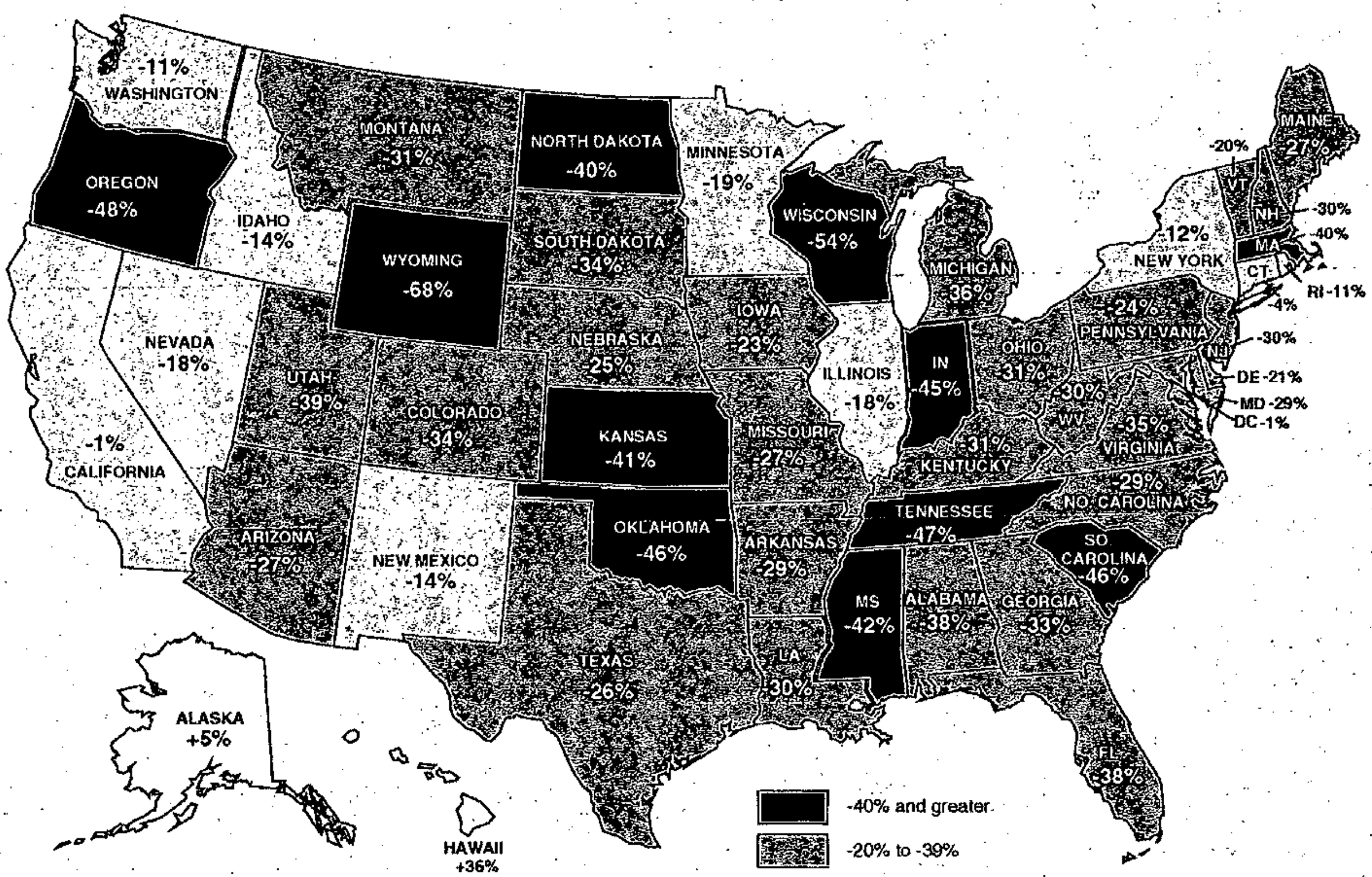
Source: U.S. Department of Health and Human Services
August 1997

Number of Recipients on Welfare Since 1960



Source: U.S. Department of Health and Human Services
August 1997

MORE THAN 3 MILLION FEWER PEOPLE ON WELFARE SINCE 1993



Footnote: **Nationwide, the number of AFDC recipients has fallen from 14.1 million to 10.7 million since January 1993, an average of 24 percent as of May 1997.**

Internal

St. Louis Welfare to Work Partnership Event
Questions and Answers

<u>About the President's Speech</u>

Question: **What announcements did the President make today?**

Answer: Today, the President highlighted the success of welfare reform nearly one year after signing the welfare law, announcing that caseloads have declined by almost 3.4 million or 24 percent since he took office. The President also noted the continuing success of the Welfare to Work Partnership, which now includes over 800 businesses and today launched a toll-free hotline and web page to help companies all across the nation hire people off welfare. Finally, the President praised the public-private partnership growing in St. Louis, where over 300 companies have accepted his challenge to hire welfare recipients.

Question: **How many people are now on the welfare rolls nationwide?**

Answer: 10.7 million people were on the rolls in May 1997, down from 14.1 million in January 1993, a drop of 3.4 million or 24 percent. This is the largest caseload decline in history: in no other comparable time period have as many people come off the rolls. The 10.7 million people on the rolls represent 4 percent of the population -- the smallest percentage of welfare recipients in the population since 1970.

Question: **The President often uses the decline in welfare caseloads as a measure of the success of welfare reform. Isn't the decline due mainly to the good economy?**

Answer: Welfare caseloads are the best measure we have right now of the success of welfare reform. According to a May report by the Council of Economic Advisors (CEA) over 40 percent of the reduction in the welfare rolls can be attributed to the strong economic growth during the Clinton Administration, nearly one-third can be attributed to waivers granted to states to test innovative strategies to move people from welfare to work, and the rest is attributed to other factors -- such as the Clinton Administration's decisions to increase the Earned Income Tax Credit, strengthen child support enforcement, and increase funding for child care.

Question: **How does today's caseload announcement differ from ones made in the past?**

Answer:

August 12th	St. Louis Speech	Caseload down almost 3.4 million or 24% since President Clinton took office, a decline of 1.4 million since he signed the new welfare reform into law (1/93-5/97)
July 4th	Radio Address	"3 million fewer people on welfare than there were the day I took office -- a remarkable 1.2 million fewer since I signed welfare reform into law" (1/93-4/97)
April 10	Cabinet meeting on Welfare Hiring	Down 2.755 million (1/93-1/97)

	Baseline Recipients (Jan. 93)	Recipients (in month noted)	Percentage Drop	Decline since Jan. 93	Decline since Aug. 96
May 96 (data we had when law was signed)	14.115	12.499	11%	1.616	
Aug. 96* (when law was signed)	14.115	12.202	14%	1.913	
Jan. 97	14.115	11.360	20%	2.755	
Feb. 97	14.115	11.262	20%	2.853	
Mar. 97	14.115	11.156	21%	2.959	
Apr. 97	14.115	10.969	22%	3.146	1.233
May 97	14.115	10.748	24%	3.367	1.454

*Note that when the welfare law was signed in August 1996, we only had caseload data through the month of May 1996. Our public statements at that time were therefore based on that May 1996 data.

Question: **The President said in his speech that ten states have cut their rolls by over 40% in the last 4 years. Which states are these?**

Answer: The ten states that the President was referring to are Indiana, Massachusetts, Mississippi, North Dakota, Oklahoma, Oregon, South Carolina, Tennessee, Wisconsin, and Wyoming. Wyoming's caseload has declined by 68% and Wisconsin's by 54%. (See attached state-by-state table and map.)

Question: **How much caseload reduction has occurred in Missouri?**

Answer: The welfare rolls have declined by 27 percent in Missouri since January 1993, slightly higher than the national average of 24 percent.

Question: **Only 2 of the 50 states have had increases in their welfare caseloads. Alaska has had a small increase, but Hawaii has had a very significant one. Why?**

Answer: This is a complex question to answer because of conditions unique to each state, including the local economy and different population and demographic trends. Both Alaska and Hawaii are states where economic recovery from a recession lags behind the nation as a whole. They are also unique in that they are geographically remote from the rest of the country, making their economies more contained. In Hawaii, eligibility changes since 1995 have brought additional families into the system, but state officials report that they have simultaneously increased their emphasis on work for those on the welfare rolls. Finally, Hawaii reports that they had an influx of welfare recipients from other U.S. Pacific territories -- Guam and the Mariana Islands -- in 1994.

[Note: According to HHS, Guam and the Mariana Islands, which have had welfare block grants for years, did not manage their block grant well in 1994, spending too much of the money early in the year. As a result, they were forced to cut or eliminate benefits later in the year, prompting an emigration of recipients to Hawaii. However, although ACF has been reporting this as a significant reason for Hawaii's caseload increase, it does not appear to explain more than a small portion of it.]

Question: **The President said that the balanced budget he signed into law last week fixed what he promised to fix when he signed the welfare reform law last August. What did he mean?**

Answer: When the President signed welfare reform into law last August, he said he thought the cuts in programs for legal immigrants and nutritional assistance -- cuts which "have nothing to do with the fundamental purposes of welfare reform" -- were "too deep" and he pledged to fix them. The new budget does that, by restoring $11.5 billion in health and disability benefits for legal immigrants who were in the U.S. as of last August and are receiving benefits or become disabled in the future. The new budget restores $1.5 billion in food stamps cuts, providing 235,000 work slots for able-bodied childless recipients who must work under the new law. The budget also ensures that 30,000 children losing SSI because of the stricter new eligibility rules will keep their Medicaid coverage.

About Today's Program

Question: **How many St. Louis area companies have pledged to hire welfare recipients?**

Answer: More than 300.

Question: **What is Mid.Tec? Why is the program being held there?**

Answer: Mid.Tec is a consortium of 250 small-to medium sized manufacturers that provides machine training for specific jobs needed by the members to retain their global competitiveness. The training program targets low-income individuals and welfare recipients to train them for specific jobs on the plant floor. Mid.Tec symbolizes how hiring and training welfare recipients is good for business. Barry Corona, the chairman of the board of Mid.Tec, is an example of a small business owner making a difference in St. Louis' welfare to work effort.

Question: **What has Monsanto done to help the welfare to work effort? Has the company hired any welfare recipients?**

Answer: As one of the five founding board member of the Welfare to Work Partnership, Monsanto CEO Robert Shapiro is helping lead the national business effort to help move people on public assistance to jobs in the private sector. We do not have information about how many welfare recipients Monsanto has itself hired; you'll have to ask the company representatives that question.

Question: **Does the fact the Congressman Gephardt is appearing with the President mean he's reconsidered his vote last year against the welfare reform bill the President signed into law last August?**

Answer: You'll have to ask the Congressman about his view of welfare reform, but we have no indication that Congressman Gephardt has decided to endorse the welfare reform law.

About the Welfare to Work Partnership

Question: **What is the Welfare to Work Partnership?**

Answer: The Partnership is a national, independent, nonpartisan effort of the business community launched in May 1997 to help move people on public assistance to jobs in the private sector. The Partnership concentrates on energizing the business community to hire and retain welfare recipients without displacing existing workers. The Partnership provides information, technical assistance and support for businesses of all sizes and sectors, from all industries and from all areas of the country.

Question: **How many companies across the nation have joined the Partnership?**

Answer: Approximately 800.

Question: **What do the companies that join the Partnership pledge to do?**

Answer: In order to join the Welfare to Work Partnership, companies must either have hired or must pledge to hire individuals from public assistance without displacing current employees.

Question: **Isn't UPS one of the companies represented on the Partnership board? What effect does the strike have on their participation?**

Answer: We understand UPS representatives are not involved in today's event -- but we worked with the company long before this strike and plan to work with them long after it's settled.

Question: **Why should businesses get involved in the Partnership or any type of welfare to work effort?**

Answer: Welfare to work is a solution that's smart for business. Many companies find it difficult to locate entry-level workers. By recruiting welfare recipients, companies can greatly enlarge their pool of potential entry-level workers. This is a non-traditional source of workers that companies have not actively recruited. Tax credits are available. In addition, companies hiring individuals from public assistance will promote the strengthening of families and the improvement of children's lives within their local communities.

Question: **What did the Partnership announce today?**

Answer: Companies can sign up with the Partnership and/or get more information by calling the Partnership's toll-free hotline (1-888-USA-JOB1) or visiting its web site (www.welfaretowork.org), which are both being launched today. The Partnership will send any interested business its new guide to hiring and retaining welfare recipients, *Blueprint for Business: Reaching a New Work Force*. The Partnership today also began running print and radio public service announcements encouraging businesses to hire from the welfare rolls.

The Partnership is launching its city to city challenge in St. Louis. Because jobs are created and filled at the community level, the Welfare to Work Partnership is pledging to visit 12 high poverty cities over the next 6 months to strengthen each city's welfare to work infrastructure. In every city, the Partnership will recruit businesses to hire and retain welfare recipients and give them the technical assistance to do so. They will help city service providers improve the way they operate so they can provide businesses with work-ready welfare recipients. Finally, the Partnership will work with elected and appointed state and local officials to celebrate the city's efforts and ensure long-term changes.

Question: **How many other cities have been targeted and what are they?**

Answer: The Partnership has targeted 13 additional cities as potential sites for their activities. Each has a high concentration of poverty and welfare receipt. Each also has some existing infrastructure to support welfare to work efforts yet could benefit from additional resources. Finally, each city has an identifiable champion that has a track record for innovative welfare to work practices. Possible cities include: Indianapolis, Baltimore, Columbus or Cleveland, Los Angeles, Chicago, Miami, Seattle, New York City, Detroit, San Antonio, Philadelphia, Denver, and Atlanta.

Other Welfare Reform Issues

Fair Labor Standards Act and Worker Protections

Question: **Why is the Administration undermining welfare reform by insisting that participants in workfare programs get the protections of the Fair Labor Standards Act (FLSA) and other employment laws?**

Answer: We believe that worker protection laws, such as the Fair Labor Standards Act, should apply to workfare participants in the same way they apply to other workers. If a workfare participant counts as an "employee" under these laws, then she should get protection. No one doing real work should be paid a subminimum wage.

And we believe that paying working welfare recipients the minimum wage and giving them other worker protections will promote, not undermine, the goals of welfare reform, because it will give them the ability to support their families and break the cycle of dependency.

We will work with states to ensure that they can comply with this policy, without undue financial burden, while still meeting the welfare law's work requirements. Of course, if states place welfare recipients in private jobs, then the minimum wage already applies. And we are working to minimize costs associated with the application of employment laws to workfare participants in other ways.

White House Hiring

Question: **In April, the White House pledged to hire six welfare recipients. Have any been hired?**

Answer: Yes. The Executive Office of the President has already hired six welfare recipients. [Note that the original commitment that the "White House" would hire six people actually reflected the full Executive Office of the President, including OMB and the Office of Administration. To date, the White House has hired 3 people, OMB has hired 2, and the Office of Administration has hired 1.]

WR-Caseload

Table 9.G1.—Average monthly number of recipients, total amount of cash payments, and average monthly payment, 1936-93

[Includes nonmedical vendor payments. Includes Alaska and Hawaii, beginning in 1943; Puerto Rico and the Virgin Islands, beginning in October 1950 and Guam, beginning in July 1959]

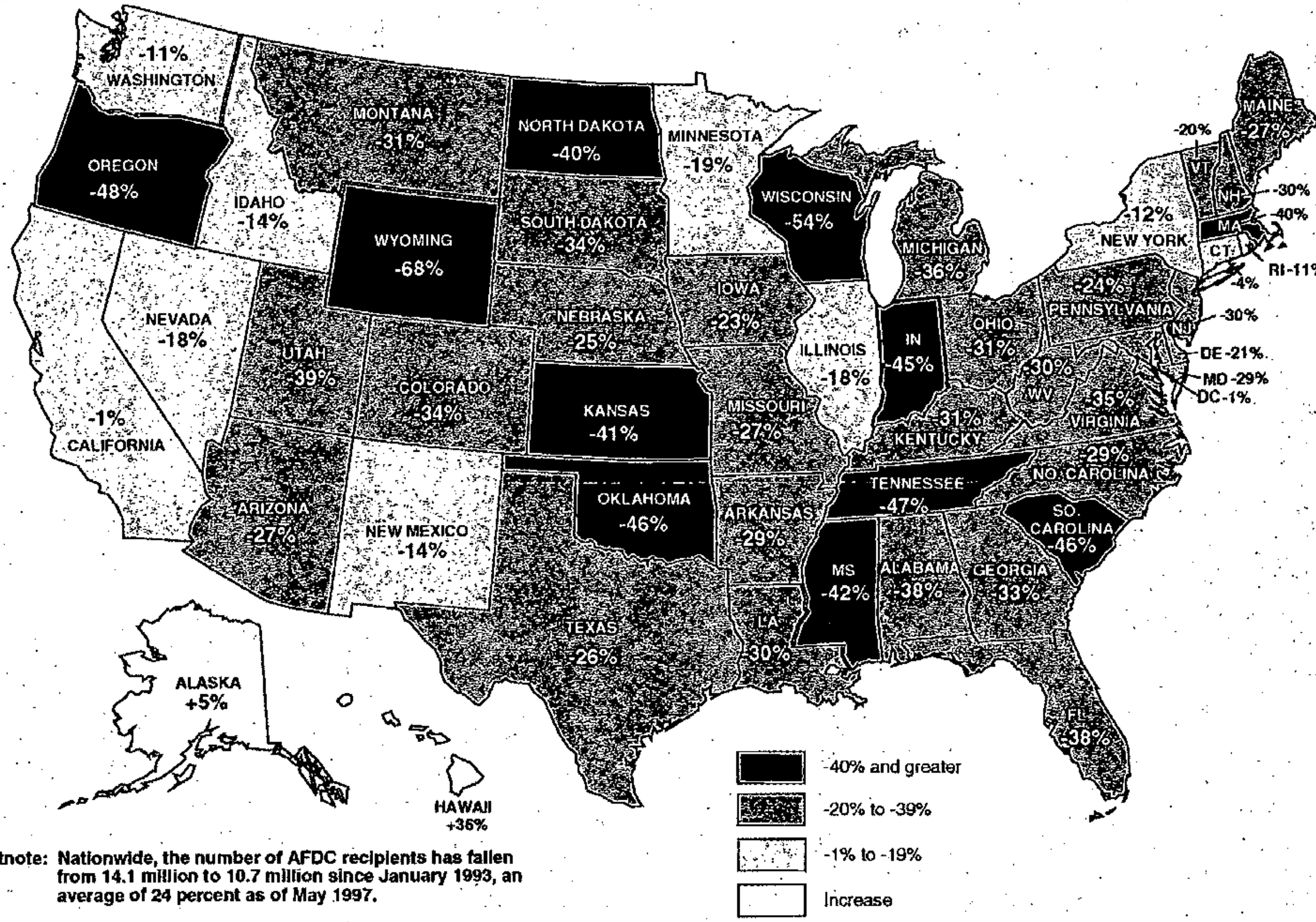
Year	Aid to Families With Dependent Children						Emergency Assistance [1]		
	Average monthly number (in thousands)—			Amount of payments			Average monthly number of families (in thousands)	Total assistance payments during year (in thousands)	Average monthly payment per family
	Families	Recipients		Total (in thousands)	Monthly average per—				
		Total	Children		Family	Recipient			
1936	147	534	361	$49,678	$28.15	$7.75	...	...	...
1940	349	1,182	840	133,770	31.98	9.43	...	...	...
1945	259	907	656	149,667	48.16	13.76	...	...	...
1950	644	2,205	1,637	551,653	71.33	17.64	...	...	...
1955	612	2,214	1,673	617,841	84.17	23.26	...	...	...
1960	787	3,005	2,314	1,000,784	105.75	27.75	...	...	...
1961	869	3,354	2,587	1,156,769	110.97	28.74	...	...	...
1962	931	3,676	2,818	1,298,774	116.30	29.44	...	...	...
1963	947	3,876	2,909	1,365,851	120.19	29.36	...	...	...
1964	992	4,118	3,091	1,510,352	126.88	30.57	...	...	...
1965	1,039	4,329	3,256	1,660,186	133.20	31.96	...	...	...
1966	1,088	4,513	3,411	1,863,925	142.83	34.42	...	...	...
1967	1,217	5,014	3,771	2,266,400	155.19	37.67	...	...	...
1968	1,410	5,705	4,275	2,849,298	168.41	41.62	...	...	...
1969	1,698	6,706	4,985	3,563,427	174.89	44.28	7.5	$6,699	$117.23
1970	2,208	8,466	6,214	4,852,964	183.13	47.77	7.5	11,390	126.14
1971	2,762	10,241	7,434	6,203,528	187.16	50.48	11.1	19,643	148.54
1972	3,049	10,947	7,905	6,909,260	188.87	52.60	19.9	44,160	184.91
1973	3,148	10,949	7,902	7,212,035	190.91	54.89	18.8	39,265	174.06
1974	3,230	10,864	7,822	7,916,563	204.27	60.72	31.3	64,031	170.38
1975	3,498	11,346	8,095	9,210,995	219.44	67.65	38.3	77,516	168.85
1976	3,579	11,304	8,001	10,140,543	236.10	74.75	27.5	55,673	168.43
1977	3,588	11,050	7,773	10,603,820	246.27	79.97	32.8	66,132	168.05
1978	3,522	10,570	7,402	10,730,415	253.89	84.60	34.6	80,819	196.24
1979	3,509	10,312	7,179	11,068,864	262.86	89.45	35.7	84,043	195.92
1980	3,712	10,774	7,419	12,475,245	280.03	96.49	48.6	113,238	194.29
1981	3,835	11,079	7,527	12,981,115	282.04	97.64	49.1	123,467	209.51
1982	3,542	10,268	6,903	12,877,906	303.02	103.60	27.5	102,344	[2] 278.54
1983	3,686	10,761	7,098	13,837,228	312.82	107.16	30.0	125,246	[2] 283.15
1984	3,714	10,831	7,144	14,503,710	325.44	111.60	32.1	141,137	[2] 278.97
1985	3,701	10,855	7,198	15,195,835	342.15	116.65	32.6	157,304	[2] 312.98
1986	3,763	11,038	7,334	16,033,074	355.04	121.05	34.8	178,284	[2] 362.45
1987	3,776	11,027	7,366	16,372,535	361.37	123.73	42.4	213,903	[2] 356.29
1988	3,749	10,916	7,329	16,826,794	374.07	128.47	48.8	276,906	[2] 420.89
1989	3,799	10,993	7,420	17,465,943	383.14	132.40	48.7	296,841	[2] 461.45
1990	4,057	11,695	7,917	19,066,541	391.67	135.86	56.0	348,986	[2] 476.50
1991	4,467	12,930	8,715	20,930,600	390.44	134.89	59.7	302,094	[2] 422.07
1992	4,829	13,773	9,303	21,655,881	373.71	131.03	62.7	272,850	[2] 431.41
1993	5,012	14,205	9,574	22,686,016	377.24	133.10	56.8	387,113	[2] 568.17

[1] Reporting initiated July 1969. Number of States with program: 1969-70, 23; 1971, 24; 1972, 27; 1973-75, 29; 1976-78, 21; 1976-78, 28; 1979, 24; 1980-84, 27; 1985-86, 28; 1987, 29; 1988, 30; 1989, 31; 1990, 33; 1991, 34; 1992, 34; and 1993, 35.

