WR-Evaluation

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

MAR 22 1999

MEMORANDUM FOR THF PRESIDENT

Introduction

The purpose of this memorandum is to provide a summary of:

- what we know now about the effects of welfare reform;
- what we know about the implementation of welfare reform, including State policy and spending choices; and
- what implications this information has for the next steps and the unfinished agenda of welfare reform.

Welfare reform has been successful in moving many, many families from welfare to work. Yet, the available evidence suggests that there are "winners" and "losers" among welfare families – some families are benefiting substantially from the new incentives, requirements, and opportunities and others are being left behind. And while a variety of studies show positive impacts on earnings, many parents leave welfare for work yet still do not earn enough to raise their families out of poverty. Our challenge now is to make work pay so that no working family is forced to live in poverty.

In order to achieve this full promise of welfare reform, we need to focus attention on supporting working families through a range of strategies, including health insurance, child care, Food Stamps, and other supports, so that families who leave welfare for work that may be low-wage and less than full-time are able to support themselves and their children. We also need to strongly encourage States to focus policy attention and resources on those families who remain on welfare and need more intensive services, including substance abuse and mental health services, domestic violence services, and supported work. Finally, we need to continue our efforts to ensure that legal immigrant families are treated fairly.

The Research Evidence

Despite the broad array of ongoing research about welfare reform, it is still early and our knowledge in many areas is still limited. We know a lot about effects on employment and earnings, but we know little about effects in other domains, such as child well-being or family structure, and we know very little about low-income families who do not enter the welfare rolls. Also, welfare reform has been implemented in the context of a strong national economy, so we know little about the effect of welfare reform in other economic circumstances.

Employment and Earnings

There is solid and consistent evidence from a variety of sources that welfare reform has increased the average employment and earnings of welfare recipients. This finding, that welfare reform and the strong economy have indeed had a positive impact on work, is the most solid of the research findings we have, because it comes from so many different sources.

- Experimental studies of State waiver demonstrations and other work programs that are very similar to TANF programs show consistently positive impacts on employment and earnings[1]. Recent results from specific State programs at the upper range show employment increases in the range of about 7 to 29 percent, and earnings increases of about 16 to 27 percent. For example, in the evaluation of the Minnesota Family Investment Program (MFIP), earnings for single-parent long-term recipients in urban counties increased by $1,041(26.9 percent), and the percent ever employed increased by 17.0 percentage points (28.8 percent) over 18 months.[2]

- TANF administrative data from 39 States shows a 30 percent increase in employment among TANF recipients in the fourth quarter of FY 1997, compared to the first three quarters. Over the same period, the average earnings of those employed increased by 17 percent, from $506 to $592 per month.

- Analyses of data from the Census Bureau's annual Current Population Survey (CPS) indicate a clear pattern of increased employment. The March employment rate of previous-year AFDC adult recipients increased from 19 to 25 percent between 1992 and 1996, and jumped to almost 32 percent in 1997. Also, the March employment rate of single mothers whose previous-year income was under 200 percent of poverty rose from 44 percent in 1992 to 54 percent in 1997, with average annual increases in 1996 and 1997 twice as large as in the previous 3 years.[3]

Other Impacts of Welfare Reform

The evidence about impacts on family income, on food security and hunger, on health insurance status, on child outcomes, and on other family experiences, are much less clear at this point. The best reading of the available evidence suggests that because the baseline levels of employment and earnings for welfare recipients are so low, even with substantial increases most families exiting welfare continue to be poor; and that while some families are benefiting dramatically

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[1] Fein, David et al, *Indiana Welfare Reform Evaluation: Program Implementation and Economic Impacts After Two Years*, Abt Associates, Inc., November 1998

Bloom, Dan et al, *The Family Transition Program: Implementation and Interim Impacts of Florida's Initial Time-Limited Welfare Program*, MDRC, April 1998.

Miller, Cynthia et al, *Making Welfare Work and Work Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program*, MDRC, October 1997.

[2] Miller, Cynthia et al, *Making Welfare Work and Work Pay: Implementation and 18-Month Impacts of the Minnesota Family Investment Program*, MDRC, October 1997.

[3] U.S. Department of Health and Human Services, Administration for Children and Families, *Temporary Assistance for Needy Families (TANF) Program: First Annual Report to Congress*, August 1998.

from the new incentives, requirements and opportunities, others are being left behind. However, current evidence does not support the hypotheses that large numbers of people are becoming homeless or that more children are being moved into foster care (see below).

- Results from waiver demonstrations and studies of recipients who left welfare ("leaver" studies) for the most part indicate that average family income has been unchanged with some families increasing their income but others experiencing declines. For example, 2-year impacts on clients assessed as "job-ready" from Indiana's waiver demonstration showed earnings up 17.0 percent ($1,374) and quarters of employment up 12.8 percent, but total combined income from earnings and benefits was unchanged.[4]

- When earnings are combined with the EITC and other benefits, most families who go to work would have a higher income than if they had remained on welfare. <u>In the average State, a woman with two children could be better off working 20 hours a week than she would be on welfare.</u> However, not all eligible families are accessing tax credits and benefits, such as Food Stamps, child care, and transportation subsidies. In some cases State policy choices may have the effect of restricting families' access to Food Stamps and Medicaid.

- There is some early evidence that the most disadvantaged families may be losing income. CPS data indicate that real average family income for the bottom quintile of female-headed families with children declined between 1995 and 1997, after increasing from 1993 to 1995.[5]

- Some individuals leaving welfare may earn too much to qualify for Food Stamps, or they may be unaware of their eligibility. For example, a South Carolina leaver study found that 17 percent reported having had no way to buy food some of the time since leaving TANF. (This was true of nine percent while on TANF.) Having a job did not reduce the probability of not having a way to buy food.[6]

- Another area of concern is the impact of welfare reform on child well-being in such areas as adequate shelter, health and development, family stability and other outcomes. In particular, we need to measure effects on child health and development, foster care and child abuse. There are no early indications that rates of the latter two have increased with welfare reform.

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[4] Fein, David et al, *Indiana Welfare Reform Evaluation: Program Implementation and Economic Impacts After Two Years*, Abt Associates, Inc., November 1998

South Carolina, Department of Social Services, *Survey of Former Family Independence Program Clients; Cases Closed During April Through June, 1997*, July 1998.

Cancian, Maria et al. *Post-Exit Earnings and Benefit Receipt Among Those Who Left AFDC in Wisconsin*, Institute for Research on Poverty, University of Wisconsin-Madison, October 1998.

Bloom, Dan et al, *The Family Transition Program: Implementation and Interim Impacts of Florida's Initial Time-Limited Welfare Program*, MDRC, April 1998.

Fein, David, and Karweit, Jennifer, *The ABC Evaluation: The Early Economic Impacts of Delaware's A Better Chance Welfare Reform Program*, Abt Associates, Inc., December 1997.

[5] Bavier, Richard, "An Early Look at the Effects of Welfare Reform," unpublished manuscript.

[6] South Carolina, Department of Social Services, *Survey of Former Family Independence Program Clients; Cases Closed During April Through June, 1997*, July 1998.