[2] Excludes family count and expenditures for States providing only partial data.

CONTACT: Herbert Lieberman (202) 401-4048 for further information.

MORE THAN 3 MILLION FEWER PEOPLE ON WELFARE SINCE 1993



Footnote: Nationwide, the number of AFDC recipients has fallen from 14.1 million to 10.7 million since January 1993, an average of 24 percent as of May 1997.

WR-Caseload

Weather

Today: Heavy thunderstorms. High 90. Low 68. Wind 8-16 mph. Thursday: Partly sunny, breezy. High 84. Low 64. Wind 8-16 mph. Yesterday: Temp. range: 74-93. Pollen Count: 6. Details on Page B2.

The Washington Post

FINAL

Inside: Food, Horizon, Classified. Today's Contents on Page A2

120th Year ···· No. 251 · WEDNESDAY, AUGUST 13, 1997 · 25¢

Ex-Governor Joins Fray In Va. Race

Wilder Blasts Beyer, Dangles Endorsement

By Ellen Nakashima
Washington Post Staff Writer

RICHMOND, Aug. 12—Former Virginia governor L. Douglas Wilder, a frequent antagonist in his own party, is injecting himself into this year's race for governor by accusing fellow Democrat Donald S. Beyer Jr. of pandering to African American voters and of not articulating a clear vision for the state.

The move is vintage Wilder, analysts say: withholding a coveted endorsement to try to increase his influence in the Nov. 4 election. But Wilder—who eight years ago became the nation's first elected black governor—says he is merely reflecting concerns about Beyer that he has heard from "the people," including Democratic Party members.

"One of Don's biggest problems is having to define himself and show that eight years as lieutenant governor have meant something and brought something relative to experience," Wilder said today. "He has to show he can articulate something and put it into action. That's what I've heard. And yes, these are party people that are concerned."

Although he has not yet endorsed anyone, Wilder has praised the efforts of Beyer's rival, Republican James S. Gilmore III, to help burned black churches keep their insurance, and he has criticized Beyer's attempts to promote racial healing after the burnings. On Friday, Wilder met privately with Gilmore, who asked for his endorsement.

Beyer, who spoke yesterday at a 223-year-old firehouse near his home in Old Town Alexandria, shrugged and smiled when asked about Wilder's digs.

"I come back to the [serenity] prayer: There are some things that I cannot control," he said. "I will continue to treat Governor Wilder as the friend he is and the historic figure in Virginia politics and hope that I earn his endorsement. But I intend to win this race regardless."

Political analyst Thomas R. Morris, president of Emory and Henry

See VIRGINIA, A12, Col. 4

FILE PHOTO/ASSOCIATED PRESS
L. Douglas Wilder praised the GOP candidate, James S. Gilmore III.

Welfare Rolls Continue Sharp Decline

Percentage on Assistance Is Lowest Since 1970; Many Factors Are Cited

By John F. Harris and Judith Havemann
Washington Post Staff Writers

One year after a far-reaching welfare reform law ended 60 years of guaranteed support for the poor, the Clinton administration released figures yesterday showing public assistance rolls continuing to decline sharply with the percentage of people on welfare at its lowest level since 1970.

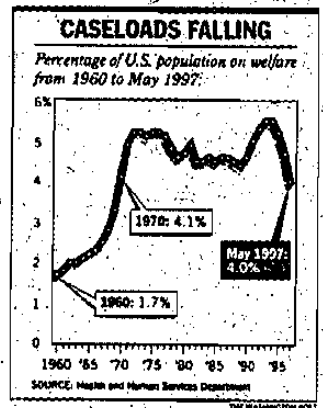
Nationwide, there are 10.7 million welfare recipients, a number that has dropped by 3.4 million, nearly 25 percent, since President Clinton took office, and by 1.45 million in the past year alone.

The decline, at a rate of 200,000 a month, is the deepest and most sustained in U.S. history.

Although welfare caseloads are plunging across the country—29 percent in Tennessee, 49 percent in Wyoming in the past year—no one knows for certain what is causing the decline or where the people are going. How many are taking jobs and climbing into the working class, for example, rather than falling into destitution?

Critics of last year's welfare overhaul said they suspect much of the decline results from people being forced off welfare or turned away because of tightened state eligibility rules. But Clinton, who signed the welfare bill amid a fractured Democratic Party, said the new figures offer vindication that his approach emphasizing work and training is paying dividends as it is implemented at the state level.

"A lot of people said that welfare reform would never work because the private economy wouldn't do its part or the government wouldn't do its part or we couldn't figure out how to get people from welfare to work—you know, I heard all the reasons that people said it wouldn't work," Clinton told an audience of job trainers and St. Louis business leaders trying to put welfare recipients in jobs. "But a year later, I think it's fair to say the debate is over. We now know that welfare reform works."



The welfare rolls have traditionally followed the ebb and flow of the business cycle to some degree, but analysts on the left and right say the current numbers seem to be driven by something more than the economy.

Before 1993, there were only two years in the 60-year history of the federal welfare program when the rolls dropped by more than 250,000 people in a single year; if current trends continue, 1997 will be the third consecutive year when the welfare population dropped by 1 million people or more, administration figures show.

"The old image of welfare was that it was like a granite mountain—you might be able to chisel off a few rocks here and there, but the mountain would still be there," said Robert Rector, senior policy analyst at the conservative Heritage Foundation. "What we have seen is that welfare is not like a mountain, but like a balloon; prick it and it will almost collapse."

Still, even White House officials don't argue that the new numbers can be attributed directly to

See WELFARE, A6, Col. 1

New York's Workfare Picks Up City and Lifts Mayor's Image

By Judith Havemann
Washington Post Staff Writer

NEW YORK—If you want to see an industrial-strength version of welfare's future, walk along the egg wholesale and textile warehouses on the waterfront in Brooklyn and watch Ellamae Harden trudge toward the finish line of her workfare shift.

Wearing her regulation Day-Glo orange vest, Harden sweeps methodically toward Sanitation Garage No. 7, bracing her trash cart against the downhill slope as she whisks up a crumpled wrapper and soft drink cup.

Harden's hair is listing forward and sweat beads her upper lip as she shakes final bits of rubbish into the waiting garbage truck and makes for the supervisor's office to get a $38 credit toward her welfare check.

"The minute I get home, these shoes come off, I get in the shower and hit the bed," she says.

Harden, 42, is a draftee in New York City's war against dependency, one of 38,000 welfare recipients required to work off their monthly checks by sweeping streets, cleaning parks and doing other municipal chores. Beneficiaries with children are required to work 20 hours a week, and New York's special state "home relief" recipients—jobless men and women who have no dependent children—are required to work off their cash grant, housing

See WORKERS, A6, Col. 1

Baseball Seeks To Make Changes In Its Lineup

Teams May Switch Leagues On the Basis of Geography

By Mark Maske
Washington Post Staff Writer

ANAHEIM, Calif., Aug. 12—First major league baseball added wild-card playoff berths for the 1995 postseason. This year has brought regular season games between the National League and American League.

Now there's growing sentiment among team owners for a sweeping realignment, unprecedented in the history of the sport, that would, in time for next season, move seven teams from the NL to the AL and shift eight from the AL to the NL. Among the teams that would switch leagues is the Cincinnati Reds, a charter member of the National League in 1876. Baseball's six divisions would be reshuffled back into four, and teams would be grouped geographically.

For proponents of the plan, realignment is not so much a break from the past but a return to it, with modern-day benefits such as reduced travel and more fan-friendly television schedules.

"Eighty-five percent of all games will be played within the same time zone for fans to be able to watch and listen to games at reasonable times," said Boston Red Sox general partner John Harrington, chairman of the owners' realignment committee. "The benefits are in the schedule-making. . . .

"We're trying to get back to the way it was in the old days, with the eight-team leagues. Every game meant two games in the standings, and your fans knew everyone on the opposing teams because they saw them all the time."

Will such a radical realignment plan be put into

See BASEBALL, A12, Col. 1

- *Rex Barney, Orioles public address announcer and former Dodgers pitcher, dies at 72. Page D1*

BARRY VOWS COOPERATION

Mayor Marion Barry (D) meets with Rep. Thomas M. Davis III (R-Va.) at Davis's Capitol Hill office to discuss D.C. management reforms. After the meeting, which included Del. Eleanor Holmes Norton (D-D.C.), Barry vowed to cooperate with the financial control board. His conciliatory comments were in contrast to his angry accusations on talk shows. Story on Page B1.

SBA Program To Accept More White Women

Minority Firms Have Been Getting Most Aid

By Peter Behr
Washington Post Staff Writer

The Clinton administration intends to greatly expand the number of white women entrepreneurs eligible for the government's largest program that aids minority businesses, officials said yesterday. The move comes at a time of growing political and legal challenges to federal affirmative action policies.

Small Business Administrator Aida Alvarez said proposed new regulations for the SBA's 8(a) minority business program, which will be published today, are meant to add several thousand new firms to the program, increasing its ranks by half. "I expect the increase will largely come from [white] women-owned firms," Alvarez said in an interview.

In fiscal 1996 about 6,000 firms received $6.4 billion in federal contracts through the program, which permits federal agencies to reserve contracts for minority-owned firms. In 1994 only nine firms in the program were owned by white women, nine by white males and nine others by whites with disabilities, the SBA says.

The revisions would make it easier for white women to contend that they have been subject to discrimination in the contracting market. They might, for instance, make a case that as women they had been unable to obtain necessary bank loans.

"The message is' . . . this agency is strongly behind the 8(a) program

See SBA, A10, Col. 3

An American's Nightmare in a Mexican Jail

By Molly Moore
Washington Post Foreign Service

MEXICO CITY—David Carmos is serving a 10-year sentence in a Mexican prison on a felony drug conviction ordered by a judge he never met, at a trial he never attended and with evidence that may have been falsified.

Confronting a legal system far different from anything he had experienced, the American citizen turned to the one institution he believed would help him: the U.S. Embassy. But this is an era in which the U.S. and Mexican governments are trying hard to demonstrate their zeal in fighting drug traffickers, and instead of help Carmos received a cold shoulder.

"From everything we can see, he was railroaded," said U.S. Rep. Joe Moakley (D-Mass.), who has pursued the case of the onetime Boston University instructor convicted of possessing the illegal drug methamphetamine. "I would hate to be an American citizen in a foreign country if my embassy treated me that way."

Mexican human rights officials charge that Carmos, 55, an author of books on nutrition, and a yoga instructor who, according to U.S. documents, had never had a run-in with the law until he was arrested transiting through a Mexico City airport nearly five years ago, has become a victim of the two nations' crusade against the drug trade.

"We don't have to make a judgment on guilt or innocence," said the Rev. David

See MEXICO, A18, Col. 3

For D.C. Morgue Chief, Death Is Reason for Living

By Hamil R. Harris
Washington Post Staff Writer

The white, windowless van with the words "Office of the Chief Medical Examiner" stenciled on the side backs up to the brownstone building, and Humphrey D. Germaniuk bounds across the loading dock to yank open the back door.

"We now can transport four bodies at one time," Germaniuk, Washington's new medical examiner, says with obvious delight as he gestures toward a body wrapped in white on a leather stretcher.

Two new high-technology vans have doubled the number of dead simple matter. "It is much easier to pull the bodies off the truck," says morgue attendant Clarence Gatling as he eases by Germaniuk to get the laden stretcher.

In this paradoxical world in which death is routine, progress is quantified in the simplest terms.

Germaniuk served as acting head of the morgue for 14 months after the departure of Joye M. Carter, who stepped down last year after reports that the office was plagued with physical and managerial problems.

Mayor Marion Barry (D) sparked controversy last month when he ignored the results of a nationwide search, erasing the "acting" from

INSIDE

BUSINESS

. . . is Inside Sports.

Aid to Teamsters

- The AFL-CIO pledged $10 million weekly in benefits for striking Teamsters and said it can do so for many weeks as it called the UPS walkout a strike on behalf of all labor unions. **BUSINESS**, *Page D1*

The Post on the Internet
www.washingtonpost.com

HORIZON

Ups and Downs

- Learn the physics of roller coasters and see how Earth's climate has risen and fallen over the millennia. Also: understand how air conditioners work and why the

PHOTOCOPY -- PRESERVATION

Welfare Rolls Continue Sharp Decline

Percentage on Assistance Is Lowest Since 1970; Many Factors Are Cited

By John F. Harris and Judith Havemann A1
Washington Post Staff Writers

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The decline, at a rate of 200,000 a month, is the deepest and most sustained in U.S. history.

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Critics of last year's welfare overhaul said they suspect much of the decline results from people being forced off welfare or turned away because of tightened state eligibility rules. But Clinton, who signed the welfare bill amid a fractured Democratic Party, said the new figures offer vindication that his approach emphasizing work and training is paying dividends as it is implemented at the state level.

"A lot of people said that welfare reform would never work because the private economy wouldn't do its part or the government wouldn't do its part or we couldn't figure out how to get people from welfare to work—you know, I heard all the reasons that people said it wouldn't work," Clinton told an audience of job trainees and St. Louis business leaders trying to put welfare recipients in jobs. "But a year later, I think it's fair to say the debate is over. We now know that welfare reform works."

The welfare rolls have traditionally followed the ebb and flow of the business cycle to some degree, but analysts on the left and right say the current numbers seem to be driven by something more than the economy.

Before 1993, there were only two years in the 60-year history of the federal welfare program when the rolls dropped by more than 250,000 people in a single year; if current trends continue, 1997 will be the third consecutive year when the welfare population dropped by 1 million people or more, administration figures show.

"The old image of welfare was that it was like a granite mountain—you might be able to chisel off few rocks here and there, but the mountain would still be there," said Robert Rector, senior policy analyst at the conservative Heritage Foundation. "What we have seen is that welfare is not like a mountain, but like a balloon, prick it and it will almost collapse."

See WELFARE, A6, Col. 1

WELFARE, From A1

Still, even White House officials don't argue that the new numbers can be attributed directly to Clinton's signing of the welfare law. But they say the drop over the past several years is caused by a confluence of favorable trends—in particular the strong economy, and a flush of innovation at the state level.

Even before Clinton signed the welfare overhaul, the administration had given 43 states permission to conduct their own welfare experiments.

Health and Human Services Secretary Donna E. Shalala said a study for the White House Council of Economic Advisers conducted several months ago showed that about 40 percent of the decline in welfare rolls is linked to the economy, 31 percent was because of policy changes by states approved by waivers. The remaining 29 percent or so of the reduction was caused by other factors.

While Clinton boasted yesterday that "the debate is over," Shalala sounded a more cautious note. The decline in welfare rolls is encouraging, she said, but "the real test" is still to come, because finding someone a job is not as difficult as keeping them employed over the long haul. "Ask me two or three years from now where people are," she said.

Clinton made his remarks in a sweltering warehouse that has been converted into a worker training facility by a consortium of St. Louis businesses. The day was designed to promote the nonprofit "Welfare to Work Partnership" that was started earlier this year to encourage businesses to hire people off welfare. He several times touted the group's new toll-free number (1-888-USA-JOB1), and said Vice President Gore would lead an initiative in which civic and business groups would create a mentor program for new employees.

Eli Segal, the president of the partnership, said some 800 employers have joined his effort and agreed to hire welfare recipients, in part because "companies really do see this as a new source of labor."

In some parts of the country, the unemployment rate is below 3 percent, creating an unusually favorable environment for welfare recipients trying to find jobs.

"The economy right now is growing so strongly that there is a tremendous demand for workers and some employers are willing to take on people who have very few skills and give them a try," said New York-based labor economist Audrey Freedman.

The year-old welfare law gives states vast new flexibility to design their own programs, requires recipients to go to work within two years, and limits to five years the amount of time anyone can receive federal benefits.

Many states are going even further, pushing welfare recipients to find work immediately, to perform community service, to name the fathers of their children so that the state can collect child support, and to look seriously for jobs before they are even accepted onto the welfare rolls in the first place.

"One part of the explanation is clearly the economy and the continued low unemployment rate, one part does involve the increased focus on employment in the welfare system, and the third part is that some states have responded to the new law by making it more difficult for families to receive or continue receiving assistance," said Mark Greenberg, an attorney at the liberal Center for Law and Social Policy who tracks welfare issues.

But few states have solid information on why their welfare rolls are declining. Massachusetts, one of the few states to attempt to trace the fate of former recipients, found that about half of those who had left the rolls found jobs, about 10 percent moved out of the state, another 10 percent received child support payments that made them ineligible, nearly 10 percent no longer qualified because their children grow too old and another handful was reapplying for assistance.

The caseload declines vary widely from state to state, with Hawaii and Alaska alone showing the only increases since the passage of the welfare law. Every other state has shown a sharp decline.

Idaho's welfare rolls, for example, have shrunk from 21,947 last August to 7,890 in July, with 8,773 of those individuals disappearing July 1 when the state implemented tough new work requirements.

"We are doing a survey of all the people who left in April, May and June to find out what their status is," said Mary Ann Saunders of Idaho's Department of Health and Welfare. "A fair number of folks said they were just going to work, they didn't want to use up their [eligibility]; others said 'I see the child support requirement, and I don't want my boyfriend hassled' and some are deriving other income somehow and don't want to meet the work requirement."

Some researchers say the welfare rosters are declining not only because people are leaving the rolls but because some others couldn't get in the door. Alabama Arise, an advocacy group in Alabama, said there four explanations for the caseload decline of approximately 13 percent in the state: the economy, the new message about work requirements, the welfare bureaucracy's increased focus on helping people get jobs and a stricter application process. Recently, the percentage of applicants approved for welfare in the state fell from 63 percent to 46 percent, according to the group.

Harris reported from St. Louis. Havemann reported from Washington.

The Washington Post
WEDNESDAY, AUGUST 13, 1997

New York's Workfare Picks Up City and Lifts Mayor's Image

A1

By Judith Havemann
Washington Post Staff Writer

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Harden's hair is listing forward and sweat beads her upper lip as she shakes final bits of rubbish into the waiting garbage truck and makes for the supervisor's office to get a $38 credit toward her welfare check.

"The minute I get home, these shoes come off, I get in the shower and hit the bed," she says.

Harden, 42, is a draftee in New York City's war against dependency, one of 38,000 welfare recipients required to work off their monthly checks by sweeping streets, cleaning parks and doing other municipal chores. Beneficiaries with children are required to work 20 hours a week, and New York's special state "home relief" recipients—jobless men and women who have no dependent children—are required to work off their cash grant, housing

See WORKERS, A6, Col. 1

WORKERS, From A6

rez official "employees" so that they would be entitled to an array of labor law protections. It was equally important to the Republican congressional leaders, who battled against the designation fiercely, saying it could cripple programs like Giuliani's, making regulations so onerous no state would bother to try.

Right now, Perez is not an official employee. She is "paid" $4.75 an hour in welfare benefits, with none of the perks—or tax burdens—of her unionized colleagues. She doesn't get sick leave or vacations, she doesn't have to pay Social Security or Medicare taxes, and she doesn't have automatic access to the federal labor, civil rights, disability and sexual harassment protections of other workers.

The balanced budget law has left the issue murky, though it may be taken up again in separate legislation this fall. In the meantime, New York is besieged with class action suits that suggest that much of what Perez gets, or doesn't get, may well be decided by the courts. Although two competing unions are trying to organize the workers, and often canvass the streets trying to get them to sign union cards, the city maintains that New York law prohibits workfare employees from collective bargaining.

Many WEP workers dismiss the notion that the city might hire them as wishful thinking, defying simple municipal mathematics. Workfare employees cost the city less than $2 an hour for supervision and equipment—not including the welfare benefits the city has been paying all along—while "real" employees cost the city at least $12 plus benefits, according to union research.

As for the view from Bay Ridge in Brooklyn, workfare participants have become a welcome sight on the most obscure streets. Residents watching them sweep their way past the tiny apartments applaud Giuliani for his tough stand on welfare.

"I think workfare is a good idea," said Jose Melendez as he played cards on the front stoop of his house on 62nd Street. "Third Avenue was pretty dirty before they came along. They don't deserve any extra pay. Why should they be paid extra when they are already getting all this money for free?"

WORKERS, From A1

allowance and food stamps at the minimum wage.

And ever since Mayor Rudolph W. Giuliani expanded the minuscule program known as workfare into a monumental work force the size of Nordstrom's, the city has been getting cleaner, the mayor more popular, and the typical resident more satisfied with city services.

Welfare recipients, meanwhile, are learning the value of showing up on time, following directions and working cooperatively—all skills the city maintains will help these workers land permanent jobs in the private sector.

"If the government is going to provide a benefit," said Anthony Coles, a senior adviser to Giuliani, "it has the right and the obligation to ask for something in return."

But the growth of workfare has also triggered a slow escalation of protests about whether the program is in the best interest of the welfare recipients it is targeted to help. If welfare recipients are doing work for the city, some critics ask, shouldn't they be able to work their way onto the city payroll and receive employee benefits and protections like any other municipal worker?

Some skeptics also question whether the city might be better off requiring recipients to get education and training that could help them gain better jobs with salaries capable of supporting their families when their benefits run out in five years.

"Most Americans would say it is reasonable to have a goal of reciprocal obligation," of doing something in return for taxpayers' money, said David Butler, assistant director of operations for the Manpower Demonstration Research Corp. and a former New York City welfare official. "The question is, is the quid pro quo a fair one? Does the work experience help people become self-sufficient? What we know of these programs from the 1980s is that they have not done so in the past."

All across America, states are energetically implementing the new federal welfare law requiring 50 percent of all welfare recipients to be working by 2002. Almost every governor and many mayors are cobbling together their own work programs to employ recipients who cannot find jobs in the private sector. So far, most places have chosen a kinder, gentler route than New York, such as placing mothers in food pantries sorting canned goods. But New York's workfare model, the largest and most comprehensive in the nation, provides an almost irresistible beacon for states to follow as work requirements become more stringent.

Here, Giuliani has made welfare reform a centerpiece of his administration, and his Work Experience Program (WEP) the centerpiece of welfare reform.

The welfare system he is trying to reform is a little like the city's cab fleet: It's huge, hustling and hard to regulate. One in eight of the city's 7,333,253 residents is on welfare. Its human relations bureaucrats process 800,000 cases each month. The cost of its program is more than $2 billion annually. So rampant was fraud, according to the city, that 37,000 people either were caught cheating or failed to show up when Giuliani began requiring recipients to be fingerprinted as a means of weeding out cheaters. After the city began seriously tightening eligibility and requiring welfare parents to go to work, more than 280,000 dropped off the rolls.

For an industrial-strength problem, Giuliani has adopted a heavy-duty solution. It's not as demanding as some states—Wisconsin will soon require virtually every recipient to work 40 hours a week, for example. But the city's workfare program is an

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The Washington Post

Wednesday, August 13, 1997

WR-caseloads

CHANGE IN WELFARE CASELOADS

l AFDC/TANF families and recipients

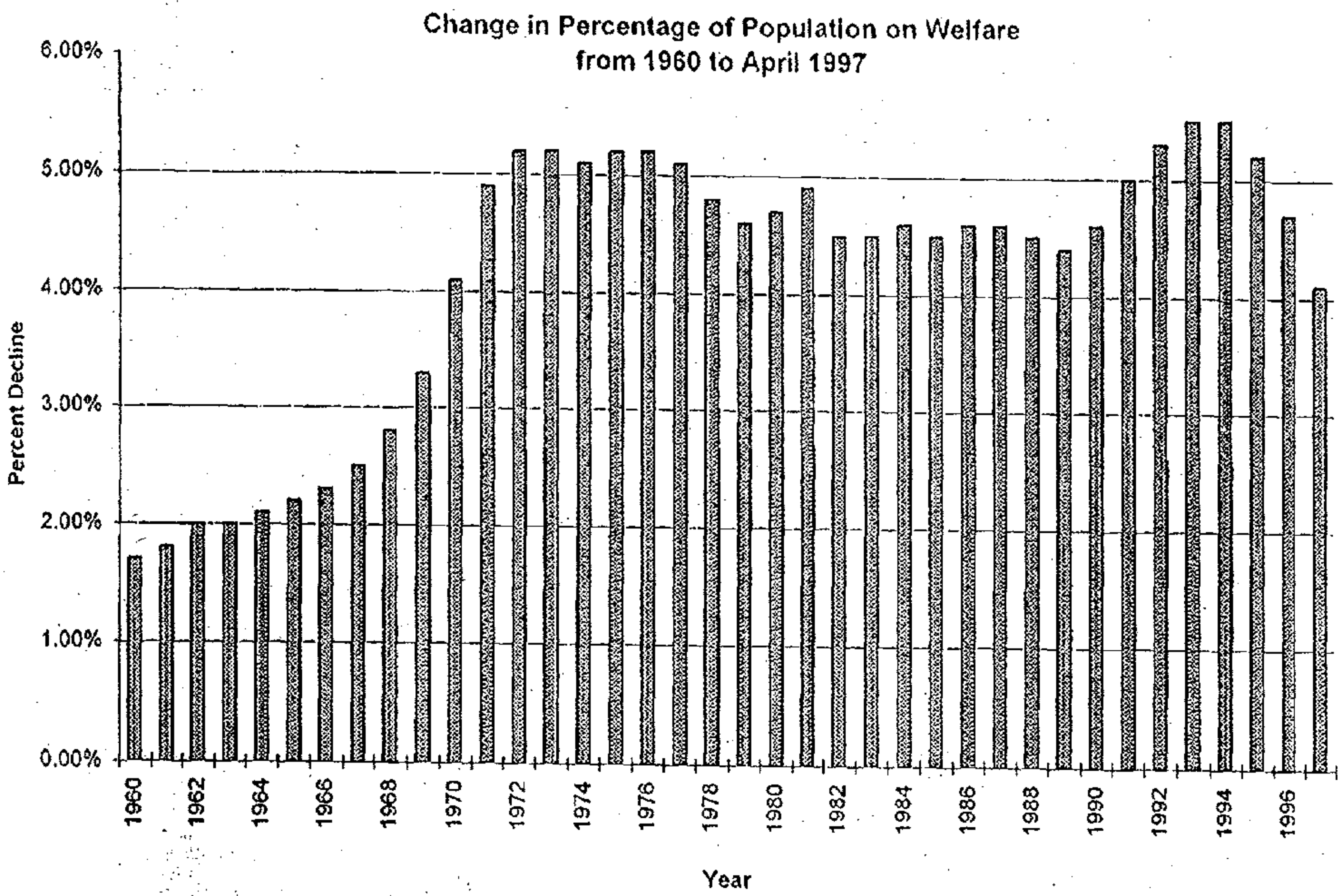
	Jan.93	Jan.94	Jan.95 (millions)	Jan.96	Apr.97	percent(93-97)
amilies	4.963	5.053	4.936	4.628	3.950	-20%
			1,013,000 fewer families			
ecipients	14.115	14.276	13.918	12.877	10.969	-22%
			3,146,000 fewer recipients			

otal AFDC/TANF recipients by State

ate	Jan.93	Jan.94	Jan.95	Jan.96	Apr.97	percent(93-97)
labama	141,746	135,096	121,837	108,269	89,240	-37%
laska	34,951	37,505	37,264	35,432	37,300	+7%
rizona	194,119	202,350	195,082	171,617	143,670	-26%
rkansas	73,982	70,563	65,325	59,223	53,420	-28%
alifornia	2,415,121	2,621,383	2,692,202	2,648,772	2,427,440	+1%
olorado	123,308	118,081	110,742	99,739	83,820	-32%
nnecticut	160,102	164,265	170,719	161,736	154,220	-4%
aware	27,652	29,286	26,314	23,153	21,510	-22%
.C.	65,860	72,330	72,330	70,082	66,220	+1%
lorida	701,842	689,135	657,313	575,553	447,480	-36%
eorgia	402,228	396,736	388,913	367,656	283,970	-29%
awaii	54,511	60,975	65,207	66,690	73,740	+35%
aho	21,116	23,342	24,050	23,547	19,180	-9%
linois	685,508	709,969	710,032	663,212	568,130	-17%
diana	209,882	218,061	197,225	147,083	115,480	-45%
wa	100,943	110,639	103,108	91,727	79,490	-21%
ansas	87,525	87,433	81,504	70,758	54,620	-38%
entucky	227,879	208,710	193,722	176,601	155,910	-32%
ouisiana	263,338	252,860	258,180	239,247	190,380	-28%
aine	67,836	65,006	60,973	56,319	50,880	-25%
aryland	221,338	219,863	227,887	207,800	160,670	-27%
assachusetts	332,044	311,732	286,175	242,572	199,980	-40%
ichigan	686,356	672,760	612,224	535,704	442,900	-35%
innesota	191,526	189,615	167,949	171,916	157,670	-18%
ississippi	174,093	161,724	146,319	133,029	103,160	-41%
issouri	259,039	262,073	259,595	238,052	195,730	-24%
ontana	34,848	35,415	34,313	32,557	24,630	-29%
ebraska	48,055	46,034	42,038	38,653	36,360	-24%
evada	34,943	37,908	41,846	40,491	28,990	-17%
w Hampshire	28,972	30,386	28,671	24,519	20,580	-29%
ew Jersey	349,902	334,780	321,151	293,833	250,200	-28%
ew Mexico	94,836	101,676	105,114	102,648	83,390	-12%
ew York	1,179,522	1,241,639	1,266,350	1,200,847	1,050,640	-11%

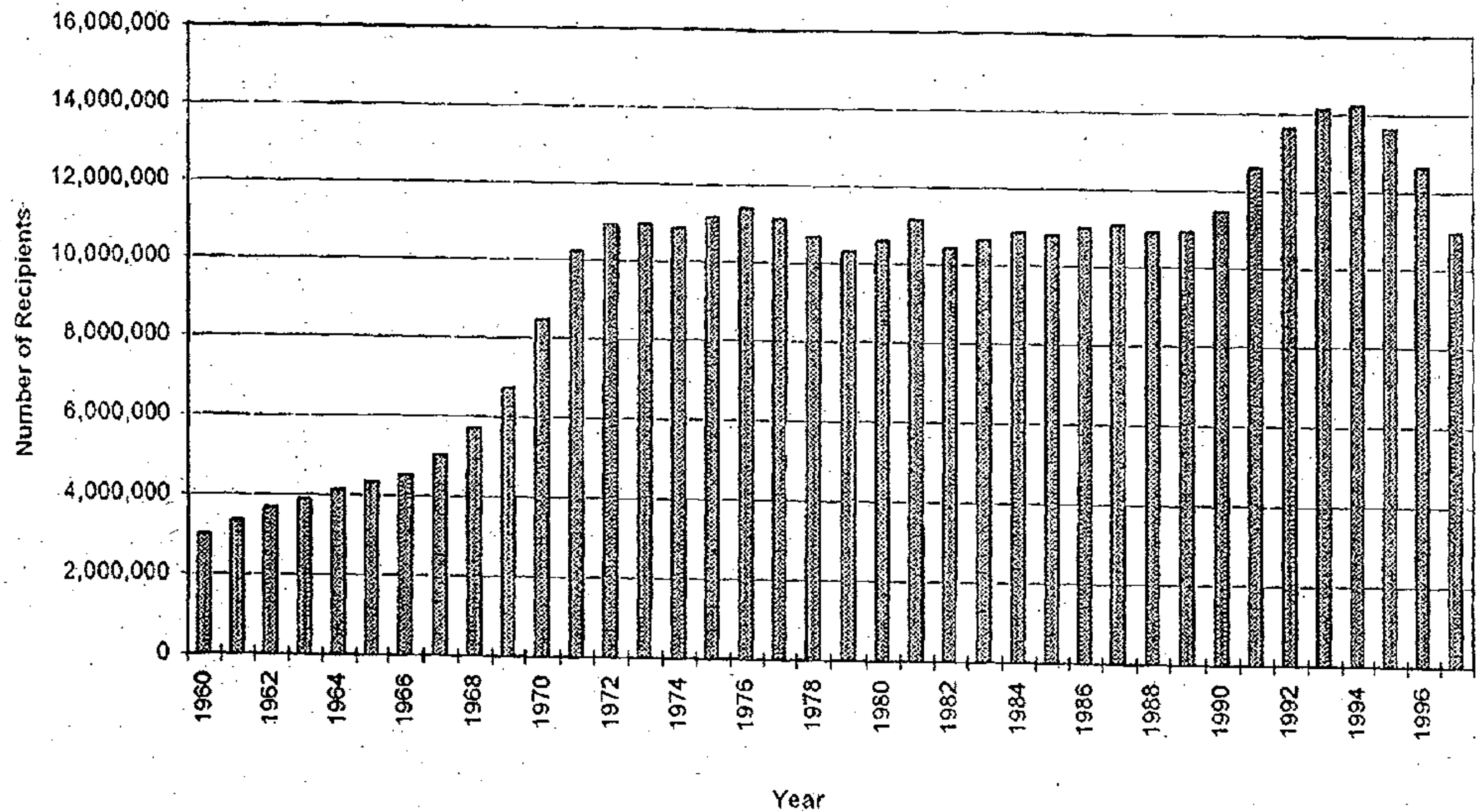
:tate	Jan.93	Jan.94	Jan.95	Jan.96	Apr.97	percent(93-97)
North Carolina	331,633	334,451	317,836	282,086	242,950	-27%
North Dakota	18,774	16,785	14,920	13,652	11,420	-39%
)hio	720,476	691,099	629,719	552,304	507,620	-30%
)klahoma	146,454	133,152	127,336	110,498	79,960	-45%
)regon	117,656	116,390	107,610	92,182	63,160	-46%
'ennsylvania	604,701	615,581	611,215	553,148	463,430	-23%
Rhode Island	61,116	62,737	62,407	60,654	53,240	-13%
South Carolina	151,026	143,883	133,567	121,703	85,990	-43%
South Dakota	20,254	19,413	17,652	16,821	13,420	-34%
'ennessee	320,709	302,608	281,982	265,320	175,150	-45%
'exas	785,271	796,348	765,460	714,523	592,070	-25%
Jtah	53,172	50,657	47,472	41,145	33,360	-37%
'ermont	28,961	28,095	27,716	25,865	23,310	-20%
'irginia	194,212	194,959	189,493	166,012	129,050	-34%
Vashington	286,258	292,608	290,940	276,018	258,190	-10%
Vest Virginia	119,916	115,376	107,668	98,439	88,680	-26%
Visconsin	241,098	230,621	214,404	184,209	114,960	-52%
Vyoming	18,271	16,740	15,434	13,531	6,240	-66%
..am	5,087	6,651	7,630	8,364	7,290	+43%
..erto Rico	191,261	184,626	171,932	149,944	143,670	-25%
'irgin Islands	3,763	3,767	4,345	4,953	4,450	+18%

ource: U.S. Dept. of Health & Human Services
Administration for Children and Families
July 1997



Source: U.S. Department of Health and Human Services

Number of Recipients on Welfare Since 1960



U.S. Department of Health and Human Resources, April 1997

Aid to Families with Dependent Children (AFDC)
Temporary Assistance for Needy Families (TANF)
Percent of Total U.S. Population, 1960-1997
Source: HHS Administration for Children and Families

year	recipients	U.S. pop.	% of pop.
1960	3,005,000	180,671,000	1.7%
1961	3,354,000	183,691,000	1.8%
1962	3,676,000	186,538,000	2.0%
1963	3,876,000	189,242,000	2.0%
1964	4,118,000	191,889,000	2.1%
1965	4,329,000	194,303,000	2.2%
1966	4,513,000	196,560,000	2.3%
1967	5,014,000	198,712,000	2.5%
1968	5,705,000	200,706,000	2.8%
1969	6,706,000	202,677,000	3.3%
1970	8,466,000	205,052,000	4.1%
1971	10,241,000	207,661,000	4.9%
1972	10,947,000	209,896,000	5.2%
1973	10,949,000	211,909,000	5.2%
1974	10,864,000	213,854,000	5.1%
1975	11,165,185	215,973,000	5.2%
1976	11,386,371	218,035,000	5.2%
1977	11,129,702	220,239,000	5.1%
1978	10,671,812	222,585,000	4.8%
1979	10,317,902	225,055,000	4.6%
1980	10,597,445	227,726,000	4.7%
1981	11,159,847	229,966,000	4.9%
1982	10,430,960	232,188,000	4.5%
1983	10,659,365	234,307,000	4.5%
1984	10,865,604	236,348,000	4.6%
1985	10,812,625	238,466,000	4.5%
1986	10,996,505	240,651,000	4.6%
1987	11,065,027	242,804,000	4.6%
1988	10,919,696	245,021,000	4.5%
1989	10,933,980	247,342,000	4.4%
1990	11,460,382	249,913,000	4.6%
1991	12,592,269	252,650,000	5.0%
1992	13,625,342	255,419,000	5.3%
1993	14,142,710	258,137,000	5.5%
1994	14,225,591	260,660,000	5.5%
1995	13,652,232	263,034,000	5.2%
1996	12,648,859	265,284,000	4.7%
Apr. 1997*	10,969,000	266,789,000	4.1%

Note: unless noted, caseload numbers are average monthly

*most recent available

WR-Caseload

Document No.__________

WHITE HOUSE STAFFING MEMORANDUM

DATE: 5-21 ACTION/CONCURRENCE/COMMENT DUE BY: 5-23

SUBJECT: Shalala Welfare memo re State use of TANF funds

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	☐	☑	McCURRY	☐	☐
BOWLES	☐	☑	McGINTY	☐	☐
McLARTY	☐	☐	NASH	☐	☐
PODESTA	☑	☐	RUFF	☐	☐
MATHEWS	☑	☐	SMITH	☐	☐
RAINES	☐	☐	REED	☑	☐
BAER	☐	☐	SOSNIK	☐	☐
ECHAVESTE	☐	☐	LEWIS	☐	☐
EMANUEL	☐	☐	YELLEN	☐	☐
GIBBONS	☐	☐	STREETT	☐	☐
HALE	☐	☐	SPERLING	☐	☐
RADD	☐	☐	TARULLO	☐	☐
HIGGINS	☐	☐	VERVEER	☐	☐
HILLEY	☐	☐	KAGAN	☑	☐
KLAIN	☐	☐	________	☐	☐
BERGER	☐	☐	________	☐	☐
LINDSEY	☐	☐	________	☐	☐

REMARKS: Let me know if you have any comment.

RESPONSE:

Staff Secretary

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAY 16 1997
'97 MAY 20 PM6:06

MEMORANDUM FOR THE PRESIDENT

SUBJECT: State Use of "Excess" TANF Funds

Recent news stories have asserted that states have "excess" or "surplus" funds available to them under the new Temporary Assistance for Needy Families (TANF) block grant created by the welfare reform legislation. In fact, many states are receiving more federal funds in Fiscal Year (FY) 1997 under TANF than they received in the previous year under the predecessor programs (Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and the Job Opportunities and Basic Skills (JOBS) Training program), largely due to setting the funding at historically high levels followed by dramatic caseload decreases. However, these extra funds are distributed very unevenly across states and may be only a first- and possibly second-year phenomenon. Given our commitment to moving welfare families to self-sufficiency, we must take advantage of every opportunity to urge Congress and the states to view these resources not as a "surplus," but rather as essential for making critical early investments to enable welfare families to transition to work.

We all must use every available occasion to strongly encourage states to invest these federal resources (along with state Maintenance of Effort resources) to support the welfare-to-work goals of the legislation. Based on what we know so far about the costs of reaching and serving the most disadvantaged welfare families, we need to ensure that states and cities receive the additional welfare-to-work resources provided in the new budget agreement, and states need to invest wisely to prepare all welfare families for self-sufficiency within the time limits in the statute.

The purpose of this memorandum is to:

- explain what we know now about the level of resources available to states for investment in welfare reform under TANF;
- describe what we know at this interim point in state legislative sessions about the choices that state legislatures are currently making about the use of these resources, and provide some examples both of promising state choices that seem likely to attain the goals of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), and of less promising choices that could undercut those goals;
- argue that achieving the goals of welfare reform, especially in high unemployment areas like inner cities and rural areas, requires <u>both</u> the additional welfare-to-work resources and tools provided in the new budget agreement <u>and</u> that states invest wisely the federal and state resources available to them; and

- highlight what you can emphasize in your speeches and meetings about this issue.

Resources Available to States

Since January 1993, the number of welfare recipients has dropped in nearly all states. However, the reductions have not been uniform, and the financial impact varies across states. Table 1 shows that all but four states have a smaller number of welfare recipients now than they did in January 1993, with 36 states experiencing at least 20 percent reductions. The welfare reform law provides fixed federal funding at historically high levels for child care, work programs, and other assistance; for FY 1997 TANF funding exceeds FY 1996 funding for AFDC and related programs by about 10 percent, or $1.5 billion. While the great majority of states are receiving more money under TANF than their combined federal funding for AFDC, EA, and JOBS in FY 1996, as Table 2 shows, 24 states are receiving only a modest increase, and seven states are actually receiving less federal funding.

States experiencing sizeable reductions in welfare caseloads and funding increases under TANF that have already made substantial investments in work and child care are in an especially good position to continue the historic transformation from welfare programs to job programs. On the other hand, states that have experienced smaller caseload reductions, have low benefit levels, or have unmet needs for supportive services face a tremendous challenge.

Child care is one of the most important services that families need in order to work. As ~~TANF's~~ work requirements (both participation rates and hours) increase, states must make more child care services available. Investments are also needed to provide child care for the working poor in order to enable those parents to sustain their employment and to ensure continuity of care for the children whose parents are making the transition from welfare to work. The PRWORA provides separate and enhanced funding to states for child care that allows them to pay for child care in any of a variety of ways: out of the Child Care Development Fund (CCDF), by transferring (up to 30 percent) TANF funds into the CCDF, or by paying for child care services directly out of TANF. States can also use their own state money on child care. Despite the child care funding increases, resources still may not be sufficient to meet the needs of both transitioning and low-income working parents. We will advise you as we get closer to the next budget cycle about the unmet child care needs and our deep concerns about quality standards.

There also are other important areas in which states must maintain or enhance their investment to help recipients move from welfare to work. One critical area is job creation and partnerships with the private sector, including subsidized workfare positions. In addition, it is generally accepted that after the most employable recipients have made the transition from welfare to work, the remaining adult participants will have more barriers to self-sufficiency and will require more intensive services. These supportive services run the gamut from expanded job readiness and job search programs, public sector jobs, literacy programs, and intensive case management services, to drug testing and treatment, services to address domestic violence, accommodating populations with special needs such as mental and physical disabilities, and rural transportation.

States are required to maintain only 80 percent (or 75 percent if the state meets its mandatory work participation requirements) of historic expenditures. Because the law permits states to disinvest up to 25 percent of their prior expenditures on needy families with children, there is some risk that some or all of these "surplus" funds will simply be used to substitute for state dollars, thereby effectively reverting to state treasuries. The initial choices that states make in spending their TANF funds and in providing child care and other supportive services to families are critical to their success in moving families from welfare to work and to the overall success of welfare reform.

What We Know

It is still too early for the Department to have a full picture of how states will decide to use these "surplus" funds. Many states have not yet made the funding and program design decisions that will shape their TANF programs, but from what we can tell now most changes are incremental. Many states appear to be basing their TANF programs on their welfare reform waiver demonstrations or the AFDC program, without making significant program design changes at this point. Therefore, from a budget perspective, most states are assuming that they will have to spend a certain amount of TANF money on cash assistance and existing job training programs. It should be noted that few state legislatures have completed their sessions for this year, so the information we do have on allocation of funds comes from several different stages in the decision-making process and may represent only preliminary steps in that process. Reports from the Department's Regional Offices and other sources have given us some information about what some states are proposing to do with "excess" TANF funding. Enclosure A includes a fuller discussion of the early information we have on state decisions and the critical investments they are making to spend "excess" TANF funds.

Welfare-to-Work Programs and Child Care: It is widely acknowledged that helping recipients move from welfare to work often requires up-front investments in training and supportive services. (Enclosure B provides some information on the costs associated with operating work programs and providing child care services. It should also be noted that the Congressional Budget Office (CBO) estimated that the state costs of meeting the PRWORA work requirements were underfunded in the TANF block grant. If the CBO were to re-estimate the costs of the work program, it is likely that the shortfall would be considerably smaller, given the larger-than-expected caseload decreases.) Many states are assuming that, as time goes on, the remaining adult participants will have more barriers to self-sufficiency than those who have already made the transition from welfare to work, and that such recipients will require more intensive services. As a result, states are also considering spending more money on drug testing and treatment, intensive case management services, rural transportation, job preparation, job training, and public sector jobs. Many states are also considering putting more money into child care services, although it is not yet clear if this represents simply the increased CCDF allocations states received under the PRWORA, plans to spend state "maintenance of effort" (MOE) dollars on

negligible

child care, or shifts of TANF welfare funds for additional child care funding. We all need to encourage states to use any "excess" federal TANF funds to supplement rather than supplant state funding needed to access the CCDF.