A 1997 Maryland study found that, of the 1,810 children in their sample of families leaving welfare, only 3 children, in one family, had been placed in foster care in the 3-6 months of follow-up. The recently published Wisconsin report found that 5 percent of respondents – 19 families – reported that since leaving welfare they have had a child live with someone else because they couldn't care for them, but almost as many respondents – 16 families – reported that this had happened to them before they left welfare.[7] We are investing in additional research on child outcomes under welfare reform, and reports will be available over the coming months.

- We are currently supporting research in a number of other areas where we do not yet have results to report. For example, we do not yet know what the full impact of time limits will be, as only a small fraction of recipients have reached them. Over the next four years, an increasing share of the caseload will come up against them. We are also currently undertaking studies to increase our limited knowledge of how families are faring in which there are persons with disabilities, substance abusers, or victims of domestic violence. Finally, early research is not yet available on the effects of welfare reform on child health and development.

<u>Participation in Medicaid and Food Stamps</u>

Enrollment in both Medicaid and Food Stamps has fallen recently, for a variety of reasons.

- Because of your efforts, Medicaid coverage has been preserved to a substantial extent under welfare reform. Nonetheless, Medicaid enrollment dropped by about 1 million from 1996 to 1997. There are many potential reasons for the decline, and we do not have any definitive answers about why it has occurred. Improvements in earnings and employment resulting from the strong national economy have probably played an important role in this decline, making it possible for some low-income Medicaid families to find jobs that offer health insurance. It is also important to note that, while Medicaid enrollment has declined, the number of people under the poverty level who are uninsured has not increased from 1996 to 1997. Changes in attitudes toward public assistance may also be playing a role in falling TANF, Food Stamp, and Medicaid caseloads.

  However, as States change how they deliver cash assistance, we need to be concerned that a variety of other factors might be affecting Medicaid participation. These include: termination of the long-standing programmatic linkage between eligibility for cash assistance and Medicaid; potential barriers to enrollment for working families (e.g., limited application sites and hours of operation); and confusion about the eligibility of legal immigrants and their citizen children. Finally, as States continue to experiment with strategies that encourage families to seek employment prior to applying for TANF, some eligible adults and children may be diverted from Medicaid, and may not even know they are eligible.

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7 Born, C. et al. *Life After Welfare*. Family Investment Administration, MDHR and University of Maryland School of Social Work. September 1997. (This analysis was not repeated in the later reports in this series.)
Survey of Those Leaving AFDC or W-2 January to March 1998, Preliminary Report, Wisconsin Department of Workforce Development, January 1999.

- Food Stamp participation fell from an average of 27.4 million persons in 1994 to 21.5 million persons in 1997 – a drop of 5.9 million. During this same period, the number of persons living in poverty fell by only 1.5 million, from 38.1 million to 36.6 million. Since 1997, Food Stamp participation has dropped even further to 18.6 million persons in December 1998. Part of this drop is due to the new restrictions on Food Stamp participation by certain legal immigrants and able-bodied unemployed adults without dependent children. Also, many eligible individuals may erroneously believe that once they leave or are diverted from TANF they are also ineligible for Food Stamps. In addition, many of the factors cited for the decline in Medicaid participation also apply to Food Stamps. While immigrants and able-bodied unemployed adults without dependent children account for a significant portion of the decline in Food Stamp participation, 60 percent of the decline can be attributed to fewer AFDC/TANF participants.

Legal Immigrants

Legal immigrant families were among those most at risk after welfare reform. Their disproportionate declines in participation are consistent with anecdotal reports we have received about the chilling effect of public charge policies and confusion over changing eligibility requirements on the use of benefits by legal immigrant families. The findings lend support to our interagency efforts to develop clear guidance on public charge policies, and they provide support for the Administration's recent accomplishments and current budget proposals to restore certain benefits to vulnerable legal immigrants. We also have research efforts underway in New York City and Los Angeles that are studying the situation of legal immigrants.[8]

State Policy Choices

States have a wide array of choices when it comes to designing their programs. However, the primary focus of State policy choices continues to be encouraging, requiring, and supporting work. A major study of the implementation of welfare reform noted that the pervasive changes in social programs since enactment of the Personal Responsibility and Work Opportunity Reconciliation Act "have occurred in large part because strong signals have been sent by governors and State legislators that a work-based approach to welfare reform is no longer just one Federal priority among many but is now a central objective within each State."[9] Almost all of the States have moved to "Work First" models, requiring recipients to move quickly into available jobs.

Beyond the focus on work, three other themes stand out about State policy choices:

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[8] Zimmerman, Wendy and Michael Fix, *Declining Immigrant Applications for MediCal and Welfare Benefits in Los Angeles County*, The Urban Institute, Washington, D.C., July 1998.

Fix, Michael and Jeffrey S. Passel, *Trends in Noncitizen's and Citizen's Use of Public Benefits Following Welfare Reform, 1994 to 1997*. The Urban Institute, March 1999.

[9] Nathan, Richard P. and Gais, Thomas L., *Implementation of the Personal Responsibility Act of 1996*; Federalism Research Group, The Nelson Rockefeller Institute of Government, State University of New York.

- As envisioned in the statute, there is considerable variety in the choices States have made about policies such as time limits, sanctions, diversion, and policies for families who face specific barriers to work. There is no single, typical program.
- State choices about TANF policy and implementation can affect families' ability to receive other benefits for which they are eligible (such as Medicaid and Food Stamps), sometimes in unintended ways. The "delinking" of eligibility for Medicaid and TANF, for example, offers States both challenges and new opportunities. When families learn they can receive Medicaid coverage without having to receive welfare, they may be less likely to turn to welfare in the first place. Therefore, we must be clear that States are accountable for ensuring access to these benefits for eligible families.
- Many States have not yet reinvested the TANF resources freed up by declining caseloads to help families with more intensive needs (for example, families with a disabled parent or child, families with a member who needs substance abuse or mental health treatment, families suffering from domestic violence) move to self-sufficiency before the time limits take effect. We must keep challenging States to make these investments, while at the same time protecting the TANF resources in the Congress.

<u>Making Work Pay and Requiring Work</u>

States have enacted policies to make work pay, generally by increasing the amount of earnings disregarded in calculating welfare benefits. Forty-seven States made changes to simplify and expand the treatment of earnings compared to the AFDC treatment. In conjunction, all States have raised their limits on assets and/or vehicles so that families do not have to get rid of a vehicle that may be their only transportation to work and so that they can accumulate savings.

Parents or caretakers receiving assistance are required to engage in work (as defined by the State) within 24 months, or shorter at State option. Most States have opted for a shorter period, with 23 States requiring immediate participation in work; 8 States requiring work within 45 days to 6 months; 17 States requiring work within 24 months; and 3 States with other time frames for work. In addition, some States use a narrow definition of "work," whereas others allow for a broader range of activities, including training or volunteering. There is no Federal penalty associated with failing to meet this requirement, so States have considerable flexibility in how they structure and enforce it. Many States have chosen to treat this requirement as a broad goal for the system, and we are not aware of any State except Pennsylvania that is treating it as a strict time limit that could lead to termination of individual families from assistance.

Another major feature of State policy regarding work is the increased use of sanctions if a family fails to participate in required activities. While we do not have good national data at this point, the State waiver studies suggest that there is much more aggressive State use of sanctions under welfare reform. For example, waiver demonstrations indicate that a demonstration county in Florida increased its sanction rate from seven to thirty percent and Delaware's sanction rate increased from nearly zero to fifty percent.[10] Under PRWORA, if the individual in a family

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[10] Bloom, Dan et al, *The Family Transition Program: Implementation and Early Impacts of Florida's Initial Time-Limited Welfare Program*, MDRC, May 1997.