Other TANF Purposes: States are also looking at the broad flexibility they have under the TANF block grant and are considering other types of programs, including juvenile justice and other services formerly funded under the Emergency Assistance program, housing and nutrition programs, teen pregnancy prevention initiatives, energy assistance, family planning, fatherhood conferences, and transfers to the Title XX social services block grant to offset previous federal reductions.

Rainy Day Funds: Notwithstanding the availability of the contingency fund, state allocations are fixed regardless of the state of the economy or caseload trends. Therefore, a number of states are considering building a reserve in the event of a recession, since there is no requirement that states spend their full federal allocations in the fiscal year in which they become available.

Services to Immigrants: Under the welfare law, qualified aliens are banned from receiving Food Stamps and SSI benefits, and qualified aliens who arrived in the United States after August 22, 1996 are banned from receiving assistance from federal TANF funds for a period of five years. A number of states have indicated that they expect to continue benefits for such aliens nonetheless, using state funds. States also have the option of continuing TANF benefits for immigrants who arrived before the bill's enactment. Only Alabama, South Carolina and Wyoming have indicated that they will not be continuing benefits for these aliens.

Choices that Undercut the Goals of PRWORA: Not all states, however, intend to reinvest their savings in welfare-related services or assistance for immigrants. In addition to authorizing federal TANF funding, the welfare reform law requires states to maintain a certain level of historic effort (MOE) in order to access the TANF block grant. Both TANF and MOE funds must be spent to provide assistance to needy families with children and to promote job preparation and work, among other purposes. Some states are treating the difference between the MOE requirement and the amount they would have spent in the absence of welfare reform as a general surplus, to be used for any purpose they desire. Proposed uses include dividing the funds between the state and local governments for unrestricted spending, allocating them to the state's general fund, and replacing state spending on child protection services and the elderly. The state funds thus freed can be used for any purpose including underwriting a tax cut, which has already been proposed in several states.

Do States Need More Funding?

In contrast to the increased child care funds and "excess" TANF funds many states currently have available, other provisions of PRWORA cut funding and increased demands on states. The new law significantly reduced federal funding for other programs serving low-income populations, in particular legal immigrants. It established increasingly tough work requirements within a framework of time-limited federal assistance for needy families with children. The requirement that families to achieve self-sufficiency within five years or less presents a tremendous challenge to states and demands a commitment to making critical investments as early as possible.

Moving families from welfare to work requires increased state investments in critical services such as child care, supports and subsidies for work, services to address barriers like substance abuse and domestic violence, literacy programs, expanded job readiness and job search programs and expanded case management. Some states have an especially great need for supportive services, have experienced smaller reductions in caseloads, or have other special circumstances (like inner city or rural areas of high unemployment and poverty or large numbers of noncitizen residents) which might necessitate costly investments in economic development or transportation. In addition, since the 80 (or 75) percent MOE requirement is based on FY 1994 expenditures, some states that have experienced significant caseload reductions since 1994 potentially could be required to commit larger sums of state funds under TANF than they would have spent under the predecessor programs. The wide variation in benefit levels across states (as illustrated in Table 3) highlights the difficulties some states will face. Clearly the states with higher benefit levels and a history of greater state effort on low-income assistance have more capacity to invest in additional services to help families move from welfare to work and sustain their employment.

States must begin now to make front-end investments if they are to have in place the programs they will need to move large numbers of single parents from welfare to work in the later years, when participation and hours of work requirements are higher and populations begin reaching state time limits. States must also obtain unprecedented commitment from business, non-profit organizations, and religious institutions. The so-called "excess" TANF funds are not a windfall, may be only temporary, and are not available to all states.

Getting Out the Message

The new budget agreement will enable us to ensure that needed funding is available to states and communities to achieve the goals of welfare reform, especially in areas with high unemployment. Three initiatives included in the new budget agreement have been and continue to be particularly important: enabling welfare families to transition to work, restoring unacceptable cuts in benefits to immigrants, and providing support for low-income working families to sustain their employment. As a result of your efforts, states and communities will have $2 billion over the next five years to spend on wage subsidies and job creation and retention activities to help the hardest-to-employ long-term welfare recipients find and keep jobs. An additional $500 million is available in the form of tax incentives to employers to create job opportunities for long-term welfare recipients and able-bodied childless adult food stamp recipients who face work and time limit requirements. Legislation to fulfill your goal of moving people from welfare to work must include the grants and tax incentives necessary to support states, cities, and the private sector in creating job opportunities for the hardest to employ welfare recipients.

The budget agreement will also protect the most vulnerable populations of legal immigrants -- children and individuals with disabilities -- from the restrictions placed on their receipt of Medicaid and SSI benefits. It helps to protect a minimal safety net for the most needy legal immigrants and supports our immigrant traditions and protects public health.

We are already taking the lead in reducing the number of children without health insurance, and this is one of the most important things we are doing. Twenty-three states currently have expanded transitional Medicaid benefits through waivers, some by extending the period of eligibility beyond 12 months and others by expanding who is eligible. Four additional waiver requests are under review, including two new states. In addition, the new budget agreement expands health coverage for millions of uninsured children, including a new grant program that provides additional dollars to supplement state efforts to cover uninsured children in working families.

As I indicated earlier in this memorandum, it is a little too early to know how short the states are on child care money. We are increasingly concerned about quality standards for child care. The recent White House Conference on the Brain highlighted the need for substantial quality investments and high standards. The White House conference planned for later this year will focus on quality child care.

We need your help to encourage states to make the right decisions for their needy citizens and taxpaying citizens alike. Your achievement of the recent historic budget agreement presents a particularly opportune time to take the lead and through your speeches and meetings with public and private sector leaders to encourage all states to make the serious investments that are needed to help move families from welfare to work and sustain their employment. These investments will require not only effective use of federal funding (including the new funds provided through the budget agreement) but also a commitment to continued state funding. The needs are great, as are our opportunities to make a difference in the lives of the nation's most vulnerable populations -- welfare families, children without health insurance, and legal immigrants.

I am sending a copy of this memorandum to Bruce Reed.

Donna E. Shalala

Enclosures

TABLE 1.

CHANGE IN WELFARE CASELOADS

Total AFDC/TANF recipients by State

State	Jan.93	Jan.94	Jan.95	Jan.97	Percent change '93-'97
Wisconsin	241,098	230,621	214,404	123,758	-49
Wyoming	18,271	16,740	15,434	10,117	-45
Oregon	117,656	116,390	107,610	66,919	-43
West Virginia	119,916	115,376	107,668	68,600	-43
Indiana	209,882	218,061	197,225	121,224	-42
Oklahoma	146,454	133,152	127,336	87,144	-40
Tennessee	320,709	302,608	281,982	194,860	-39
Mississippi	174,093	161,724	146,319	108,365	-38
Massachusetts	332,044	311,732	286,175	207,932	-37
North Dakota	18,774	16,785	14,920	11,904	-37
South Carolina	151,026	143,883	133,567	97,146	-36
Alabama	141,746	135,096	121,837	91,569	-35
Kansas	87,525	87,433	81,504	57,528	-34
Utah	53,172	50,657	47,472	35,442	-33
Michigan	686,356	672,760	612,224	460,793	-33
Florida	701,842	689,135	657,313	478,329	-32
South Dakota	20,254	19,413	17,652	14,050	-31
Virginia	194,212	194,959	189,493	135,908	-30
Colorado	123,308	118,081	110,742	87,074	-29
Kentucky	227,879	208,710	193,722	161,150	-29
New Hampshire	28,972	30,386	28,671	20,627	-29
Ohio	720,476	691,099	629,719	518,595	-28
New Jersey	349,902	334,780	321,151	256,000	-27
Arkansas	73,982	70,563	65,325	54,751	-26
Maine	67,836	65,006	60,973	51,031	-25
Montana	34,848	35,415	34,313	26,294	-25
Nebraska	48,055	46,034	42,038	36,490	-24
Georgia	402,228	396,736	388,913	305,732	-24
North Carolina	331,633	334,451	317,836	252,564	-24
Maryland	221,338	219,863	227,887	169,723	-23
Iowa	100,943	110,639	103,108	78,076	-23
Arizona	194,119	202,350	195,082	151,526	-22
Louisiana	263,338	252,860	258,180	206,582	-22
Texas	785,271	796,348	765,460	625,376	-20
Pennsylvania	604,701	615,581	611,215	483,625	-20
Missouri	259,039	262,073	259,595	208,132	-20
Vermont	28,961	28,095	27,716	23,515	-19
Nevada	34,943	37,908	41,846	28,817	-18
Minnesota	191,526	189,615	167,949	159,855	-17
Delaware	27,652	29,286	26,314	23,141	-16
Illinois	685,508	709,969	710,032	599,629	-13
Rhode Island	61,116	62,737	62,407	54,588	-11
New York	1,179,522	1,241,639	1,266,350	1,074,100	-9
Washington	286,258	292,608	290,940	263,792	-8
Idaho	21,116	23,342	24,050	19,925	-6
New Mexico	94,836	101,676	105,114	89,814	-5
Connecticut	160,102	164,265	170,719	155,578	-3
California	2,415,121	2,621,383	2,692,202	2,474,689	2
District of Columbia	65,860	72,330	72,330	67,871	3
Alaska	34,951	37,505	37,264	36,189	4
Hawaii	54,511	60,975	65,207	65,312	20
United States 1/	**14,114,992**	**14,275,877**	**13,918,412**	**11,359,582**	**-20**

1/ Includes Guam, Puerto Rico, and the Virgin Islands.

Source: U.S. Dept. of Health & Human Services, Administration for Children and Families, Office of Family Assistance, AFDC/TANF Flash Report, January 1997.

TABLE 2.

COMPARISON OF FEDERAL FUNDING FOR AFDC AND RELATED PROGRAMS AND FAMILY ASSISTANCE GRANTS UNDER PRWORA

(in thousands)

State	FY 1996 Grants for AFDC. EA & JOBS 1/	Fy 1997 State Family Assistance Grant 2/	Increase from FY 1996 Level	Percent Increase from FY 1996 Level
Indiana	$133,119	$206,799	$73,681	55.3
Wyoming	14,969	21,781	6,813	45.5
Louisiana	114,252	163,972	49,720	43.5
Tennessee	137,445	191,524	54,079	39.3
Ohio	543,666	727,968	184,303	33.9
Dist. of Columbia	70,813	92,610	21,796	30.8
Virginia	121,386	158,285	36,899	30.4
Massachusetts	353,060	459,371	106,311	30.1
West Virginia	87,683	110,176	22,493	25.7
Oklahoma	118,234	148,014	29,779	25.2
Connecticut	215,259	266,788	51,529	23.9
Mississippi	70,341	86,768	16,427	23.4
Alabama	$75,909	$93,315	17,406	22.9
Michigan	632,232	775,353	143,121	22.6
Minnesota	220,839	267,985	47,146	21.3
Utah	64,695	76,829	12,134	18.8
Oregon	142,045	167,925	25,879	18.2
Texas	419,021	486,257	67,236	16.0
Kentucky	157,238	181,288	24,050	15.3
Wisconsin	276,357	318,188	41,831	15.1
Georgia	288,410	330,742	42,332	14.7
Kansas	89,753	101,931	12,178	13.6
New York	2,160,652	2,442,931	282,279	13.1
Florida	497,539	562,340	64,801	13.0
Montana	40,391	45,534	5,143	12.7
Arizona	197,754	222,420	24,666	12.5
Vermont	42,378	47,353	4,975	11.7
Missouri	195,388	217,052	21,664	11.1
New Hampshire	34,677	38,521	3,844	11.1
Arkansas	51,854	56,733	4,879	9.4
Alaska	58,665	63,609	4,944	8.4
South Dakota	20,242	21,894	1,652	8.2
Maryland	214,292	229,098	14,806	6.9
Nevada	41,357	43,977	2,620	6.3
Rhode Island	89,479	95,022	5,543	6.2
South Carolina	94,401	99,968	5,567	5.9
New Jersey	383,177	404,035	20,857	5.4
Maine	74,786	78,121	3,335	4.5
Nebraska	56,014	58,029	2,015	3.6
California	3,622,756	3,733,818	111,062	3.1
North Dakota	25,660	26,400	740	2.9
Iowa	128,853	131,525	2,672	2.1
Idaho	31,297	31,938	641	2.0
Hawaii	97,908	98,905	997	1.0
Washington	415,384	404,332	-11,053	-2.7
Illinois	601,059	585,057	-16,002	-2.7
North Carolina	312,630	302,240	-10,390	-3.3
New Mexico	132,129	126,103	-6,025	-4.6
Pennsylvania	770,098	719,499	-50,599	-6.6
Delaware	35,190	32,291	-2,899	-8.2
Colorado	158,311	136,057	-22,255	-14.1
State Totals	**$14,931,044**	**$16,488,667**	**$1,557,623**	**10.4**

1/ Excludes IV-A child care. AFDC benefits include the Federal share of child support collections in order to be comparable to the Family Assistance Grant.
2/ Does not include additional funds authorized under P.L. 104-327.
Source: U.S. Dept. of Health & Human Services, Administration for Children and Families, Office of Financial Management.

TABLE 3.

Maximum AFDC Benefit for a Three-Person Family by State

July, 1996

State	Schedule/Geography	Monthly	Annual
Alaska	Statewide	$923	$11,076
Hawaii	Statewide	712	8,544
New York	Suffolk Co.	703	8,436
Guam	Statewide	673	8,076
Connecticut	Region A	636	7,632
Vermont	Chittenden	633	7,596
California	Statewide	596	7,152
New York	New York City	577	6,924
Utah	Statewide	568	6,816
Massachusetts	Statewide	565	6,780
Rhode Island	Statewide	554	6,648
New Hampshire	Statewide	550	6,600
Washington	Statewide	546	6,552
North Carolina	Statewide	544	6,528
Minnesota	Statewide	532	6,384
Wisconsin	Urban	517	6,204
Michigan	Region VI (Washtenaw Co.)	489	5,868
Oregon	Statewide	460	5,520
Michigan	Region IV (Wayne Co.)	459	5,508
Montana	Statewide	438	5,256
North Dakota	Statewide	431	5,172
South Dakota	Statewide	430	5,160
Kansas	Schedule 1	429	5,148
Iowa	Statewide	426	5,112
New Jersey	Statewide	424	5,088
Pennsylvania	Group 1	421	5,052
Maine	Statewide	418	5,016
District of Columbia	Statewide	415	4,980
New Mexico	Statewide	389	4,668
Illinois	Group 1	377	4,524
Maryland	Statewide	373	4,476
Nebraska	Statewide	364	4,368
Wyoming	Urban	360	4,320
Colorado	Statewide	356	4,272
Virginia	Group 3	354	4,248
Nevada	Statewide	348	4,176
Arizona	Statewide	347	4,164
Ohio	Statewide	341	4,092
Delaware	Statewide	338	4,056
Idaho	Statewide	317	3,804
Oklahoma	Statewide	307	3,684
Florida	Statewide	303	3,636
Missouri	Statewide	292	3,504
Indiana	Statewide	288	3,456
Georgia	Statewide	280	3,360
Kentucky	Statewide	262	3,144
West Virginia	Statewide	253	3,036
Virgin Islands	Statewide	240	2,880
Arkansas	Statewide	204	2,448
South Carolina	Statewide	200	2,400
Louisiana	Urban	190	2,280
Texas	Statewide	188	2,256
Tennessee	Statewide	185	2,220
Puerto Rico	Statewide	180	2,160
Alabama	Statewide	164	1,968
Mississippi	Statewide	120	1,440

Source: Congressional Research Service, Aid to Families with Dependent Children (AFDC): Program Benefit Rules, July 1, 1996.

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EARLY INFORMATION ON HOW STATES ARE SPENDING "EXCESS" TANF FUNDS

Very Preliminary Indications

Information about how states propose to spend "excess" TANF funds is only preliminary. Most state legislatures are working out their welfare reform plans now, and are at different stages of decision making. Information from newspaper articles, state press releases, as well as early reports from HHS Regional Offices suggest that many states are making investments in child care, work programs, and supportive services while other states are putting money into less "desirable" practices such as supplanting state funds with federal dollars. At this stage, it is hard to get information on state expenditures and categories of spending. It is particularly difficult at this time to determine whether states will be spending federal TANF monies or state maintenance of effort (MOE) monies on an activity, and whether they are spending new monies or merely supplanting state funds with federal dollars. The following material summarizes our early information.

Welfare-to-Work Programs and Child Care

It is widely acknowledged that helping recipients move from welfare to work often requires up-front investments in training and supportive services. Many states are considering putting more money into child care services. Florida, Michigan and Tennessee reportedly are adding $60 million, $44 million and $25 million, respectively, to child care. It is not yet clear if this represents simply the increased CCDF allocations states received under the PRWORA or shifts of TANF welfare funds for additional child care funding. Georgia's budget includes $3.5 million in federal TANF funds to hire additional staff to coordinate and determine eligibility for child care services. Under the child care provisions of Wisconsin's W-2 program, the state intends to increase annual child care funding from $48 million in 1996 to $186.2 million in 1999. The state has requested legislative authority to transfer $63.637 million from TANF to child care in 1998. They believe that cash outlays originally targeted for assistance can, as a result of caseload decreases, be rebudgeted for child care, provided that their economy stays strong and their caseload trends continue. Among all states, Wisconsin has had the largest percentage drop in welfare caseloads. These state actions to increase child care subsidies may benefit the working poor as well as welfare recipients. For example, the Wisconsin legislature is considering expanding eligibility for child care by raising income eligibility limits from 165 percent of poverty to 200 percent.

In discussions with our Child Care Bureau, state officials have indicated orally that they are transferring TANF dollars to CCDF in order to invest in child care. States appear to be spending their own funds to draw down fully the CCDF funding as well. States report using these monies for welfare families, quality improvements and working poor families. Because of the multiple demands on TANF dollars, it is worrisome when states spend federal TANF funds on child care in lieu of state funds or without first having drawn down all of the child care funding to which they are entitled under the CCDF, which can be spent only on child care. If the Administration makes a concerted push to have states spend their excess TANF funding on child care, the message has to be that federal funds should supplement, rather than supplant, state funding needed to access the CCDF.

States are also considering spending more money on drug testing and treatment, intensive case management services, rural transportation, job preparation, job training, and public sector jobs. California, Indiana, Maryland and Massachusetts are reported to be considering these possibilities. These states are aware of the possibility that the remaining adult participants will have more barriers to self-sufficiency than those who have already made the transition from welfare to work, and thus that such recipients will require more intensive services. Georgia's budget includes $8 million in federal TANF funds to purchase job placement services for recipients who have traditionally been hard to place. New York's proposed budget would set aside $42 million for client work activity assessments, medical examinations, and incentive bonuses for local district performance, $45 million to expand work training activities, and $57 million for a variety of targeted initiatives involving work activities.

Other TANF Purposes

States are also looking at the broad flexibility they have under the TANF block grant and are considering other types of programs. California is considering putting $141 million into juvenile justice services formerly funded under the Emergency Assistance program. Indiana, whose welfare caseloads have dropped more than most other states, plans to use MOE monies to create more positions for child welfare workers and to increase funding for employment and training activities. Plans for the state's TANF funding include rural transportation, energy assistance, family planning, working with non-custodial parents, as well as employment services, child care, and data collection. Connecticut reports planning to put $24 million of TANF funding into programs such as housing and nutrition. Georgia's budget includes $3.5 million from the Indigent Care Trust Funds to implement teen pregnancy prevention initiatives in support of welfare reform. Indiana is considering funding energy assistance, family planning, and fatherhood conferences, among other services. .

Rainy Day Funds

Because TANF is a block grant, state allocations will not increase in the event of a recession. Therefore, a number of states are considering building a reserve in case the economy cools down and caseloads increase. While only actual expenditures of state funds can count towards the TANF maintenance of effort requirement, there is no requirement that states spend their full *federal* allocations in the fiscal year in which they become available. Ohio, New York and Vermont are three states that are reportedly considering saving significant portions of their "excess" TANF funds.

Services to Immigrants

Under the welfare law, qualified aliens are banned from receiving Food Stamps and SSI benefits. Those qualified aliens who arrived after August 22, 1996 are banned from receiving assistance from federal TANF funds for a period of five years. A number of states have indicated that they expect to continue benefits for such aliens nonetheless, using state funds. For example, Massachusetts has estimated that it will spend $26 million on legal immigrants who are not citizens. In states with substantial immigrant populations, most notably California, continuing to provide services to qualified aliens is expected to be a significant financial burden.

Other Purposes

Not all states intend to reinvest their savings in welfare-related services. Some are treating the difference between their MOE requirement[1] and the amount they would have spent under prior law as a general surplus, to be used for any purpose they desire. For example, the Governor of New York has proposed to divide $416 million between the state and the local governments, to be spent without restrictions. California is considering allocating $562 million over two years into the state's general fund. Texas' Governor has proposed to use federal TANF funds and part of the state's required maintenance of effort expenditure to replace $190 million in state spending on child protection services and the elderly. The state funds thus freed can be used for any purpose including underwriting the Governor's proposed tax cut.

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1. Each state's maintenance of effort (MOE) level is set at 75 percent of the state's FY 1994 spending for AFDC, EA, JOBS and IV-A child care (80 percent if the state fails to meet TANF work participation rates).

INFORMATION ABOUT COSTS OF INVESTING IN WELFARE REFORM

It is difficult to estimate how much more it will cost states to operate welfare to work programs. Since the mid-1980's, MDRC and Abt Associates have evaluated numerous work-oriented demonstrations with relatively high participation rates, and the per recipient costs reported in their major studies have varied as the table below shows. The gross per person costs to the government range from about $2,200 (in FY 1997 dollars) under Florida's Project Independence to about $27,000 under the Supported Work program[1].

Estimated Gross Costs* Per Person for Selected Welfare to Work Programs

Program	Period of Costs	In 97 Dollars
Supported Work** *(many sites)*	27 months	$26,938
Homemaker- Home Health Aide** *(many sites)*	NA	14,588
Grand Rapids JOBS *(Labor Force Attachment)*	2 years	4,915
Atlanta JOBS *(Labor Force Attachment)*	2 years	3,695
Riverside GAIN	2 years	3,299
San Diego SWIM	2 years	2,272
Florida Project Independence	2 years	2,189

Source: MDRC [the Homemaker-Home Health Aide project was evaluated by Abt Associates.]
* Includes costs of job clubs, case managers, child care, and training. ** These costs include program wages paid to participants, but do not include non-welfare agency costs. Costs shown in this table are for single-parent AFDC recipients averaged across all experimental group members, including those who did and those who did not participate in program activities.