Fein, David, and Karweit, Jennifer, *The ABC Evaluation: The Early Economic Impacts of Delaware's A Better Chance Welfare Reform Program*, Abt Associates, Inc., December 1997.

receiving assistance refuses to engage in required work, the State has the option to either reduce or terminate the amount of assistance payable to the family, subject to good cause. Thirty-eight States have elected to terminate the amount of assistance payable to a family for not cooperating with work requirements (typically after several infractions), and thirteen States have chosen to reduce the amount of cash payable to a family.

Time Limiting Assistance

State policies related to time limiting assistance to a family vary greatly. States have chosen the following time limit policies:

- 27 States use the federal time limit (Alabama, Alaska, Colorado, District of Columbia, Hawaii, Iowa, Kansas, Kentucky, Maine, Maryland, Minnesota, Mississippi, Missouri, Montana, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Oklahoma, Pennsylvania, South Dakota, Vermont, Washington, West Virginia, Wisconsin, and Wyoming);
- 6 States (Louisiana, Nevada, North Carolina, South Carolina, Tennessee, and Virginia) have chosen "intermittent" time limits with a lifetime limit of 60 months (for example, Louisiana limits TANF receipt to 24 months in any 60 month period, with a lifetime limit of 60 months);
- 8 States have chosen a lifetime time limit shorter than the federal limit (Arkansas, Connecticut, Delaware, Florida, Georgia, Idaho, Ohio, and Utah);
- 5 States have chosen options involving supplements for families reaching the federal time limit (Illinois, Massachusetts, Michigan, Nebraska, and Oregon); and
- 5 States have chosen time limits for adults only (Arizona, California, Indiana, Rhode Island, and Texas).

Diversion

Many States are experimenting with a variety of strategies to divert families from receiving cash assistance. These strategies are quite diverse and include lump-sum cash payments, where families receive a payment sufficient to resolve an immediate emergency (such as a car breakdown) and keep the family working and off of cash assistance; applicant job search, where the applicant is required to look for a job for some period of time (with or without structured assistance from the welfare office) before receiving benefits; and other alternative support services (such as linkages to child care or community resources). These strategies are quite new and there is little research yet on their effects.

However, a recent study, funded by the Department, has examined the emergence of diversion programs as a welfare reform strategy and the potential for diversion to affect access to Medicaid. The study reported on the use of diversion in all 50 States and the District of Columbia, and also included an examination of the experiences of five local communities in establishing and operating diversion programs. In addition to noting the importance of processing Medicaid applications even in cases in which TANF assistance is deferred, it highlights promising approaches that other States may follow to ensure access to Medicaid and other supports, such as child care, for those who obtain employment through diversion or are otherwise diverted from the TANF rolls.[11]

One of the local programs examined in the study is Montana's, which provides a child care and Medicaid only option for families with work or child support income. The study found that this has greatly increased demand for child care in Montana.

Families Facing Specific Barriers to Employment

Although there have been dramatic gains in work for many TANF families, too many families with multiple barriers to success could be left behind. While many parents on welfare have succeeded in moving to work despite extraordinary obstacles, others will need additional treatment and support services to work and succeed at work, and the States vary a great deal in the extent to which they have planned and invested in programs to provide these supports. There are no completely reliable estimates of specific family needs among welfare families, but recent studies suggest that as many as 27 percent of adults in the caseload nationally have a substance abuse problem; up to 28 percent have mental health issues; up to 40 percent have learning disabilities or low basic skills; and up to 32 percent are current victims of domestic violence.

The Department (including both the Administration for Children and Families and the Substance Abuse and Mental Health Administration) has co-sponsored with the Department of Labor a series of conferences on Promising Practices under welfare reform, which has featured practitioners and researchers providing information on the approaches to treatment and support that enable parents facing these obstacles to prepare for work and succeed at work. However, while there are a number of States that have developed innovative and impressive approaches and a few States that have already made substantial investments,[14] we are concerned that too few States are operating at a scale that will meet the need. One important accomplishment to note is that as a result of your strong focus on domestic violence, many States have made policy decisions and investments that focus for the first time on protecting and supporting women on welfare who have experienced domestic violence.[15] The challenge now is to convince States of the importance of investing unspent TANF funds in these hard-to-serve adults remaining on the rolls.

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[11] Maloy, K., et al, *A Description and Assessment of State Approaches to Diversion Programs and Activities Under Welfare Reform*. The George Washington University Medical Center, Center for Health Policy Research, August 1998.

Pavetti, LaDonna A., et al, *Diversion as a Work-Oriented Welfare Reform Strategy and Its Effect on Access to Medicaid. An Examination of the Experiences of Five Local Communities*. The George Washington University Medical Center, Center for Health Policy Research, publication pending.

[12] *Ancillary Services to Support Welfare-to-Work*, prepared by Mathematica Policy Research, Inc., under contract to DHHS/ASPE, June 1998.

[13] *In Harm's Way? Domestic Violence, AFDC Receipt and Welfare Reform in Massachusetts*, University of Massachusetts, 1997.

[14] For example, North Carolina is reported to be doing innovative programming with substance abuse clients, and Washington is reported to have focused attention on the learning disabled.

[15] *Ancillary Services to Support Welfare-to-Work*, prepared by Mathematica Policy Research, Inc., under contract to DHHS/ASPE, June 1998.

Unobligated TANF Funds

While 17 States (including California, Illinois, and Texas) have committed all of their FY97 and FY98 Federal TANF funds, the remainder of the States have about $3 billion (10 percent of the total) unobligated as of the fourth quarter of FY 98, the subject of much attention in Congress and the press (see attached chart). The reasons include: State choices to hold resources for the future in rainy day funds; a time lag in reallocating funds left uncommitted as a result of unexpected caseload declines; and a time lag in implementing welfare reform on a statewide basis.

Innovative investment of these funds is essential to the success of welfare reform. States need both to help working families to sustain and improve their employment and to help hard-to-serve family members overcome their various obstacles within the time limits, so that all families are given the chance to succeed.

The Unfinished Agenda

Making work pay — to lift families out of poverty — has always been one of this Administration's major goals. Your initiatives to expand the EITC and child care, to raise the minimum wage, and to encourage States to expand their earnings disregards through waivers, have been important steps toward the goal of every working parent being able to provide for their children's basic needs. Yet millions of young, low-income parents are not benefiting from programs like Medicaid, Food Stamps, and child care that could support their entry into the workforce and lift them out of poverty once they do work.

Working parents, including both those who have left welfare and those never on assistance, should not have to worry about being unable to feed, house, clothe, or secure medical care for their children. Yet there are millions of children now living in working families with incomes below the poverty level. To make work pay and ensure the long-term success of welfare reform, forceful action is needed in at least three areas: supporting low-income working families who no longer receive, or never received, cash assistance; helping the less employable TANF recipients secure stable jobs; and continuing our efforts to ensure that legal immigrant families are treated fairly.

Many of the proposals below are in your FY 2000 budget. We will see them enacted only if the Administration as a whole makes these items high priorities in any budget, tax or appropriations negotiations.

Helping low-income working parents keep their jobs and find better ones

1. **Hold the States' feet to the fire.**

Millions of eligible individuals are not participating in programs that would lift them out of poverty. We must use every means available to get States to reach out to these people and provide them with the benefits and services they need.

2. **Enact your Child Care Initiative, which would make child care more affordable for hundreds of thousands of low-income working families and, through the Early Learning Fund, increase the quality of child care and promote school readiness for children across income levels.** (in FY 2000 budget)

We are currently providing child care assistance through Child Care and Development Block Grants for only 1.25 million of the 10 million children eligible.

In addition, an extensive body of research shows that the poor quality of care many young children receive threatens their cognitive and social development. As you and the First Lady highlighted in the 1997 White House conference on early learning and the brain, the first three years are absolutely critical to an individual's intellectual development. Children who fall behind during this crucial period may never catch up, with devastating educational and economic consequences. This is why the Early Learning Fund should be a centerpiece of the Administration's education agenda.

3. **Maximize access to Medicaid by publicizing the range of options available to States under current law to widen outreach and broaden coverage, and by continuing to act on reports that States may be inappropriately diverting eligible persons from Medicaid.**

Shortly, we will issue a guidebook describing the requirements governing Medicaid eligibility, application and enrollment. Under Medicaid, States have great flexibility in how they operate their programs. The guide will also highlight the options States have for facilitating enrollment -- such as expanding coverage of working families under section 1931 and providing presumptive eligibility and 12 month continuous eligibility. As part of our ongoing technical assistance activities, the Department will sponsor a "best practices" conference to help disseminate information on how to improve enrollment. We are also, as you know, working with the NGA on a range of outreach activities for both Medicaid and CHIP.

4. **Eliminate unnecessary reporting requirements for transitional Medicaid, in order to provide this transitional health coverage to more working families.** (in FY 2000 budget)

This will lessen one of the main reasons cited by States and families for low utilization of transitional Medicaid.

5. **Expand allowable uses of the $500 million Medicaid fund created to cover the cost of extra eligibility determination work resulting from the breaking of the link between welfare and Medicaid.** (in FY 2000 budget)

Giving States greater flexibility in the use of these funds for outreach would allow them to enroll in Medicaid and CHIP more children in families that are diverted from or never connected to TANF.

6. **Resist efforts to rescind the funds available for CHIP.**

7. **Enact your proposal to increase the minimum wage from $5.15 to $6.15.**

Various studies have found that the average wage for those leaving TANF for work ranges from approximately $5.50 to $7.50 per hour. A minimum wage increase would put significantly more money in the pockets of those parents currently working for less than $6.15 per hour and would likely also bump up the wages of many now earning just over $6.15.

8. **Make Food Stamps more accessible to working families by:**

   - **Eliminating the vehicle fair market value test (while retaining the more appropriate equity test; the equity is the amount the household would receive, and could use for food, if the car were sold);**

   - **Giving States the option to implement quarterly reporting (in addition to the current options of monthly reporting or reporting any change within 10 days); and**

   - **Increasing the error rate tolerance from the current $5, an action that would reduce potential State liabilities for serving working families with changing circumstances.**

The latter two proposals do not require legislation.

If savings are identified from the larger-than-expected decline in the Food Stamp caseload, it would be appropriate and desirable to reinvest those dollars in the Food Stamp program to expand access for working families. I know this is a priority for Secretary Glickman, and I completely share his goals in this area.

The availability of Food Stamps as a support for such families can also be enhanced by encouraging State outreach, especially for families diverted from or leaving TANF, and by clarifying State obligations under current law and regulations (which USDA did in a January 29 letter to State commissioners).

9. **Publish the final TANF regulations, which will encourage States to help working families with transportation, child care or post-employment education or training (to upgrade skills), and to otherwise use TANF dollars creatively to accomplish the goals of welfare reform.**

In addition, the Department will continue to explore through demonstration projects innovative strategies to stabilize the employment and boost the earnings of TANF recipients who find jobs.

This year, the Department will award the first High Performance Bonuses on job retention and earnings gains, as well as initial job placement. We will continue to encourage States to focus on these goals, which will in turn provide us with a wealth of information regarding State performance in welfare reform.

10. **Secure the additional $144 million requested for HUD's Welfare-to-Work housing vouchers and the additional $75 million sought for the Department of Transportation's Job Access program in the FY 2000 budget.**

Investing in all families, including the hardest to serve

11. **Reauthorize DOL's Welfare-to-Work program, which is targeted to high-poverty areas and to hard-to-employ recipients.** (in the FY 2000 budget)

12. **Encourage States to make the additional TANF investments (e.g., in substance abuse and mental health services, services for victims of domestic violence, intensive work services) needed to move some of the more disadvantaged recipients into long-term employment. Also encourage States to invest in services for non-custodial parents, to help them increase their earnings and child support payments.**

Treating immigrants fairly

13. **Give States the option of providing Medicaid and CHIP to legal immigrant children who entered the country after enactment of welfare reform.** (in the FY 2000 budget)

14. **Give States the option of providing Medicaid to pregnant legal immigrants who entered the country after enactment of welfare reform, to ensure that their children, who will be U.S. citizens, get the best start in life.** (in the FY 2000 budget)

15. **Release DOJ/INS/State guidance on public charge.**

Clarifying the public charge policy will ensure that immigrant families know which benefits they can access without fear of deportation or other adverse impact on their immigration status, thus addressing the potential effect of public charge on this community's receipt of needed benefits.

16. **Restore SSI and Medicaid for legal immigrants who entered after enactment of welfare reform, have been in the country for five years, and became disabled after entry.** (in the FY 2000 budget)

17. **Restore Food Stamps for aged legal immigrants who were in country prior to passage of welfare reform and turned 65 after that date.** (in the FY 2000 budget)

Maintaining TANF funding

18. **Resist efforts to reduce the TANF block grant and enact the Administration's budget proposal to uncap the contingency fund; this combination will enhance States' ability to meet needs not currently anticipated.**

As welfare reform has been implemented in a time of a strong national economy, we know little about how effective the TANF program would be in other economic circumstances. In addition, it is likely that falling caseloads have left on the welfare rolls a higher proportion of families who need intensive services.