It should be noted that while each of these programs produced significant increases in employment and declines in welfare outlays, these outcomes do not replicate the work expectations and time limits of the PRWORA. Under the Riverside GAIN program which produced particularly impressive results, only 23 percent of the program participants were working and off AFDC at the end of the project's three-year follow-up period, indicating the challenges faced by these programs.

Some states have an especially great need for supportive services, have experienced smaller reductions in caseloads, or have other special circumstances (like large urban centers, significant areas of rural poverty, Indian reservations, and pockets of high unemployment) which might

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[1] The Supported Work Demonstration provided work experience to hard-to-employ target groups including long-term AFDC recipients. To help them achieve self-sufficiency, participants worked in crews in closely supervised jobs with gradually increasing demands.

require that they make greater costlier investments in economic development or transportation. The wide variation in benefit levels across states (as illustrated in Table 3) highlights the difficulties some states will face. Under the AFDC program, the maximum annual benefit for family of three ranged from $1,440 in Mississippi to $11,076 in Alaska. Nationally the cost of a part-time child care slot is $3,160 a year; a full-time, full-year slot costs $4,406. In 11 states and territories the cost for part-time child care is greater than the welfare benefit.

More than in its predecessor programs, TANF requires that states deal with special needs populations. These include individuals who are substance abusers as well as those who are victims of domestic violence. Over a quarter of the AFDC caseload includes adults with disabilities and, under prior law, these individuals were exempted from the training and work requirements of the JOBS program. States have never addressed preparing recipients with disabilities for work including special case management, remedial services and accommodations.

WR-Caseload

CHANGE IN WELFARE CASELOADS

Total AFDC/TANF families and recipients

	Jan.93	Jan.94	Jan.95 (millions)	Jan.96	Jan.97	percent(93-97)
Families	4.963	5.053	4.936	4.628	4.104	-17%
			859,000 fewer families			
Recipients	14.115	14.276	13.918	12.877	11.360	-20%
			2,755,000 fewer recipients			

Total AFDC/TANF recipients by State

state	Jan.93	Jan.94	Jan.95	Jan.96	Jan.97	percent(93-97)
Alabama	141,746	135,096	121,837	108,269	91,569	-35%
Alaska	34,951	37,505	37,264	35,432	36,189	+4%
Arizona	194,119	202,350	195,082	171,617	151,526	-22%
Arkansas	73,982	70,563	65,325	59,223	54,751	-26%
California	2,415,121	2,621,383	2,692,202	2,648,772	2,474,689	+2%
Colorado	123,308	118,081	110,742	99,739	87,074	-29%
Connecticut	160,102	164,265	170,719	161,736	155,578	-3%
Delaware	27,652	29,286	26,314	23,153	23,141	-16%
D.C.	65,860	72,330	72,330	70,082	67,871	+3%
Florida	701,842	689,135	657,313	575,553	478,329	-32%
Georgia	402,228	396,736	388,913	367,656	305,732	-24%
Hawaii	54,511	60,975	65,207	66,690	65,312	+20%
Idaho	21,116	23,342	24,050	23,547	19,925	-6%
Illinois	685,508	709,969	710,032	663,212	599,629	-13%
Indiana	209,882	218,061	197,225	147,083	121,224	-42%
Iowa	100,943	110,639	103,108	91,727	78,076	-23%
Kansas	87,525	87,433	81,504	70,758	57,528	-34%
Kentucky	227,879	208,710	193,722	176,601	161,150	-29%
Louisiana	263,338	252,860	258,180	239,247	206,582	-22%
Maine	67,836	65,006	60,973	56,319	51,031	-25%
Maryland	221,338	219,863	227,887	207,800	169,723	-23%
Massachusetts	332,044	311,732	286,175	242,572	207,932	-37%
Michigan	686,356	672,760	612,224	535,704	460,793	-33%
Minnesota	191,526	189,615	167,949	171,916	159,855	-17%
Mississippi	174,093	161,724	146,319	133,029	108,365	-38%
Missouri	259,039	262,073	259,595	238,052	208,132	-20%
Montana	34,848	35,415	34,313	32,557	26,294	-25%
Nebraska	48,055	46,034	42,038	38,653	36,490	-24%
Nevada	34,943	37,908	41,846	40,491	28,817	-18%
New Hampshire	28,972	30,386	28,671	24,519	20,627	-29%
New Jersey	349,902	334,780	321,151	293,833	256,000	-27%
New Mexico	94,836	101,676	105,114	102,648	89,814	-5%
New York	1,179,522	1,241,639	1,266,350	1,200,847	1,074,100	-9%
North Carolina	331,633	334,451	317,836	282,086	252,564	-24%
North Dakota	18,774	16,785	14,920	13,652	11,904	-37%
Ohio	720,476	691,099	629,719	552,304	518,595	-28%
Oklahoma	146,454	133,152	127,336	110,498	87,144	-40%
Oregon	117,656	116,390	107,610	92,182	66,919	-43%
Pennsylvania	604,701	615,581	611,215	553,148	483,625	-20%

state	Jan.93	Jan.94	Jan.95	Jan.96	Jan.97	percent(93-97)
Rhode Island	61,116	62,737	62,407	60,654	54,588	-11%
South Carolina	151,026	143,883	133,567	121,703	97,146	-36%
South Dakota	20,254	19,413	17,652	16,821	14,050	-31%
Tennessee	320,709	302,608	281,982	265,320	194,860	-39%
Texas	785,271	796,348	765,460	714,523	625,376	-20%
Utah	53,172	50,657	47,472	41,145	35,442	-33%
Vermont	28,961	28,095	27,716	25,865	23,515	-19%
Virginia	194,212	194,959	189,493	166,012	135,908	-30%
Washington	286,258	292,608	290,940	276,018	263,792	-8%
West Virginia	119,916	115,376	107,668	98,439	68,600	-43%
Wisconsin	241,098	230,621	214,404	184,209	123,758	-49%
Wyoming	18,271	16,740	15,434	13,531	10,117	-35%

Source: U.S. Dept. of Health & Human Services
Administration for Children and Families
April 1997

WR-Caseload

SPECIAL ANALYSIS

State Variation in the Welfare Caseload Reduction

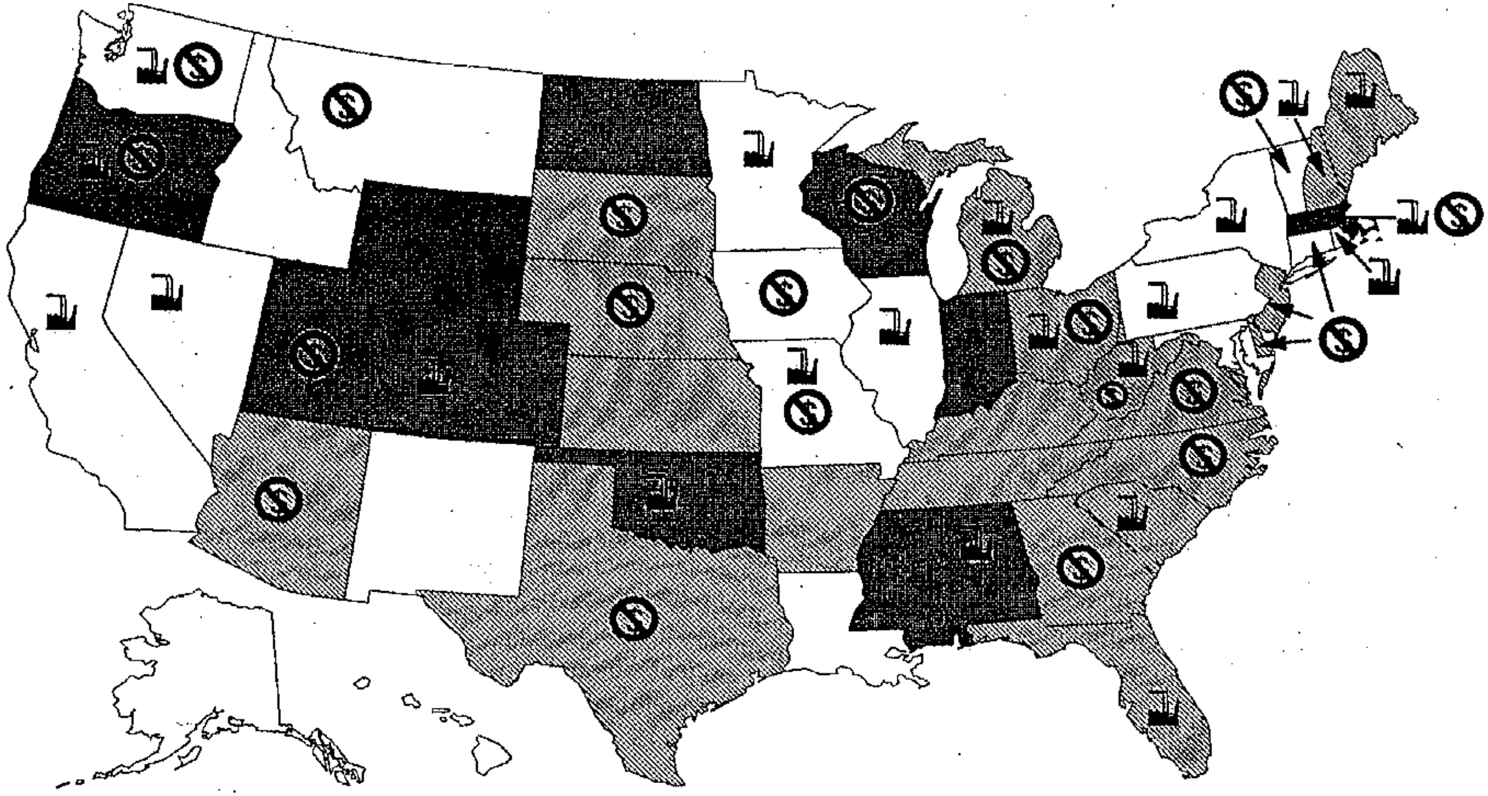
Statistical analysis shows that improving labor market conditions explain about half of the nationwide welfare caseload reduction over the past few years (see *Weekly Economic Briefing*, February 14, 1997). Federal waivers granted to states explain a significant share of the remainder. The diversity of individual state experiences is illustrated by the map on the following page.

The effect of a lower unemployment rate. A reduction in the unemployment rate was found in the statistical analysis to be associated with a decline in the fraction of the population receiving welfare. This pattern held in many states, but not all. Florida, Massachusetts, Michigan, and Oregon experienced a significant drop in the unemployment rate and a substantial reduction in welfare caseloads. California, New York, and Pennsylvania, by contrast, saw little change in their welfare caseloads despite a sharp drop in unemployment. Thus, changes in the unemployment rate alone cannot explain the entire reduction in welfare caseloads.

The effect of Federal waivers. Waivers typically contain dozens of provisions altering the rules for receiving welfare in a state. To conduct a statistical analysis, it is necessary to simplify by defining a small set of broad waiver categories and then test for an impact on caseloads. Initial categories included time limits, family caps (no additional payment for an additional child), and additional work and job search requirements. Preliminary analysis indicated that time limits were the key waiver and could explain roughly an additional quarter of the caseload reduction.

Subsequent and ongoing analysis done in cooperation with the Department of Health and Human Services added additional categories of waivers. It shows that sanctions reducing benefits for recipients who do not satisfy work and job search requirements is actually the most important waiver category for explaining the reduction in welfare caseloads. The threat of benefit cuts may motivate individuals to strengthen their commitment to the labor force. Alternatively, it may increase the perceived stigma associated with receiving benefits; this could reduce the willingness of current recipients to remain on the rolls or of prospective recipients to apply for benefits. Regardless, the new analysis based on a refined and extended set of waiver categories continues to show that waivers matter and can account for roughly another quarter of the caseload reduction, over and above the half accounted for by an improving economy.

Sanctions were in place in many of the states experiencing large reductions in welfare caseloads, including Arizona, Michigan, North Carolina, and Texas. Still, the relationship between sanctions and caseload reductions is not perfect. Missouri and Washington saw little reduction in caseloads despite sanctions and a falling unemployment rate. Other factors beyond what can be readily embodied in a statistical analysis account for the rest of the caseload reduction.



Reduction in welfare recipients:

Over 25 percent

15 - 25 percent

Less than 15 percent

Sanctions approved six months or more before Oct. 1, 1996

1.6 percentage points or more reduction in unemployment

EYES ONLY

EXPLAINING THE DECLINE IN WELFARE CASELOADS, 1993-1996

April 4, 1997

A Report by the
Council of Economic Advisers
with the U.S. Department of Health and Human Services,
Office of the Assistant Secretary for Planning and Evaluation

See changes:
Page 1, 2, 3, 4

Figure 1, 3,

President William J. Clinton,

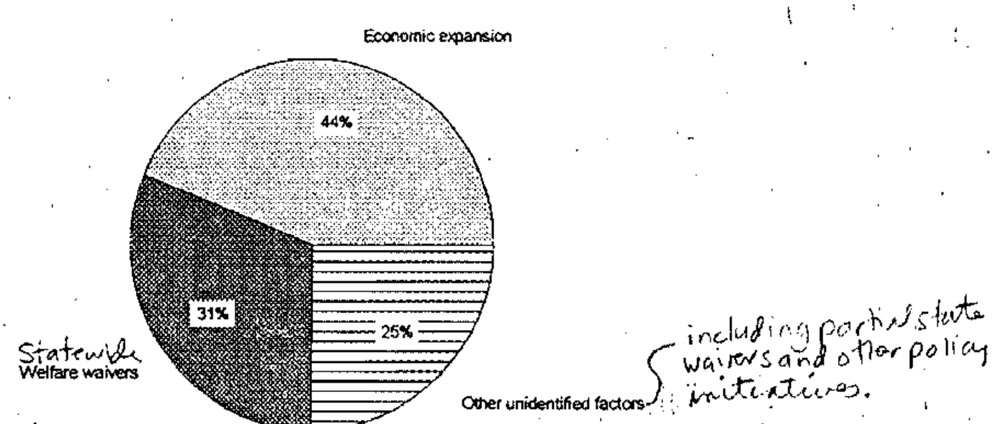
"I think a fair reading of it would say about half of this decline [in welfare rolls] came from an improved economy and about half of it came from intensified efforts to move people from welfare to work. Now I don't have any scientific division. But anyway, there is some division." ~~President's Press Conference~~, January 28, 1997

During the first four years of the Clinton Administration, from

~~Between~~ January 1993 ~~and~~ to January ~~of~~ 1997, the number of individuals receiving welfare benefits fell ~~from X to Y~~. ~~Similarly,~~ ~~between the 1993 and 1996 fiscal years,~~ when the share of the population receiving welfare fell from 5.4 percent to 4.7 percent. ~~These declines represent the largest~~ since the federal welfare system began in the 1930s.
by 20% or 2,755,000 recipients — the largest decline

The two leading explanations for this decline are (1) economic growth, which created 12 millions ~~of~~ new jobs over the period, and (2) Federal waivers, which allowed 43 states to experiment with innovative ideas to help reduce welfare dependency. It is important to determine the causes of this decline in light of recently enacted welfare reform legislation. ~~that completely overhauls the system of providing aid to the poor.~~ If economic growth was the major contributor, then continued growth seems essential for further progress in moving people from welfare to work. On the other hand, if federal waivers played a significant part, then continued efforts to move people from welfare to work are likely to lead to additional reductions. A statistical analysis (described in the companion technical paper to this report) shows that 44 percent of the decline resulted from a falling unemployment rate associated with the economic expansion and 31 percent from statewide welfare reform waivers (see chart).[1] Other unidentified factors (which could include other policy initiatives like the 1993 increase in the Earned Income Tax Credit, ~~the expansion of~~ tougher child support enforcement, ~~and~~ the rise in federal and state spending on child care ~~since 1993~~ and partial state welfare reform waivers which were not included in this statistical model), account for the remainder.

Reasons for the Decline in Welfare Caseloads
1993-1996



1 The statistical analysis presented here is based on the four years before the new welfare law went into effect — October 1, 1992 to September 30, 1996 (fiscal years 1993 - 1996). Only statewide welfare reform waivers are counted as "waivers"; thus, the effects of waivers implemented in only parts of states are captured as "other unidentified factors."

WELFARE CASELOADS AND THE BUSINESS CYCLE

Welfare caseloads tend to fluctuate over the business cycle, rising when the economy moves into recession and declining once a recovery is underway and the economy is expanding. For example, the proportion of the population receiving welfare fell during the expansion of the late 1970s and rose as the economy went into recession in 1980 (see Figure 1).[1] Between 1989 and 1993, the proportion of the population receiving welfare shot up 25 percent, reaching its highest level ever. The recession of 1990-1991 and the weak labor market through 1992 certainly contributed to this increase, hindering the efforts of those welfare recipients seeking work. One may be tempted to argue that the subsequent decline between 1993 and 1996 simply reflected the normal return to work of welfare recipients who were unable to find jobs when the economy was weak.

It is unlikely that the business cycle alone can account for the entire decline in welfare recipiency after 1993, however. The 1990-1991 recession was relatively mild; the annual unemployment rate peaked at 7.5 percent in 1992, much lower than the peak rates in the 1974-75 and 1981-82 recessions. It seems improbable that a moderate recession would lead to such severe swings in the rate of welfare receipt. Moreover, some states with large reductions in their unemployment rate during this period did not experience big drops in their welfare caseload, while other states saw a big drop in welfare receipt even though their unemployment decline was moderate (Figure 2). For that reason it is important to look at the possible impact of changes in welfare programs during that time.

FEDERAL WELFARE WAIVERS

Aid to Families with Dependent Children (AFDC) was the Nation's primary welfare program until last year. The AFDC program was administered by the states, subject to Federal requirements. Since 1962, the Secretary of Health and Human Services has had the authority to waive some of these requirements if states proposed experimental or pilot program changes that furthered the goals of the AFDC program. The Bush administration was the first to use this authority extensively, especially in the last year. But the Clinton Administration expanded the number of waivers dramatically after 1993, granting waivers to a total of 43 states.

Waivers granted to states to implement experimental welfare policies generally contained a number of provisions that varied greatly in scope. Some were pilot programs that could not have had much effect on the size of a state's welfare caseload, ~~Others covered a larger share of~~ but may have played a role in sending a message that people on welfare should get jobs.

missing something here

[1]Two anomalous episodes occurred as well. First, welfare recipiency declined sharply in 1982 despite a worsening economy. This was because policy changes enacted in the Omnibus Budget Reconciliation Act of 1981 substantially reduced welfare eligibility. Second, the dramatic swing in welfare recipiency between 1989 and 1996 was larger than might have been expected based on the relatively mild 1990-91 recession.

More likely to reduce caseloads were state wide reform efforts, which combined job placement and child care assistance with tough work rules and incentives through waivers for:

~~little effect on the number of welfare recipients statewide. Six broad categories of waivers that might potentially have had an observable effect in reducing state welfare caseloads are:~~

- **Termination time limits.** States receiving this type of waiver were allowed to limit the length of time recipients are allowed to collect benefits. Once that limit is reached, benefits are terminated.

- **Work requirement time limits.** These waivers are similar to termination time limits, but once the limit is reached, recipients are required to ~~accept "workfare" jobs~~ work or enter a training program in exchange for their benefits. [Some people combined private work + benefits]

- **Reduced JOBS exemptions.** The Job Opportunities and Basic Skills (JOBS) training program, enacted in 1988, required a small share of the welfare caseload to participate in work and/or training programs. Waivers were granted to some states to ~~reduce drastically~~ increase the share of the caseload ~~exempt from~~ required to participate in the program.

- **Increased JOBS sanctions.** Some states argued that sanctions for recipients who refused to participate in JOBS were inadequate and requested the ability to strengthen those sanctions—including termination of benefits in some cases.

- **Family cap.** Welfare benefits are scaled to family size and benefits normally increase when a recipient ~~had~~ has an extra child. Some states requested waivers to eliminate the additional benefit for women who had a child while receiving welfare.

- **Increased earnings disregard.** For many recipients, a dollar in earnings led to almost a dollar reduction in their welfare benefit, providing a disincentive to work. Some states requested waivers to increase the amount of earnings that welfare recipients could keep.

The number of states with ~~each~~ statewide waivers of these types ~~of waivers~~ rose dramatically between 1993 and 1996 (Figure 3). ~~Those states with waivers in effect in 1993 had only implemented them in the previous year.~~ Some states that had experienced large drops in welfare receipt are also states that received waivers (Figure 2).

THE STATISTICAL ANALYSIS

Several factors besides economic conditions and waivers are likely to affect the rate of welfare receipt. An increase in female-headed families will tend to increase this rate because the welfare system strongly favors single mothers with children. The generosity of welfare benefits should also affect the number of poor individuals who seek benefits. Other important determinants include labor market returns for less-skilled workers, national changes in welfare policy, and cultural attitudes towards welfare receipt, among others. These factors may be

2. The 1993 increase in the Earned Income Tax Credit proposed by the President and enacted by the Congress made work pay more than welfare for 15 million low income families. Record breaking federal and state efforts to collect more child support means custodial parents don't have to turn to welfare. Increases in child care subsidies help more parents afford to go to work.

correlated and the task of a statistical analysis is to disentangle the separate effects of these factors to identify causal relationships between each of them and welfare receipt.

The exercise reported here uses state-level data from 1976 through 1996 to determine the independent contributions of economic growth (measured by the change in the unemployment rate) and approved state waivers to the recent decline in welfare receipt. The use of state level data allows us to control for changes that affect welfare receipt across the entire country at a point in time, such as national changes in welfare policy. The relationship between, say, economic conditions and the rate of welfare receipt can still be identified because recessions tend to be worse in some parts of the country than in others and could lead to differences across states in patterns of welfare receipt. The use of data over several years allows us to control for long-run differences in welfare receipt that exist across states. The relationship between, say, waivers and welfare receipt can be observed by following changes in welfare receipt within a state before and after the waiver. Using techniques like these, a statistical analysis can estimate the effects of economic activity and waivers on the size of the welfare rolls holding other things that affect welfare receipt constant. However, such techniques do not illustrate the important contribution that nationwide policies, such as increases in the Earned Income Tax Credit and federal efforts to improve child support enforcement, have in reducing welfare rolls since those policies apply equally in all states.

AN EXAMPLE

(See note on Fig 4)

Figure 4 presents a comparison of New York and New Jersey. It is intended to provide some intuition for the statistical methodology and the manner in which the effects of waivers are estimated separately from economic activity and other potential confounding factors. It should not be considered a rigorous test. The figure plots the difference between the two states' unemployment rates and the difference in the proportion of the population on welfare between the two states. Taking the difference between the two states in each year controls for any factors that affect both states simultaneously (notice, for instance, the lack of cyclicality in the difference in unemployment rates). Between 1984 and 1992, the difference in the proportion of the population on welfare was relatively constant, with perhaps a slight downward drift. But between fiscal years 1992 and 1994, the welfare rolls fell considerably in New Jersey compared to New York. This shift cannot be attributed to business-cycle differences, because the difference in unemployment rates stayed roughly constant over time. In 1992, however, New Jersey was awarded a major statewide waiver. The timing of this waiver and the lack of change in relative unemployment rates in the two states points to the waiver as responsible for the caseload reduction. The full statistical analysis uses this sort of approach to identify the effects of both waivers and economic activity on the rate of welfare receipt in all states over time.

THE TIMING OF THE WELFARE CASELOAD RESPONSE

A number of other tests were conducted to explore more complicated relationships between economic activity, waivers, and the welfare caseload, in particular the possibility that impacts might not be contemporaneous with changes in unemployment or implementation of waivers:

- **Delayed responses.** Changes in unemployment may affect the welfare caseload only after a delay. For instance, the onset of a recession may lead those low-income workers who lose their jobs to spend some time looking for a new one while drawing down their limited assets before applying for welfare. When a recession ends, these typically less-skilled workers may be the last ones hired.

- **Advance responses.** Waiver policies may have some effect on the welfare caseload even before the waiver is actually approved. This effect could occur if publicity regarding the new proposed policies led potential welfare recipients to seek work harder than they may have otherwise or because they chose not to apply for benefits, concerned that they may be treated more harshly by welfare officials.

RESULTS

The results of this analysis indicates a strong relationship between the welfare caseload and both economic activity and Federal welfare waivers.

- Changes in the welfare caseload do appear to respond to changes in the unemployment rate with a delay.

- States that instituted a major, statewide waiver did experience a decline in the welfare caseload in advance of the actual waiver approval.

- Waivers that included strengthened JOBS sanctions were related to a decline in the rate of welfare receipt that did not precede the waiver approval.

- Overall, 44 percent of the caseload decline could be attributed to economic growth, 31 percent was related to federal welfare waivers, with the remainder due to other, unidentified factors.

DISCUSSION

These findings say nothing about the outcomes for those individuals who otherwise would have collected benefits had waivers not been granted. Additional research that can determine how individuals fare under the alternative waiver provisions, rather than an aggregate analysis examining the statewide caseload, is clearly desirable to help address this issue.

Figure 1
Unemployment Rate and Rate of Welfare Receipt

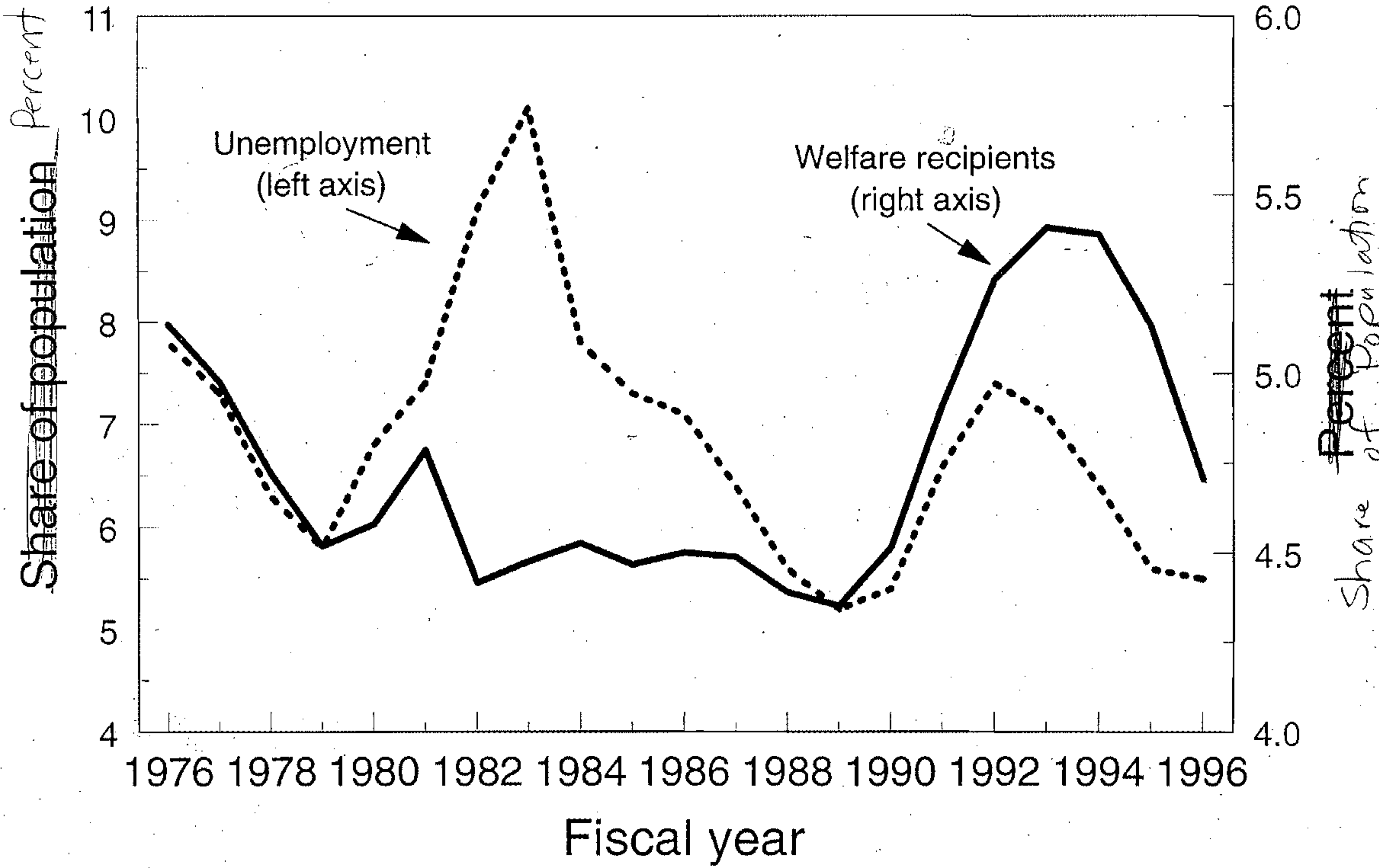
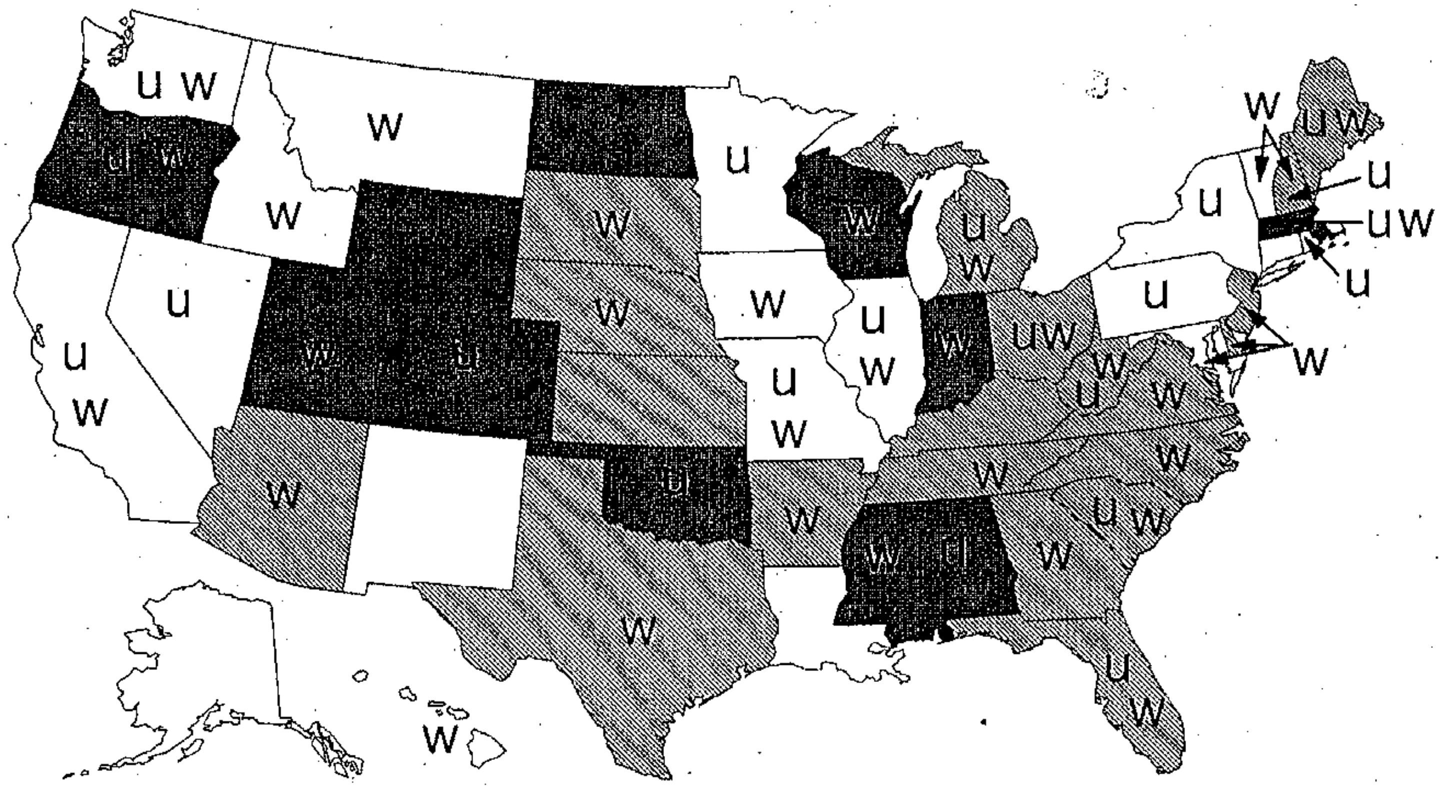


Figure 2

Reduction in Welfare Recipients and Unemployment Rate



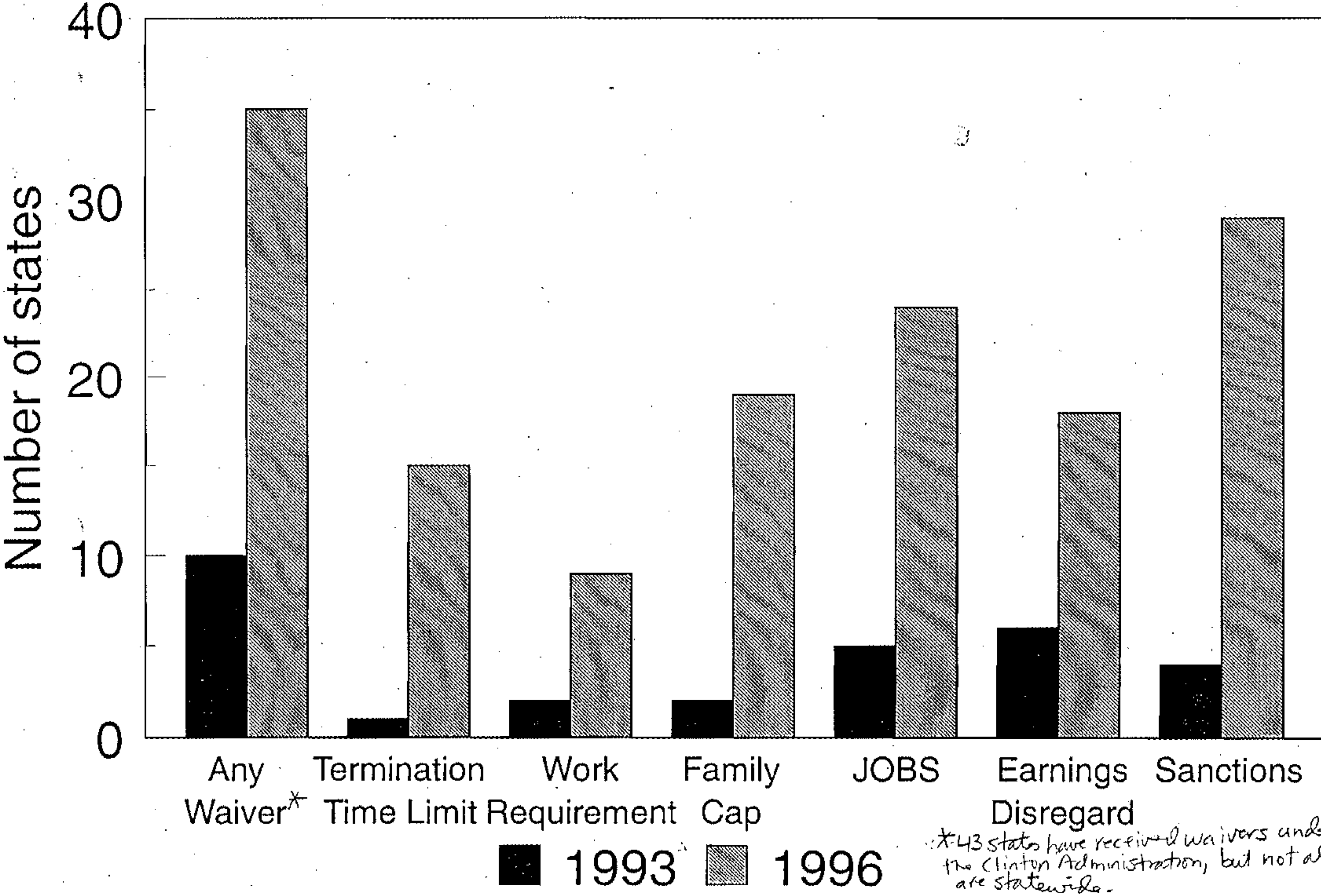
Reduction in welfare recipients:

- Over 25 percent
- 15 - 25 percent
- Less than 15 percent

u 1.6 percentage points or more reduction in unemployment rate (larger than national average)

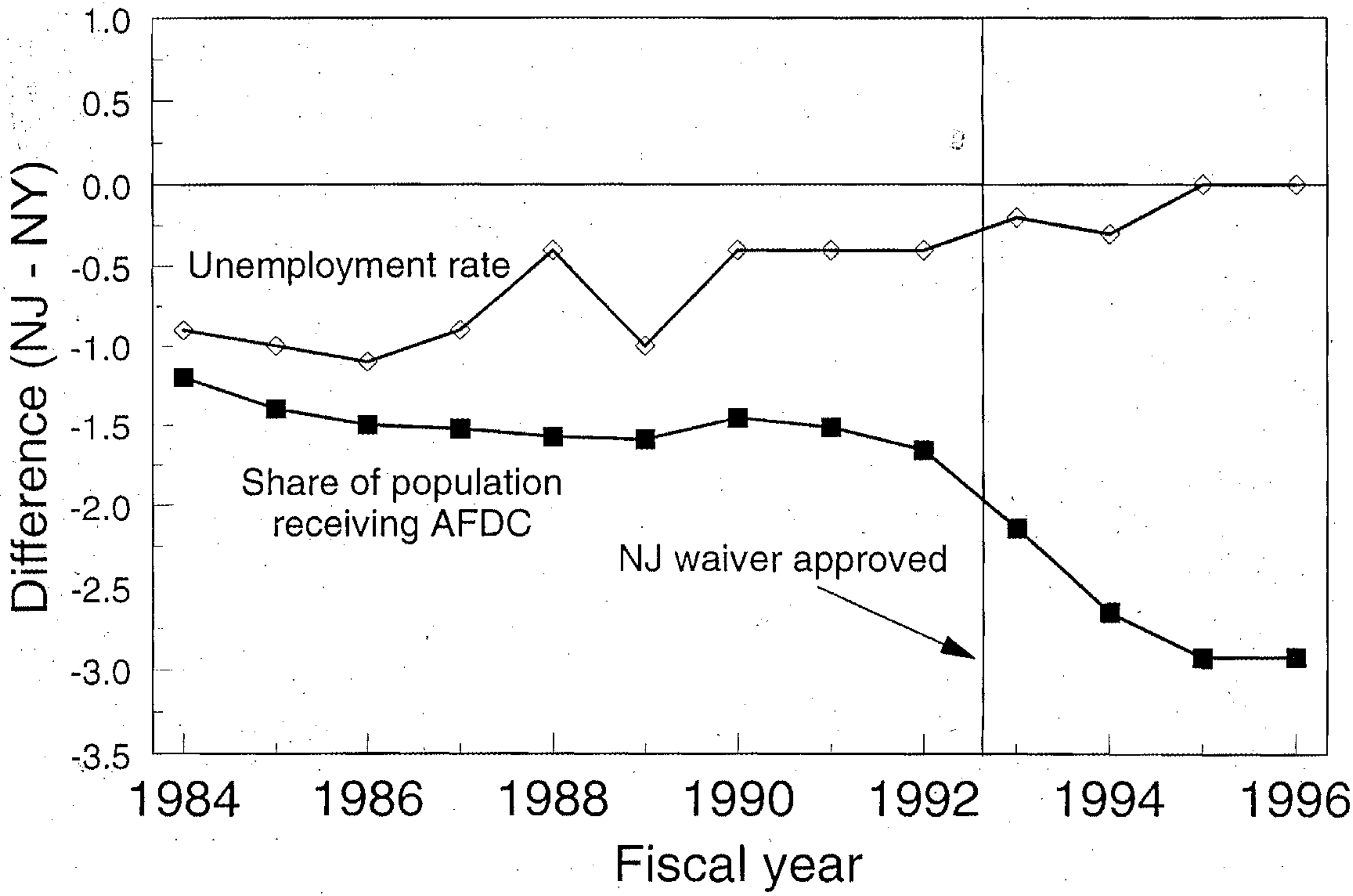
w Major statewide waiver approved

Figure 3
Number of Approved Statewide Waivers



*43 states have received waivers under the Clinton Administration, but not all are statewide.

Figure 4
A Comparison of New York and New Jersey



TECHNICAL REPORT:

EXPLAINING THE DECLINE IN WELFARE RECEIPT, 1993-1996

April 4, 1997

A Report by the
Council of Economic Advisers
with the U.S. Department of Health and Human Services,
Office of the Assistant Secretary for Planning and Evaluation

See changes:

Page 1, 2, 4, 5, 6, 10, 15, 19, 21, 22

Figure 1, 3,

"I think a fair reading of it would say about half of this decline [in welfare rolls] came from an improved economy and about half of it came from intensified efforts to move people from welfare to work. Now I don't have any scientific division. But anyway, there is some division." President William J. Clinton, ~~President's Press Conference,~~ January 28, 1997

During the first four years of the Clinton Administration, from ~~Between~~ January 1993 to ~~and~~ January ~~of~~ 1997, the number of individuals receiving welfare benefits fell by 20% or 2,755,000 recipients. ~~from X to Y. Similarly, between the 1993 and 1996 fiscal years, the share of the population receiving welfare fell from 5.4 percent to 4.7 percent.~~ Th~~ese~~is decline~~s~~ represents the largest since the federal welfare system began in the 1930s.

Two potential factors that may have contributed to the dramatic decline in the welfare rolls over the period are economic growth and federal welfare waivers. First, the recession of 1990-1991 may have hindered the efforts of those welfare recipients seeking work; as the labor market subsequently became more robust, creating 12 million new jobs from 1993-1997, ~~after 1992,~~ these individuals may have found jobs more easily and left the welfare rolls. Second, over this period federal waivers granted to states to experiment with innovative approaches to ending welfare dependence may have also played a role. These waivers, which the Clinton Administration granted to 43 states from 1993 to 1997, ~~most of which were granted between 1993 and 1996~~, included provisions that require work and/or training, sanctions for those who do not comply with these requirements, and limits on the duration of benefit receipt, among other things.

It is particularly important to determine the causes of this decline in light of recently enacted welfare reform legislation that completely overhauls the system of providing aid to the poor. If economic growth was the major contributor to the decline, then continued growth is essential for further progress in moving people from welfare to work. On the other hand, if federal waivers played a significant part, then continued efforts along these lines are likely to lead to additional reductions.

This paper will examine the recent decline in receipt of welfare benefits and provide estimates of the contribution made by economic growth and waivers. State-level data from 1976-1996 are used in the analysis. The statistical methodology employed controls for differences in the rate of welfare receipt across states that are roughly constant over time, differences over time that are constant across states, and gradual trends over time that may differ between states. This approach allows us to identify the effects of economic growth and waivers on welfare receipt assuming that all of these other factors that potentially affect the welfare receipt had not changed. The results indicate that 44 percent of the decline can be attributed to economic growth and 31 percent is related to waivers, particularly those that sanction recipients who do not comply with work requirements.[7] Other unidentified factors (which could include other policy initiatives like the 1993 increase in the Earned Income Tax Credit, ~~the expansion~~ tougher of child support enforcement, ~~and~~ the rise in federal and state spending on child care, ~~since 1993~~), and partial state welfare reform waivers which were not included in this statistical model, account for the remainder.

WELFARE RECEIPT AND THE BUSINESS CYCLE

Figure 1 displays the pattern of the unemployment rate and the share of the population receiving welfare benefits between 1976 and 1996. The expansion of the late 1970s is reflected in a declining share of the population receiving welfare over that period. As the economy fell into a recession in 1980-81, welfare rolls began to increase. However, the massive recession of 1981-82 actually coincided with a decline in the rate of welfare recipiency. The cause of this paradox rests in the Omnibus Budget Reconciliation Act of 1981 (OBRA 1981), which reduced AFDC eligibility

7 [Use same footnote as written in 2 on page 1 of executive summary.]

at exactly the time when one might have expected to see a large increase in receipt of AFDC benefits. Perhaps because those who otherwise would have entered the welfare rolls were prevented from doing so in that recession, the extended recovery of 1983-1989 apparently had little effect on the welfare rolls.

The recession of 1990-91 had a dramatic impact on the rate of welfare receipt; the share of the population receiving welfare rose 25 percent between 1989 and 1993 to its highest level ever. Given the large increase during that recession, the decline in the rate of benefit receipt between 1993 and 1996 may have reflected a return to work of welfare recipients who were unable to find jobs during bad times. But the 1990-91 recession was relatively mild, with a peak unemployment rate of 7.5 percent in 1992, much lower than the peak rates in the 1974-75 and 1981-82 recessions. It seems improbable that a moderate recession would lead to such severe swings in the rate of welfare receipt.