Conclusion

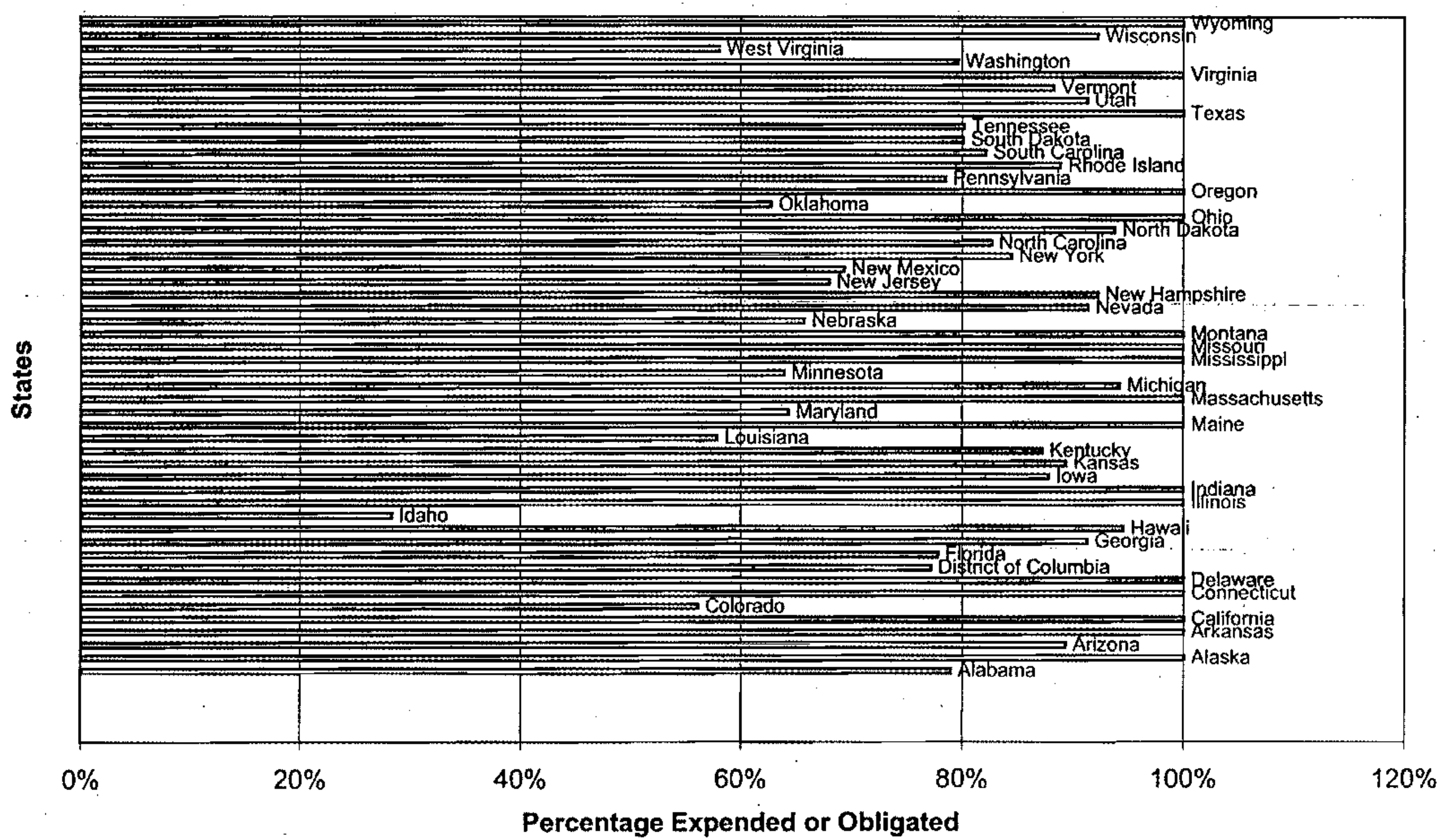
Perhaps the most important step you can take as President is to help working families by fundamentally changing the perception of programs such as Food Stamps, health care (Medicaid/CHIP), and child care so that they are seen as supports for working families. Low and moderate-income working families should think of Food Stamps, Medicaid, CHIP or child care subsidies as no different from student loans, Hope scholarships, or Pell Grants – which no one considers welfare. States are the critical actors in this transformation and we need to hold them accountable for both moving more forcefully in restructuring their income support systems to make them worker-friendly, and investing TANF resources to ensure that all families move to work and succeed at it. The States need to focus on lifting working families out of poverty, not just getting them into jobs.

The initial success of welfare reform is clear. Now we must, through the actions described above, take the next steps toward making work pay and ensuring that no working parent is unable to meet their children's and their own basic needs. Our goal must be to lift every working family out of poverty.

Donna E. Shalala

Attachment

90% OF FY 97 & 98 FEDERAL TANF FUNDS HAVE BEEN EXPENDED OR OBLIGATED BY STATES



...S death rate ...tinues to decline

By Anita Manning
USA TODAY

WASHINGTON — The number of people who died of AIDS declined 19% in the first nine months of 1996 compared with the same period in 1995, continuing a trend that began early last year, federal health officials said Monday.

"We are entering a new era in this epidemic," says Helene D. Gayle of the Centers for Disease Control and Prevention, Atlanta. At a forum sponsored by AIDS Action, an advocacy group, Gayle said the number of AIDS deaths between January and September 1996 was 30,700, vs. 37,900 in the same period of 1995.

Yet, Gayle says, "these trends are not equal across demographic categories."

Among racial groups, blacks now account for the largest proportion of AIDS cases, 41%, she says, and AIDS is "increasing most rapidly among women, particularly minorities."

Heterosexual AIDS cases are increasing at 15% to 20% a year, compared with increases of 5% or less among gay men and injecting drug users.

Gayle attributes the decline in deaths to a drop in the increase of new cases along with powerful new treatments that are helping people live longer. Protease inhibitors, which reduce HIV levels drastically in many patients, were not widely available in early 1996, she notes, so it's likely even a greater reduction in the death rate will become apparent later.

But the high cost of these drugs, estimated at $10,000 to $15,000 a year, keeps them out of the hands of many who need them, cautions Christine Lubinski of the AIDS Action Council. She notes that Congress will discuss this week whether to increase funding to provide drugs for indigent AIDS patients.

Such funding, she says, "could well contribute to reducing the disparity in death rates between men and women, white and black."

Child-care programs show improvement

By Karen S. Peterson
USA TODAY

Although many states lag behind in encouraging high-quality child care, the latest annual study by *Working Mother* magazine finds some improvements in day-care programs in almost every state, editor Judsen Culbreth says.

"We have seen a lot of new initiatives, a lot of imagination, a lot of states trying really hard," Culbreth says. Part of the reason, she says: additional federal funds for child care set aside for states as a result of legislation intended to move women from welfare to work.

The magazine names 10 winners, based on child-care quality, safety and availability, plus commitment by state leaders:

▶ **California.** Continues to support a large pre-kindergarten child-care program and to provide care to tens of thousands of children.

▶ **Colorado.** Created new funding source by allowing taxpayers to check a box and designate some of their tax dollars for child care.

▶ **Connecticut.** Remains a leader, with governor and state lawmakers pledged to more child-care programs statewide by the year 2000.

▶ **Hawaii.** Remains a model for other states, with its plan for a universal system of child care.

▶ **Maryland.** Will expand its already impressive resource and referral service this year.

▶ **Massachusetts.** Allocated an additional $10 million for pre-kindergarten and other early education programs; allocated $25 million to improve salaries for caregivers.

▶ **Minnesota.** Enacted new laws to grant $200 million to child care; 13,000 more families will get help.

▶ **Vermont.** Offers two hours of training and guidance to new caregivers and makes sure caregivers' homes are safe.

▶ **Washington.** Allocated $100 million in new funds.

▶ **Wisconsin.** Boosted child-care funds to serve 17,000 more children.

The full survey appears in the July/August issue on newsstands today.

Texaco lawyer: No slurs on tapes

Outside investigator releases full report

By Ellen Neuborne
USA TODAY

The racial epithet which vaulted a Texaco discrimination lawsuit into the national spotlight, was never uttered on tape, an independent investigator says.

"Those words were not spoken," says Michael Armstrong, a lawyer hired by Texaco to investigate whether executives used racial slurs and plotted to detroy evidence in the case. A poor copy of the original tape made by former Texaco executive Richard Lundwall was to blame for perception the racial slur was made, he says.