Moreover, geographic variation in changes in the unemployment rate and the rate of welfare recipiency indicates that other factors beyond economic growth probably contributed to the reduction in the rolls. Figure 2 displays the reduction in the share of the population receiving AFDC and the reduction in the unemployment rate in each state between 1993 and 1996. It shows that the correlation between reductions in unemployment and welfare receipt is not perfect. For instance, between fiscal years 1993 and 1996, the unemployment rate in Pennsylvania fell by more than the national average of 1.6 percent, yet the decline in the share of the state's population receiving welfare was smaller than the average. In contrast, Tennessee experienced a 20 percent drop in welfare receipt over the period even though it experienced a below average drop in its unemployment rate.

WAIVERS

The other distinguishing feature of the 1993-1996 period is the substantial increase in federal waivers granted to states to implement new and innovative welfare policies. The AFDC program was administered by states, but was subject to federal requirements. Since 1962, the Secretary of Health and Human Services had the ability to waive some of these requirements if states propose experimental or pilot programmatic changes that furthered the goals of the AFDC system. The Reagan Administration made some use of this authority, granting a limited number of waivers that either affected a very small share of a state's caseload or were superseded by national legislative changes.[1] The Bush Administration granted more waivers affecting larger numbers of individuals within a state, particularly in its last year or so. Since 1993, however, the Clinton Administration has used waiver authority extensively allowing 43 states ~~as most states have been allowed~~ to experiment in some way with their welfare programs.

This analysis focuses on six major types of waiver provisions that were implemented in most, if not all, of the particular state. ? Some waivers only applied ~~apply~~ to pilot sites, such as a few counties, restricting the magnitude of any effect on the state's caseload. In addition, most state waivers include a multitude of provisions that affect few individuals and are unlikely to have a substantial impact on the overall rate of welfare receipt. The six types of waivers considered here are termination and work requirement time limits, reduced JOBS (Job Opportunities and Basic Skills) exemptions, increased JOBS sanctions, family caps, and increased earnings disregards. The exclusion of partial state waivers in the model means that any effect of such waivers may be shown as "other unidentified factors." The data appendix describes each type of waiver and identifies the dates that each statewide waiver was approved.

[1]Because of this, the analysis that follows only examines the effect of waivers approved during the Bush and Clinton Administrations.

Figure 3 displays the number of major statewide waivers ~~approved~~ in effect in fiscal years 1993 and 1996. By the end of fiscal years ~~In~~ 1993, ten such waivers had been approved; the most common form was an increase in the earnings disregard. If this type of waiver has any effect on the welfare rolls in the short-run, it would increase welfare recipiency because it increases the number of low-earnings workers eligible for benefits. By fiscal 1996, however, 35 states were granted major, statewide waivers.[2] Sanctions imposed upon workers who did not live up to their work or job search requirements are the most common. Because these and most of the other types of major waivers would be predicted to reduce the likelihood of benefit receipt, their expansion over the 1993-1996 period may have helped reduce the welfare rolls beyond that brought about by economic growth.[3]

The map in Figure 2 also shows the states that have implemented major, statewide waivers. Some states that have experienced large drops in their welfare rolls without a large drop in unemployment, like Tennessee, have also received waivers. In contrast, other states in which unemployment has fallen considerably, but in which large drops in welfare rolls have not occurred, like Pennsylvania, have not received any major statewide waiver. A systematic analysis that separately identifies the effects of waivers and economic conditions is reported below.

---

[2]Since 1993, 43 states have received waivers, but some of them applied to a small share of the state.

[3]Moffitt (1996) has argued that the JOBS program (and, by implication, an extension of the JOBS program) may provide incentives for some to participate in welfare programs so that they can receive the potential benefits of these policies and could lead to an increase in the caseload.

DATA AND DESCRIPTIVE STATISTICS

This analysis employs state-level data between the 1976 and 1996 fiscal years on the share of the population receiving AFDC benefits, maximum AFDC benefits for a three-person family, the unemployment rate, and approved major statewide waivers.[4] Descriptive statistics for 1993 and 1996 are reported in Table 1, separately for those states with and without approved waivers. Columns 1 and 2 indicate that the share of the population receiving AFDC in "nonwaiver states" fell 0.6 percentage points, from 5.3 to 4.7 percent. The fall in AFDC recipiency was larger in "waiver states"; the share fell 0.8 percentage points, from 5.5 to 4.7 percent in these states.[5] The unemployment rates in the two sets of states is virtually identical in these years, indicating that the larger fall in the welfare rolls in waiver states cannot be attributed to better economic conditions.[6] Although AFDC benefits

[4]All AFDC recipients are counted here, including those in two-parent families who receive AFDC-UP. Those in the latter category are probably more responsive to business cycle conditions because constraints facing single-parents, like finding affordable day care for their children while they work, are smaller in two parent families. Therefore, they are more able to work when jobs are available. Still, AFDC-UP families represent a very small part of the total AFDC caseload and including them in this analysis should have minimal effects on the estimated parameters.

[5]The difference in the average reduction across waiver and nonwaiver states is not statistically significant. The power of this test, however, is very weak in that waiver states may have had a waiver in effect for a very small part of this three year period. In addition, the normal variation across states in the share of the population receiving welfare swamps any variation across the groups of states over time. The regression analysis reported below adjusts for these problems and results from model specifications that mimic this simple "difference-in-difference" test statistic indicate that the reduction in waiver states is significantly larger than that in nonwaiver states.

?

[6]This analysis uses the unemployment rate in each state and fiscal year. Because state level unemployment data have only been available since 1976, the 1976 fiscal year unemployment rate is measured just for the last three quarters (January through September) of that fiscal year. Other measures of unemployment may be more appropriate for this analysis. For instance, a measure of unemployment for younger women may better represent the labor market opportunities of potential welfare recipients. This measure may be somewhat endogenous, however, because

are more generous in nonwaiver states, real benefits have declined at roughly the same rate in both sets of states over the time span.

Other factors besides unemployment and benefit generosity may be related to differences in the relative size of the welfare rolls across states. In particular, the categorical nature of the AFDC program that mainly provided benefits to low-income unmarried mothers and their children suggests that the extent of poverty and the share of households headed by women may also matter. Unfortunately, obtaining reliable estimates of these measures by state is hampered by small sample sizes in the main source of household data, the Current Population Survey. Research concerned with trends across states in variables such as these generally rely on Census data that are only available every 10 years.

The lower block of Table 1 presents poverty rates and the share of households headed by women from the 1980 and 1990 Censuses by waiver status in 1996.[7] These statistics can highlight whether any long-term trends across states could influence a statistical analysis of welfare receipt. In both types of states, both measures have been increasing over time, but increases were larger in nonwaiver states. For instance, the share of female-headed households increased by 2.0 and 2.5 percentage points in waiver states and nonwaiver states, respectively. If these differential trends continued through the 1990s, then one would expect the welfare rolls to fall in waiver states relative to nonwaiver states because a smaller relative share of the population would be categorically eligible

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changes that affect the labor supply of welfare recipients will to some extent, also affect the unemployment rate of younger women. Therefore, one might want to use the prime-age male unemployment rate because it does not suffer from this sort of endogeneity. Unfortunately, neither of these alternative measures are available on a state/year basis.

[7]Gabe (1992) argues that the growth in never-married female-headed families are largely responsible for the increase in welfare caseloads between 1987 and 1991.

for benefits. These trends would bias an analysis of the effects of waivers on welfare receipt towards the finding that waivers matter. Controls for these trends need to be included in the statistical analysis to remove this form of bias.

METHODOLOGY

To estimate the effect of economic conditions and federal waiver policy on the size of the welfare rolls, we estimated multivariate models of the natural log of the share of the population receiving welfare in a state/year.[8] Specifically, we estimate OLS regression models of the form:[9]

$$\ln R_{st} = U_{st}\,\beta_1 + W_{st}\,\beta_2 + \ln B_{st}\,\beta_3 + \gamma_s + \gamma_t + \epsilon_{st} \tag{1}$$

$$\ln R_{st} = U_{st}\,\beta_1 + W_{st}\,\beta_2 + \ln B_{st}\,\beta_3 + \gamma_s + \gamma_t + \text{trend}^*\gamma_s + \epsilon_{st} \tag{2}$$

where R represents the share of the population receiving AFDC, U is the unemployment rate, W is an indicator variable for welfare waiver status, B represents maximum AFDC benefits for a two-person family, s indexes states, t indexes time, γ_s and γ_t represent state and year fixed effects, and ϵ represents a residual. Year fixed effects capture time varying factors that affect all states

[8] Another measure of welfare receipt that could be used as the dependent variable for this analysis is the number of families, or cases, receiving benefits. Patterns in the welfare caseload over time may differ across states as the number of child only cases has proliferated at differential rates. All of the models reported below have also been estimated using the log of the welfare caseload as the dependent variable and mainly find similar results. The main difference is that JOBS sanctions apparently have a larger effect on recipients than on cases. This is consistent with the fact that many of these waivers only sanction the parent and maintain benefits for the children so that the case remains open even though the number of recipients fell.

[9] These regressions are weighted by the state population in each year to yield parameter estimates that are representative of the entire country.

in a given year. Such factors may include changes in welfare policy (like OBRA 1981), other changes in policies targeted at low-income individuals (like the Earned Income Tax Credit), or changes in national attitudes regarding welfare receipt that may have been linked to the welfare reform debate.[10] This statistical approach incorporates the contribution of factors like these, although we do not specifically identify the effects of each one on the rate of welfare receipt. Similarly, state fixed effects control for time invariant differences across states, such as differences in industrial composition that may affect less-skilled workers or attitudes towards welfare recipients.

As shown earlier, it is also possible that changes over time in otherwise unmeasured factors that differ across states, like female-headed households, may be occurring. To control fully for these differences would require including the interaction of state and year fixed effects. Unfortunately, a model including these interactions is under-identified. As an alternative, we include a vector of interactions between a time trend and state fixed effects which will account for cross-state differences that are changing linearly. If differences across states over time are nonlinear they will not be captured by these trends and, if these differences are correlated with waiver awards, the estimated effect of waivers on the rate of welfare receipt will be biased.[11]

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[10]Previous studies of the welfare caseload that use national time series data (CBO, 1993) have difficulty controlling for this type of pattern in the data. The results presented in Moffitt (1987) imply that it is important to control for such "structural shifts."

[11]Although few candidates for such changes are readily apparent, one possibility may be the growth in income inequality since the late 1970s, documented in the Economic Report of the President (1997). Blank and Card (1993) show that the rate of growth in inequality has not been constant and has varied across regions of the country; if these differences occur across states and are correlated with waiver policies they may introduce a bias in the results reported here. Future research should investigate this possibility in more detail.

4
Figure ~~5~~ presents a comparison of New York and New Jersey that is intended to provide some intuition for the statistical methodology and the manner in which the effects of waivers are estimated separately from economic activity and other potential confounding factors. It should not be considered a rigorous test. The figure plots the difference between the two states in the unemployment rate and the share of the population receiving AFDC between 1984 and 1996. Taking the difference between the two states in each year controls for any differences that affect both states simultaneously (notice, for instance, the lack of cyclicality in the difference in unemployment rates). The unemployment rate is generally a little higher in New York than in New Jersey, but that difference is roughly constant over time.[12] The state fixed effects in the models are included to hold constant this kind of difference across states that does not change over time.

Between 1984 and 1992, the difference in the share of the population receiving welfare was relatively constant, perhaps drifting downward slightly. But between fiscal years 1992 and 1994, the welfare rolls fell considerably in New Jersey compared to New York, a drop that cannot be explained by differences in unemployment. In July of 1992, three-quarters of the way through the 1992 fiscal year, a major statewide waiver was approved for New Jersey; no such change occurred in New York's welfare policy around this time. Therefore, one might conclude from this comparison that the waiver approval was causally related to the reduction in welfare receipt.

[12]This difference is actually trending upward slightly. The slow convergence in unemployment actually indicates that welfare receipt should be rising in New Jersey relative to New York. Although the unemployment rate is included in the regression models specified in equations (1) and (2), the state-specific trend term is also included in (2) to control for this sort of change over time in other variables.

It is interesting to note, however, that this change occurred very quickly after the waiver was approved. In fact, roughly half the reduction is observed in fiscal year 1992 even though no policy differences existed between the two states for most of the year. This pattern indicates that waiver policies may have some effect on the welfare rolls even before the waiver is actually approved. This effect could occur if publicity regarding the new proposed policies led potential welfare recipients to engage in more active job search than they may have otherwise or if potential recipients chose not to apply for benefits, concerned that they might be treated more harshly by welfare officials. The statistical analysis conducted and reported below will explicitly focus on the timing of the effects of waivers.

RESULTS REGARDING WELFARE RECIPIENCY

Table 2 presents estimates from different statistical specifications based upon the regression models represented by equations (1) and (2). In column 1, the model does not include state-specific linear trends and provides a baseline set of estimates to identify the effect of including these trends. In this model, the unemployment rate is shown to affect significantly the rate of welfare receipt; a one percentage point increase in the unemployment rate increases the rate of welfare receipt by almost 5 percent.[13] States that were granted any major, statewide waiver had almost a 10 percent fall in the share of the population receiving welfare, based on estimates in this

[13]Additional measures of cyclical activity besides the unemployment rate may have a significant effect on welfare receipt. Preliminary estimates using the rate of employment growth within states over time, however, added no additional explanatory power in models that also included lags of the unemployment rate.

model.[14] Finally, benefit generosity is shown to be significantly positively related to AFDC receipt; the share of the population receiving benefits increases by 3.2 percent for every 10 percent increase in maximum monthly benefit payments.

Column 2 presents estimates of the same specification except that state-specific linear trends are included. Omitting these trends will introduce bias if they are correlated with the rate of welfare recipiency and any of the other explanatory variables. Estimates presented here indicate that these conditions are present. As illustrated in Table 1, trends in factors like female-headed households and poverty rates across states are correlated with waiver status and ignoring these trends biases the effect of waivers towards finding a larger impact. The estimated effect of introducing a major, statewide waiver is shown to fall from 9.4 percent in column 1 to 5.8 percent in column 2. The estimated responsiveness of welfare receipt to unemployment is also smaller in this specification.

One surprising finding in this specification is that more generous benefits are estimated to reduce the welfare rolls, although this effect is not significantly different from zero.[15] This finding is counterintuitive and is the result of the statistical procedure that has absorbed a

[14]One alternative to a causal interpretation of this finding is that those states which implemented waivers were among the ones that experienced the most dramatic run-up in their welfare rolls in the late 1980s and early 1990s. This trend may have inspired the waiver request and mean reversion may be responsible for the subsequent decline in the rate of welfare receipt relative to other states. Tests of this hypothesis, however, indicate that waiver states did not experience a larger than average increase in their welfare rolls between 1989 and 1993.

[15]It is possible that this result is driven by a sort of policy endogeneity where the sharp changes that occur in benefit levels do so in response to swelling welfare rolls, providing a negative relationship between these variables. Benefit cuts in California in the early 1990s that occurred as caseloads were rising in that state may be an example of this endogeneity.

significant share of the variability in the data. In a model with state and year fixed effects and state-specific linear trends, the only type of variation that can provide statistical identification are those resulting from sharp changes within a state over time in the respective variables. Changes like this are exactly what are observed in variables like unemployment and, particularly, in indicator variables like those representing waiver status. AFDC benefits generally exhibit little of this sort of behavior; typically benefit increases are small and benefit cuts largely occur as inflation slowly erodes the purchasing power of the benefit. Therefore, with little variation left to identify the effect of changing AFDC benefit levels, its estimated effect becomes less robust. This becomes clear in the subsequent model specifications reported in this table where an increase in AFDC benefits is estimated to increase welfare receipt, although some of these effects are only marginally statistically significant. In essence, these results indicate that the methodology employed here is not a particularly powerful one to determine the effects of the generosity of AFDC benefits on the level of welfare receipt.

Estimates in column 3 are obtained from a model that includes a one-year lagged measure of the unemployment rate within a state, providing a more flexible specification of the timing of the response in welfare receipt to economic conditions. Lagged unemployment may be related to welfare receipt if, for instance, the onset of a recession leads those low-income workers who lose their jobs to spend some time looking for a new one while drawing down their limited assets before applying for welfare. As a recession ends, these typically less-skilled workers may be the last ones hired. Evidence appears to support this intuition as lagged unemployment is strongly related to the share of the population receiving welfare. To interpret these findings, consider a one percentage point increase in the unemployment rate that lasts for two years. In the second year, the share of the population receiving welfare will be 4 percent larger (because the coefficients on the two unemployment measures are summed). States awarded a major statewide waiver are estimated to experience a 5.2 percent decline in welfare recipiency in this model.

So far, waivers have been aggregated into a simple indicator variable that measures whether any waiver had been approved. Column 4 presents estimates of the effects of each of the six major types of waivers studied in this analysis on the rate of welfare receipt. In this model, the only type of waiver that significantly affects the extent of welfare receipt is JOBS sanctions.[16] This type of waiver is estimated to reduce the share of the population receiving welfare benefits by almost 10 percent. Disaggregation of the waiver categories did not substantially change the estimated impact of an increase in unemployment.

One potential shortcoming of the model presented in column 4 is that many waivers included several of the different types all at once, limiting the ability of the statistical analysis to separately identify their effects. Column 5 presents estimates of a more parsimonious model that includes whether the state received any major statewide waiver and whether that waiver included JOBS sanctions. In this specification as well, no other type of waiver is shown to have a significant effect on welfare receipt besides JOBS sanctions. Again, the responsiveness of the welfare rolls to the business cycle is relatively unaffected by the changes in waiver specification.

The analysis reported so far has restricted the effect of waivers to be observed no sooner than the time the waiver was approved. This restriction does not allow for the possibility that the waiver

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[16]This finding is consistent with Pavetti and Duke (1995). Termination time limit waivers are also estimated to reduce the rate of welfare receipt, but the estimated effect is only statistically significant at the 10 percent level.

application process, the publicity surrounding it, and potential changes in case workers' ~~worker's~~ behavior and attitudes may provide a signal to potential recipients that the environment in which the welfare system operates is about to change. It may lead some individuals contemplating applying for benefits to find other sources of income support, whether from work or elsewhere. This possibility is considered in column 6, where the presence of any statewide waiver and those including a sanction provision are included in the model at the time the waiver was approved and, in separate variables, a year before the waiver was approved (a "lead").

Estimates of models including leads of the waiver measures are reported in Column 6 of Table 2. The "threat effect" of applying for a waiver does appear to reduce the number of individuals who receive benefits the year before the waiver is approved; the share of the population receiving welfare is estimated to fall by 6.3 percent in that year. In the following year no additional reduction is observed. On the other hand, the effect of waivers that include JOBS sanctions is not observed until the year such a waiver is approved.

The results reported in Table 2 can be used to estimate the share of the reduction in welfare receipt between 1993 and 1996 that can be attributed to economic growth and federal welfare waivers granted to states. The product of the estimated parameters for, say, unemployment and its lag and the respective changes in unemployment in each state between 1993 and 1996 provides an estimate of the predicted change in welfare recipiency over the period based solely on changes in unemployment. The ratio of the predicted change to the actual change indicates the share of the reduction attributed to unemployment. An analogous exercise can be conducted to estimate the extent to which waivers contributed to the decline in the welfare rolls. Other unidentified factors would be responsible for the difference remaining after adding these two effects.[17]

Table 3 presents the results of this exercise for several of the statistical specifications reported in Table 2. The results indicate that the decline in unemployment that continued through the economic expansion contributed about 44 percent towards the decline in welfare recipiency in models that included both contemporaneous and lagged unemployment.[18] Waivers accounted for roughly 15 to 20 percent of the decline in models that ignore the potential effects of an impending waiver grant. Once these effects are included (Column 6 of Table 2), estimates indicate that waivers can explain 31 percent of the decline in the share of the population receiving welfare. In this model, other unidentified factors explain an additional 25 percent.

A similar exercise could be conducted for the 1989-1993 period that saw a tremendous increase in the rate of welfare receipt. As discussed earlier, the magnitude of the increase is somewhat surprising given the relatively mild recession in the period. The estimates provided here reinforce the mystery; changes in unemployment can only explain about 30 percent of the rise in welfare rolls. Waivers were relatively new by 1993 and are found to have very little impact on the

[17]Simply subtracting the sum of the two effects from 100 only indicates the contribution of other factors if no interaction between changes in unemployment and waiver policy on welfare receipt occurs. It may be the case, for example, that waiver policies are more effective in states with low unemployment rates. Models that incorporated this possibility were also estimated but the results indicated that the interaction between unemployment and waivers was not statistically significantly different from zero at conventional significance levels.

[18]Based on estimates from a model of the duration of welfare spells and permanent changes in labor market conditions, Hoynes (1996) estimates that a typical economic expansion would result in an 8 to 10 percent reduction in the welfare caseload. This estimate is somewhat higher than the findings presented here and the difference is consistent with the fact that the current expansion is ongoing and, therefore, does not represent a permanent change in labor market conditions.

share of the population receiving welfare; they are predicted actually to lead to a decline. That leaves roughly 70 percent of the rise unexplained by this statistical analysis. Other forces that are more difficult to quantify must have been changing over this period, contributing to the increase.

DISCUSSION

The findings presented in this paper indicate that a robust economy and federal waivers allowing states to experiment with new welfare policies have both made large contributions towards reducing the rate of welfare receipt. The estimates provided here suggest that 44 percent of the decline in welfare receipt between 1993 and 1996 may be attributed to the falling unemployment rate and 31 percent can be attributed to the waivers. The remaining share of the decline remains unaccounted in the methodology employed here.

The methodology employed in this analysis poses two problems in interpreting these results. First, it is possible that the estimated effect of waivers on AFDC receipt may be capturing the tendency for states with shrinking welfare rolls to be the ones most willing to experiment with the sort of waiver policies examined here.[19] Another shortcoming of this research is that it cannot determine the outcomes for those individuals who otherwise would have collected benefits had waivers not been granted. Additional research that can determine how individuals fare under the alternative waiver provisions, rather than an aggregate analysis examining the share of the population receiving welfare, is clearly desirable to help address this issue.

[19]One might expect states with difficulties in holding down their welfare rolls to experiment with approaches to achieve that end. This sort of policy endogeneity would bias the results towards finding a positive relationship between waivers and the rate of welfare receipt.

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DATA APPENDIX: DEFINING AND CODING WELFARE WAIVERS

Most waivers awarded to states include a multitude of provisions that vary in the degree of their implications. Some affect the entire caseload while others affect a very small segment, like those that were introduced in pilot sites, such as a few counties. Some contain generally standard provisions while others are more complicated and require some judgement in categorizing them. In this paper, six major types of waivers that were implemented in most, if not all, of the state are considered. This appendix will provide some background regarding each of these different types of waivers, and how they have been coded for this analysis.