Last winter, plaintiffs in the case released tapes of what they said were executives using racial slurs and plotting to withhold evidence. Soon after, Texaco settled for $176 million.

Armstrong released the report, finished in January, in full Monday. Portions of the report had been previously released. Among new details:

▶ Armstrong found no evidence documents were shredded, or even very well hidden. "The documents (personnel executives) did withhold they put in a file with a little sticky on it labeled 'Documents withheld from legal'," he says.

▶ A tape expert found deliberate erasures on recordings made by Lundwall. (Lundwall's lawyers say no erasures were made to hide evidence.)

Texaco fired executive David Keough and suspended the benefits of Lundwall and retired treasurer Robert Ulrich. Lundwall and Ulrich pleaded innocent to federal charges of obstruction of justice.

Says plaintiffs' lawyer Daniel Berger: "There was evidence of a much more widespread problem at Texaco. If saying that word was the only thing that happened, they would not have paid us $176 million."

USA TODAY
TUESDAY, JULY 15, 1997

In Welfare Decisions, One Size No Longer Fits All

A1

By Barbara Vobejda and Judith Havemann
Washington Post Staff Writers

As states propose their plans for implementing the welfare overhaul approved by Congress last year, it is clear that many of them have rethought a key principle of social policy: A welfare program that dispenses checks without reference to a recipient's personal circumstances is no longer suitable.

Caseworkers are being given the discretion to offer different kinds of assistance to different welfare families. In a number of states, for example, welfare offices and caseworkers are free to determine which welfare mothers must go to work, and how soon; which will be offered a one-time payment and which will be given ongoing benefits. In some states, caseworkers can decide how long a family can receive benefits.

This departure from a standardized system, like a flurry of other state activity in restructuring welfare, began to take root before passage of the federal law last summer, but it has accelerated enormously since—as states devise their plans to administer the welfare law in time to meet the July 1 deadline set by Congress.

The law required states to move half their caseloads into jobs within five years and set a time limit on how long any individual can receive benefits. And by ending the six-decade-old guarantee of benefits to eligible families, it signaled that no longer must states treat all needy people exactly the same.

The most obvious sign that the world of welfare is changing is a sharp decline in caseloads—9 percent since last July and 20 percent over four years—which experts believe is the result of a healthy economy and these policy changes.

Less apparent to the outside world are changes in welfare offices across the country, where workers are now being told they can make their own

See WELFARE, A8, Col. 2

WELFARE, From A1

decisions about what is best for an individual family.

- Twenty-five states are instituting "diversion" programs, one-time payments meant to keep families from ever coming onto the welfare rolls. In some states, the payments are uniform, but in others, caseworkers can determine for each family that comes before them how much cash to hand out and whether families should also receive child-care subsidies and other assistance. In some states, including Virginia, families who accept a lump sum for staying off the rolls are barred from receiving welfare for a certain period of time.
- Numerous states are requiring individualized "personal responsibility" contracts, written by recipients and caseworkers, that tailor the treatment of families by spelling out when adults must go to work and the length and type of training they will receive.
- Thirteen states plan to pay lower benefits to welfare families moving in from states that offer less assistance, according to the National Governors' Association. While these "two-tiered" systems were considered illegal under the previous federal law, Congress attempted to change that in the new measure. This approach too could make for situations in which welfare families of identical size living next door to each other could receive different benefits.

All of this essentially rejects recent decades of welfare practice, which was built on a philosophy that standardized treatment was the best way to ensure equity.

"Our zeal not to be unfair had driven judgment out of the process, and you ended up with a cookie-cutter mentality," said Don Winstead, Florida's welfare reform administrator. But the change has also drawn critics who worry that caseworkers may not receive enough training before wielding such power over people's lives. They argue that the new discretion could bring a return to days when some poor families were turned away because of race or other prejudices among caseworkers.

"My concern is not over different approaches for different people, but whether it's done in a system where there are standards, or where, willy-nilly, caseworkers can do what they like," said Henry Freedman, an attorney with the Welfare Law Center in New York.

The goal may be individualized treatment, Freedman said, but "the reports we get are that, in fact, caseworkers are overloaded, undertrained and pushing participants through in a hasty, arbitrary manner once again."

This debate over the proper balance of equity and flexibility is being played out in the lives of individuals across the country as states embrace this new approach to delivering social services.

For Theresa Brown in rural West Virginia, this new latitude made it possible for her to receive a one-time state payment of $603 for car repairs, allowing her to take a job as a cook and keeping her off the welfare rolls.

For welfare recipient Lori Charboneau, who lives in the Salt Lake City area, it meant she could receive a year and a half of state-financed counseling for depression before she was expected to look for a job.

But for Sara Wethall, another Utah resident, it brought confusion and anger: She has been told she can no longer attend college and receive benefits, while some others in the state are being allowed to finish school.

Under the previous system, caseworkers simply calculated how much a family could receive each month, rarely focusing on the specific problems that kept adults from working.

But now, workers must immediately look for individual circumstances that could entitle applicants to special services or exemptions: Are they victims of domestic abuse? Or drug users? Are they disabled? Are their skills so low they could never support themselves?

"That is a big change from the past," said Jason Turner, executive director of the Center for Self-Sufficiency in Wisconsin. Caseworkers, he said, "were told to shut up and be quiet and issue the checks." The new authority invested in workers, he predicted, will transform the culture of welfare offices.

Robert A. "Buz" Cox III, director of social services for the city of Charlottesville, said some of the efforts afoot do require that caseworkers be allowed wide latitude. "Some agencies may be reluctant. But you have to feel you hire good professional staff, train them well, then trust them," he said.

Freedman, from the Welfare Law Center, questions the wisdom of all that discretion, recalling anecdotes from earlier this century about East European immigrants who received lower benefits because caseworkers believed they were used to getting by on less than West Europeans.

"The big fear in my mind is that you could get many personal decisions based upon a personal dislike of the individual," he said. Caseworkers may be poorly trained, mean-spirited or simply overwhelmed from "dealing day after day with desperately needy, sometimes hostile people," he said.

Whether caseworkers have the training and time to handle the new demands has come up in Utah, which began experimenting four years ago with individualized plans to get every welfare recipient moving toward self-sufficiency.

"It is not even in the same universe what is expected of caseworkers" under the new individualized system, said Robin Arnold-Williams, director of the Utah Department of Human Services. "Some of our staff have not been able to make that transition."

She said the state has invested in extensive training for those caseworkers who are struggling with the new system, and it is now more likely to hire trained social workers than it was in the past.

Prim Burgie, a clinical social worker employed by the state of Utah, said she frequently sees caseworkers "from the old school. . . . Some people get into this kind of work because it's a power trip for them. They get these poor people in their office and put them down."

And the system allows inconsistency, said Gina Cornia, a welfare specialist at a Salt Lake City advocacy group known as Utah Issues. She said some caseworkers are telling recipients they must quit school and find a job, while others are allowing recipients to stay in school without losing benefits.

"They're telling them anything they want to tell them," Cornia said.

That new power rankles Sara Wethall, a 44-year-old mother who has been on welfare since 1993, when she and her husband divorced. Wethall, who has physical disabilities that limit her movement, just earned a two-year degree and wants to finish college and become a teacher. She said her caseworker initially told her she might be able to continue, but since has indicated she must find a job.

"To rip it away and say 'you take a minimum wage job' seems absurd," she said. "You can't go any further without a bachelor's."

Also, her caseworker has said the state would continue to subsidize her child care and medical coverage for three years while she is working. But if she could complete college, she argued, "I could be completely off the system in two years."

But that same kind of broad discretion allowed Lori Charboneau the time she needed to pull together psychologically and find a job.

Charboneau, a 34-year-old single mother, said she went through a period of "bad, deep depression," when "all I could do was to get out of bed." Her caseworker told her she could stay on welfare and postpone work while she received therapy.

So she began taking a drug to ease her depression and for about 18 months, she saw her counselor once a week.

Eventually, she found an accounting job with the state and now is off welfare, but still receives a housing subsidy and help with child care.

"I wouldn't be where I am today" without the time for counseling, she said.

She figures even if she had been able to find work during that time, she would still be suffering from depression. "I would be worse off."

The Washington Post
Monday, June 30, 1997

Economy's been a big help, but effort is just beginning

By Richard Wolf
USA TODAY

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COVER STORY

Visitors to the welfare office in Trenton, Mo., come face-to-face with a full-length mirror in the waiting room. Above it, a yellow banner reads, "Welcome Job Seekers." Then they see a second sign: "Would you hire this person?"

Under the welfare reform law enacted by Congress and signed by President Clinton a year ago, the answer from a growing number of employers is yes. More than 1.2 million people got off welfare the first eight months after the law was signed. That's 5,000 people a day, twice the previous year's pace. By April, the number of adults and children on welfare had fallen below 11 million for the first time since 1989. Just over 4% of the population is on welfare, the lowest percentage since 1970.

The most noteworthy aspect of welfare reform so far is what hasn't happened: Poor people threatened by the new law, the most sweeping changes since federal welfare was created in 1935, have not flooded child welfare rolls, homeless shelters, food pantries or soup kitchens. But while welfare reform has exceeded almost everyone's expectations, the main reason for its success has been a strong economy. With the nation's jobless rate down to

Please see COVER STORY next page ▶

Continued from 1A

4.8%, employers need workers, even welfare recipients. More people have left welfare for that reason than for any other.

But many say the economy has masked the potential ill effects of limiting benefits. In addition, many of those who have gone off welfare are the ones for whom getting a job was relatively easy. Many of the 4 million adults still on welfare have less education and work experience, along with problems such as drug abuse, which will make them harder to employ.

"This is a very fortunate time to be running welfare-to-work programs," says A. Sidney Johnson, executive director of the American Public Welfare Association. But he cautions, "If this was a baseball game, it's the first inning."

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, known as the welfare reform law, remains a work in progress.

COVER STORY

Most adults must get a job within two years or lose benefits. In addition there's a lifetime cap of five years. Each year, states must have more welfare clients in work or training programs — 50% by 2002 — or risk losing some of their federal funds.

Just last week, Clinton signed into law changes that restore about $15 billion over five years for legal immigrants, food stamp recipients and work programs. That eliminates nearly 30% of the projected $54 billion in savings for taxpayers.

But people have lost benefits. More than 100,000 disabled children among the 7 million receiving welfare are losing aid, and up to 500,000 able-bodied adults and 1 million legal immigrants stand to lose food stamps.

There have been problems. Experience in states that reformed welfare several years ago has shown that more than half placed in jobs quit or get fired within two years. Some states have been slow to create expensive "workfare" programs. And people who have been on welfare for many years are proving harder to place.

Most troubling of all is the future of the economy. A recession would mean many people with good jobs would lose them and seek welfare benefits. At the same time, private employers would probably stop hiring those already on welfare. The result could mean sharply higher caseloads. And unlike the old system, federal funds would not increase.

Says Robert Greenstein, director of the Center on Budget and Policy Priorities, a liberal research group: "We're going to have a learning experience, and it may be a pretty rough one."

Record drop in welfare rolls

The one indisputable fact in the welfare reform story is that families are getting off welfare. Fast.

The national decline began in March 1994, when welfare rolls peaked at 14.4 million. Forty-three states had pilot programs before the federal law was passed. Wisconsin began reforms in 1987 and has cut its caseload by 55%. Other states — notably California and New York, which have 30% of the nation's welfare recipients — have had far smaller reductions.

"It's been difficult in the past year to pick up a newspaper or turn on the television and not see a welfare reform story," says Florida welfare reform administrator Don Winstead. "If you had told me (last year) what our caseload is today (464,000, a drop of more than 110,000 since January 1996), I wouldn't have believed you. I would have said, 'Nah, not a chance.'"

Something more than a robust economy is responsible. Welfare clients are fleeing the new system. Some fear it and still others don't want to hassle with it. Idaho's family caseload was cut in half last month, to 3,138, after the state simply notified residents of new work rules and time limits.

Even while on welfare, "a lot of people may have had under-the-table jobs, unreported income, that kind of thing," says Arnold Tompkins, Ohio's human services director.

Even the names of welfare programs are changing. The acronym of Florida's new program is called WAGES. Wyoming's is POWER; Arizona's acronym now is EMPOWER. And after 67 years, the American Public Welfare Association is set to drop the word "welfare" and replace it with "human services."

Across the nation, welfare offices are being transformed into jobs centers. The number of Florida welfare families with earnings jumped 61% in eight months. In Massachusetts, half of those who left welfare in December and January got jobs.

Employers, usually small businesses, aren't in it for charity. They need reliable workers, even more than the tax credits and wage supplements offered by many states. Clinton has signed up more than 100 companies to promote hiring people on welfare and is seeking to go beyond 1,000. "That effort continues to grow," Labor Secretary Alexis Herman says.

But it's dwarfed by the magnitude of the task. With 4 million adults on welfare, Clinton wants private employers to hire at least 1 million by the year 2000. Jeffrey Joseph of the U.S. Chamber of Commerce recently told a gathering of Great Lakes welfare officials that would mean 1,000 hires a day. "There were gasps in the room," he recalls.

From welfare to work

For many, the first step toward work has been "workfare," usually a government job that offers training in exchange for welfare benefits. Unions view that as slave labor and a threat to low-income workers. Clinton and Congress ruled last month that people on workfare must be paid the minimum wage and benefits. That could stop states from creating such jobs.

Whether it's a public or private job, welfare recipients usually leave it within the first two years. Some have problems with child care or transportation. Others come with a bad attitude or unrealistic expectations.

"These jobs won't be Publishers' Clearinghouse lottery victories," says Elaine Ryan, lobbyist for the American Public Welfare Association. "They're going to be smaller steps."

The new federal law holds back increases in welfare spending over the next five years. But states are winding up with more money per client. That's because they actually got more money for the first year of reform and because so many people have gone off welfare. Armed with that extra money, many states allow recipients who take low-paying jobs to keep their welfare and other benefits temporarily.

Their biggest need usually is child care. So states are using some of their extra federal money for that. At least 27 are spending more of their own money to help find child care: Illinois increased state child care funding 96%. States also are trying to make child care more available at night and on weekends.

The next greatest need is transportation. States are starting reverse-commuting programs to get city residents to the suburbs, often with van pools. And they are helping clients buy used cars or fix the ones they have.