Termination and Work-Requirement Time Limits. Under AFDC, families were entitled to receive benefits as long as they met the eligibility requirements; states could only impose a time limit on the duration of benefit receipt if they were granted a waiver. Several states received such a waiver to implement to two main types of time limits. Termination time limits result in the loss of benefits for the entire family or just for the adult members, depending on the individual state's plan. While most states set a limit of 24 months or so for all recipients, other states had variable time limits. For example, Iowa's plan called for recipients to develop a self-sufficiency plan which included individually-based time limits, and Texas limited benefits to 12, 24, or 36 months depending on the recipient's education and work experience. Illinois provides an example of a state that contained this type of waiver provision but that is not coded as such here because it applied to a small fraction of the recipients (those with no children under age 13).

Work requirement time limit waivers continue to provide benefits to adult recipients who reach the time limit as long as they comply with mandatory work requirements. For example, Massachusetts requires recipients unemployed after 60 days of AFDC receipt to do community service and job search to earn a cash "subsidy." California requires individuals who received AFDC for 22 of the previous 24 months to participate in a community service program for 100 hours per month. New Hampshire alternates 26 weeks each of job search and work-related activities for recipients. West Virginia's plan only requires participation in its work experience program by one parent in two-parent AFDC-UP cases, which are a small share of the total caseload, so it is not coded as a work-requirement time limit.

Some time limit waivers contain more complicated provisions that make them difficult to code. For instance, Delaware requires "employable" adults to participate in a pay-for-performance work experience program after receiving benefits for 24 months; after 24 months of program participation, the family completely loses cash benefits. Time limits with provisions such as this have been coded as containing both termination and work requirement provisions. Washington's plan is a grant-reduction time limit, subtracting 10 percent of the benefit for those who have received benefits for 48 of 60 months, then 10 percent for every 12 months thereafter. Because the time frame before a significant reduction in benefits could occur is so long, no time limit is coded for Washington.

Family Caps. Under AFDC, a family's benefit level depended upon its size, so if a recipient had a baby the grant amount rose. Family cap waivers allowed states to eliminate or reduce the increase in benefits when an additional child was born. A few states, like South Carolina, provide vouchers for goods and services worth up to the amount of the denied benefit increase. Others allow child support collected for the additional child to be excluded from AFDC income calculation. All family cap waivers except New Jersey's exempt children conceived as a result of rape or incest from the family cap. Several states, such as Wisconsin, Massachusetts and Illinois, specify that a child born or conceived after a family no longer receives AFDC can be denied benefits if the family returns to AFDC.

JOBS Exemptions. The Job Opportunities and Basic Skills Training Program (JOBS), part of the 1988 Family Support Act, provides education, training and work experience activities to AFDC recipients who did not fall into one of the exemption categories. The exemption categories were rather large, however. For instance, parents with children under age 3 were exempt and those with children under age 6 could only be required to participate if the state guaranteed child care. Some states requested a waiver to narrow the exemption criteria. The most commonly requested waiver required parents with young children (sometimes as young as 12 weeks) to participate in JOBS. Other waivers allowed teen parents attending school and people working 30 hours a week to be considered as JOBS participants. Hawaii had a JOBS waiver approved for a pilot site in Oahu, where a large share of the state's population lives, so it was coded as statewide.

JOBS Sanctions. Some states found that the sanctions for non-compliance with JOBS were not strong enough to motivate unwilling participants; they requested and were granted waivers to impose harsher sanctions. Twenty-two of the states were allowed to impose full-family sanctions (such as suspension of the entire family's AFDC grant) after a continued period of non-compliance. Other states requested ~~a~~ tougher sanctions imposed upon the recipient only, leaving the children on the welfare rolls

? [The Family Support Act allowed sanctions on recipients — the waivers must have been for tougher ones. You may want to ask ASPE].

regardless of the parent's behavior. An informal survey of state welfare agencies conducted by the Council of Economic Advisers indicates that the use of sanctions has varied considerably across states. Some states have been very aggressive, sanctioning large numbers of recipients while others have sanctioned few, if any. For example, Indiana reported sanctioning XXX recipients in some way ? and Massachusetts has terminated benefits for over 1,000 families for failure to comply with training/work requirements.

Earnings Disregard. Without a waiver, individuals are allowed to keep $30 plus one-third of all additional earnings for the first three months of benefit receipt (the "standard AFDC disregard"). After that almost every dollar of earnings results in a dollar reduction in benefits. Some states received statewide waivers to improve the economic incentives for recipients to work by increasing earned income disregards. The changes ranged from removing the time limit on the standard AFDC disregard to disregarding all earned income up to the poverty line.

Approval Dates of Major Statewide Welfare Waivers in the Bush and Clinton Administrations

State	Any Major Statewide Waiver	term. time limit	work req. time limit	family cap	JOBS	Earnings Disregard	Sanctions
Alabama							
Alaska							
Arizona	5/22/95	5/22/95		5/22/95			5/22/95
Arkansas	4/5/94			4/5/94			
California	10/29/92, 9/11/95, 8/19/96		9/11/95	8/19/96		10/29/92	
Colorado							
Connecticut	8/29/94, 12/18/95	12/18/95		12/18/95	8/29/94, 12/18/95	8/29/94	8/29/94
Delaware	5/8/95	5/8/95	5/8/95	5/8/95	5/8/95	5/8/95	5/8/95
DC							
Florida	6/26/96			6/26/96	6/26/96		
Georgia	11/1/93, 6/24/94			11/1/93		6/24/94	11/1/93
Hawaii	6/24/94, 8/16/96	8/16/96			6/24/94	8/16/96	
Idaho	8/19/96				8/19/96		8/19/96
Illinois	11/23/93, 9/30/95, 6/26/96			9/30/95	9/30/95	11/23/93	6/26/96
Indiana	12/15/94, 8/16/96	12/15/94		12/15/94	12/15/94		8/16/96
Iowa	8/13/93, 4/11/96	8/13/93			8/13/93, 4/11/96	8/13/93	8/13/93
Kansas							
Kentucky							
Louisiana							
Maine	6/10/96				6/10/96		
Maryland	8/14/95, 8/16/96			8/14/95	8/16/96	8/16/96	8/16/96
Massachusetts	8/4/95		8/4/95	8/4/95	8/4/95	8/4/95	8/4/95
Michigan	8/1/92, 10/6/94		8/1/92		10/6/94	8/1/92	10/6/94
Minnesota							

State	Any Major Statewide Waiver	term. time limit	work req. time limit	family cap	JOBS	Earnings Disregard	Sanctions
Mississippi	9/1/95			9/1/95			
Missouri	4/18/95		4/18/95				4/18/95
Montana	4/18/95		4/18/95			4/18/95	4/18/95
Nebraska	2/27/95	2/27/95		2/27/95	2/27/95	2/27/95	2/27/95
Nevada							
New Hampshire	6/18/96		6/18/96		6/18/96	6/18/96	6/18/96
New Jersey	7/1/92			7/1/92	7/1/92	7/1/92	7/1/92
New Mexico							
New York							
North Carolina	2/5/96	2/5/96		2/5/96	2/5/96		2/5/96
North Dakota							
Ohio	3/13/96	3/13/96				3/13/96	3/13/96
Oklahoma							
Oregon	7/15/92, 3/28/96	3/28/96			7/15/92, 3/28/96		3/28/96
Pennsylvania							
Rhode Island							
South Carolina	5/3/96	5/3/96		5/3/96	5/3/96		5/3/96
South Dakota	3/14/94		3/14/94				3/14/94
Tennessee	7/25/96	7/25/96		7/25/96	7/25/96	7/25/96	7/25/96
Texas	3/22/96	3/22/96			3/22/96		3/22/96
Utah	10/5/92				10/5/92	10/5/92	10/5/92
Vermont	4/12/93		4/12/93		4/12/93	4/12/93	4/12/93
Virginia	7/1/95	7/1/95		7/1/95	7/1/95	7/1/95	7/1/95
Washington	9/29/95						9/29/95
West Virginia	7/31/95						7/31/95
Wisconsin	6/24/94, 8/14/95			6/24/94	8/14/95		8/14/95
Wyoming							

Table 1: State Characteristics Over Time, by Welfare Waiver Status

	States without Major Statewide Waiver		States with Major Statewide Waiver	
	Short-Term Changes, 1993-1996			
Characteristic	(1) 1993	(2) 1996	(3) 1993	(4) 1996
% of population receiving AFDC	5.3	4.7	5.5	4.7
unemployment rate	7.1	5.5	7.1	5.4
max AFDC benefit (3 person family, 1996 dollars)	453	421	420	386
	Long-Term Changes, 1980-1990			
	1980	1990	1980	1990
Poverty Rate	13.1	14.0	12.3	12.9
% of Families Headed by Women	14.5	17.0	13.7	15.7

Table 2: Effect of Economic Activity and Federal Welfare Waivers on Rate of AFDC Recipiency
(coefficients multiplied by 100, standard errors in parentheses)

VARIABLE	(1)	(2)	(3)	(4)	(5)	(6)
log of maximum AFDC benefit	32.23 (5.10)	-5.91 (4.80)	7.93 (4.80)	11.03 (4.88)	9.99 (4.82)	8.61 (4.83)
unemployment rate	4.73 (0.35)	3.10 (0.26)	-0.90 (0.43)	-0.86 (0.43)	-0.91 (0.42)	-0.77 (0.42)
lagged unemployment rate			4.97 (0.42)	4.86 (0.42)	4.94 (0.41)	4.79 (0.41)
any statewide welfare waiver	-9.40 (2.26)	-5.78 (1.94)	-5.17 (1.74)		-1.64 (2.05)	2.26 (2.38)
JOBS sanctions				-9.69 (3.00)	-8.35 (2.59)	-6.96 (3.11)
JOBS exemptions				2.64 (3.09)		
termination time limits				-6.37 (3.74)		
work requirement time limits				2.86 (2.83)		
family cap				-0.49 (2.76)		
earnings disregard				0.11 (2.16)		
lead of any statewide waiver						-6.28 (2.21)
lead of JOBS sanction waiver						-1.50 (2.60)
state fixed effects	x	x	x	x	x	x
year fixed effects	x	x	x	x	x	x
state-specific trends		x	x	x	x	x

Note: The dependent variable is the share of the population receiving welfare, measured in natural logs.

Table 3: Percentage of Change in Welfare Recipients
Attributable to Different Factors
(Standard Errors in Parentheses)

	Based on Results in Table 2, Column: (2)	(3)	(5)	(6)
	1993-1996			
change in unemployment	31.3 (2.7)	44.7 (3.2)	44.4 (3.2)	44.1 (3.2)
welfare waiver approval	14.9 (5.0)	13.3 (4.5)	21.8 (6.2)	30.9 (9.2)
other	53.8	42.0	33.8	25.0
	1989-93			
change in unemployment	23.9 (2.0)	30.8 (2.7)	30.5 (2.7)	30.4 (2.7)
other	76.1	69.2	69.5	69.6

Figure 1
Unemployment Rate and Rate of Welfare Receipt

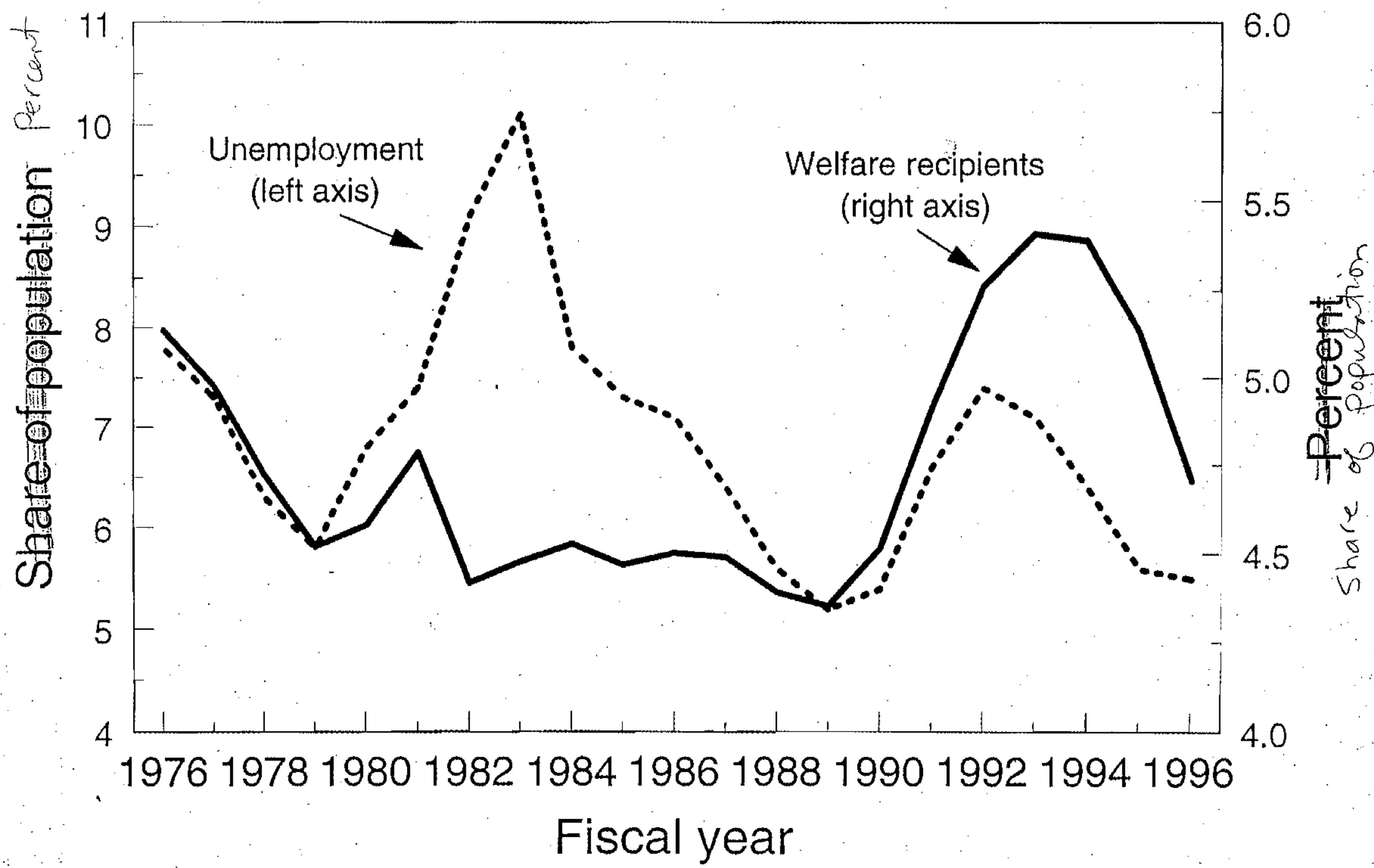
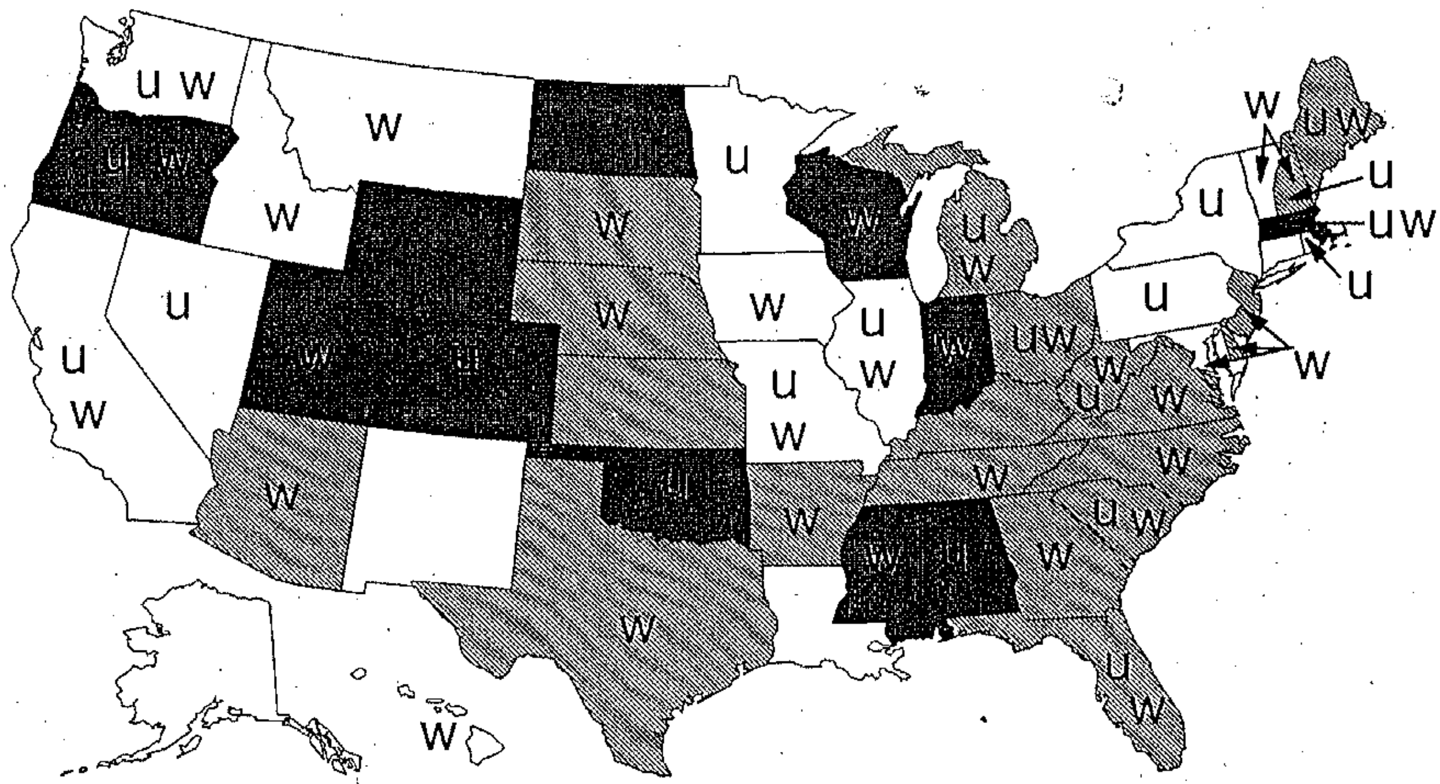


Figure 2
Reduction in Welfare Recipients and Unemployment Rate



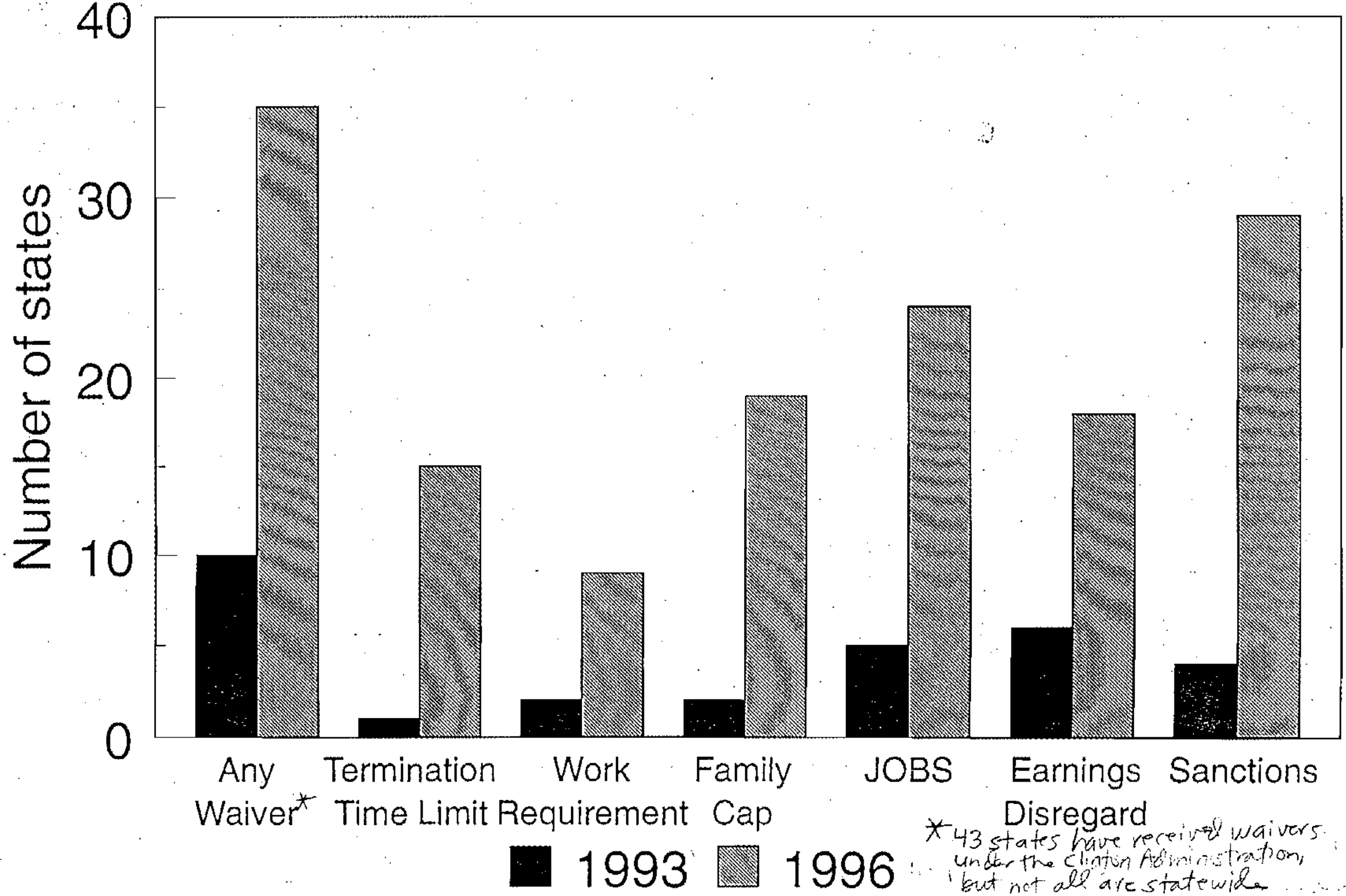
Reduction in welfare recipients:

- Over 25 percent
- 15 - 25 percent
- Less than 15 percent

u 1.6 percentage points or more reduction in unemployment rate (larger than national average)

w Major statewide waiver approved

Figure 3
Number of Approved Statewide Waivers



*43 states have received waivers under the Clinton Administration, but not all are statewide

Figure 4

A Comparison of New York and New Jersey