In Howard County, Md., former welfare recipients use a telephone hot line to get emergency rides, child care or counseling. In Connecticut, welfare families are matched with mentors for help with everything from car loans to kids' homework. "It's what you dream of when you hand over a federal program, and that is the states take ownership," says Health and Human Services Secretary Donna Shalala. "They have so much publicly invested in this that they can't risk a failure."

Taking welfare away

States aren't just moving welfare recipients off the rolls. They're stopping would-be clients from getting on them. Dozens of states have "diversion" programs to help those seeking welfare overcome obstacles, such as a broken-down car or a temporary need for cash. About 18 states also have a "family cap" that denies aid to newborn children of women on welfare.

But the toughest penalties hit those who fail to seek work or child support. Rules vary, but many states cut the adult's portion of the welfare check. About 12 eventually cut an entire family's aid until the client cooperates.

States also are using computers to track noncustodial parents of children on welfare to collect child support. They're even matching lists of delinquent dads with requests for recreational licenses. "We're getting serious now," says Terry Gates of Virginia. "We're messing with your hunting license and your fishing license."

Time limits, too, are taking effect. More than 100 clients in Pensacola, Fla., have run out of time. They will be joined soon by others in Virginia, Delaware and Connecticut.

"They're not kicking us out without warning," says Cheryl Johnson, 35, of Pittsburgh, a mother of two who found a summer job as a camp supervisor after 12 years without work. "They're letting us know up front."

USA TODAY · MONDAY, AUGUST 11, 1997

WR-Evaluations

WORKFARE

IS THIS THE WAY OUT OF WELFARE?

Tulsa's aggressive program is getting noticed nationwide

DOUG HOKE

"BOOT CAMP": *IndEx offers job survival skills to Tulsa welfare recipients*

By the time President Clinton signed a bill to push welfare recipients onto payrolls, Sandra Barnett had made the transition. She had dropped out of school in seventh grade, become pregnant at age 17, and begun a seven-year dependence on the American welfare system. Now, the 30-year-old single mother of two holds a full-time job earning twice the minimum wage. "I just bought me a brand-new home and a convertible," she says.

Barnett is the product of Tulsa's aggressive welfare-to-work program, which has become the centerpiece for a statewide project and a beacon for cities nationwide. The nonprofit operation, called IndEx, is unique in that it is run by the private sector. It expects to put 100 people on payrolls this year—about the same number as in its first three years combined. "We're living Clinton's dream down here," says Wayne Rowley, the human resources coordinator at the local Chamber of Commerce who masterminded the program. "I'm no flaming liberal. But this makes good business sense."

Indeed, this is no charity project. It was always about doing business. IndEx—short for Industrial Exchange Inc.—began in 1992, when Wal-Mart Stores Inc. asked its biggest fishing-reel supplier, Zebco, to make rods in the U.S. at prices competitive with Asian makers. Zebco was based in Tulsa, where the economy had just rebounded from a bad oil slump and labor was getting scarce. Rowley proposed a deal: manufacture fishing rods inexpensively with recipients of Aid for Families with Dependent Children (AFDC).

For all its success, IndEx is voluntary and hasn't tackled hard-core cases

The chamber rented a small, defunct elementary school and tapped the Human Services Dept. for 40 clients. The YWCA provided day care, and the city threw in transportation. The workers assembled fishing rods four hours a day and spent another four hours improving their reading abilities. They were sanctioned for showing up late or missing work, and learned a slew of new skills: How to use a computer or behave on a job interview, how not to hit a fellow worker, how to dress. They worked out problems that kept them out of work, from day care to drugs. "I think of it kind of as a boot camp," says Tim Westberry, the director of IndEx. "It's all about changing people's attitudes."

Participants typically spend six months in the program, receiving only their welfare checks. After they pass tests for everything from drug use to attendance, they are funneled into jobs, often as temporary workers for the first 30 days. The employer pays IndEx $6.50 an hour for the temp; IndEx pays the employee $4.50. The remainder is split between workers' compensation and the program's coffers. Those who make it through the trial end up on the corporate payroll, earning an average of $6.50 an hour.

IndEx produced a quarter million rods for Zebco but proved to be too small to meet the growing demand. So Zebco subcontracted the work to an Asian-owned startup nearby, and IndEx diversified. It now packages toggle switches for Hilti Inc., produces catalogs for Laufen International Ceramic Tile, and assembles mailings for Communications Graphics, a printing company. More than 300 people have passed through so far. About half went back to watching *As the World Turns*, Rowley says.

"MORAL OBLIGATION." Programs such as IndEx have gained attention in the weeks since President Clinton signed the Welfare Reform Act, forcing welfare recipients to find work or lose benefits. In accepting the Democratic nomination last week, Clinton declared "a moral obligation" to move Americans off welfare and into jobs, calling on employers to "try to hire somebody off welfare, and try hard."

Yet critics say it will cost states billions of dollars to comply, and there's no safety net for countless recipients who will be unable to land jobs. LaDonna Pavetti of the Urban Institute in Washington says her research shows that half the people on the dole have never worked full-time and are burdened by low skills, substance-abuse problems, and mental or physical illnesses. The problem is so bad that even regions with all the right ingredients—low unemployment, a robust economy, a low percentage of welfare families, and strong incentives to work—are struggling to shrink their welfare rolls. "Getting people into the labor market is going to be much harder than people expect," Pavetti says.

Tulsa's 5,008 welfare cases, for example, amount to only 1% of its population. And because IndEx is voluntary, it has yet to tackle the hardest core of unemployed. Still, the welfare-to-work process is daunting. Many of the city's welfare cases have severe learning disorders, psychological problems, or addictions. "There's a certain segment that will never, ever hold a job," says Galen Haydon of the Job Development Service of Tulsa.

LEAP OF FAITH. But for every one of the hard-core unemployed, there's a Carlos Smith, just waiting for a chance to make a better life. He was left to care for his two young children when his wife died of alcohol abuse. After only a few months on welfare, he entered the IndEx program. "I wanted the education," he says. "But a lot of people there didn't care if they got a job." He earns $6 an hour now making placards at Nameplates Inc. That's double his welfare check, but he's still barely getting by, now that he has taken his rent and food expenses off the shoulders of the government.

Nameplates is among a growing number of employers using welfare workers to combat a labor crunch and score public relations points. Human Resources Director Carol Koepernick says she was skeptical at first, because many AFDC recipients lack a solid work history. But when Tulsa's unemployment rate sank below 4%, she tried out six IndEx temps and hired four. Two, including Smith, worked out. "We've had as much success as with anybody we hire for entry-level positions," she says.

Those who study work-to-welfare programs say that overall, IndEx's track record is good. The program is so highly regarded, in fact, that Oklahoma is considering expanding it statewide. "It's one of the best prototypes," says Robert Ivry, who has studied a number of programs, including Tulsa's, for Manpower Demonstration Research Corp. in New York. "What they've done can be transported to other urban areas."

True. But can Tulsa's tiny project be replicated on a grand enough scale to transform millions of welfare dependents into working class citizens—even in the nation's most poverty-torn cities? "It will be very, very difficult," Ivry concedes. Then again, all mass change begins with small steps. And in Oklahoma, Sandra Barnett, Carlos Smith, and dozens of others have already taken the first.

By I. Jeanne Dugan in New York

A POTENTIAL MODEL FOR WELFARE REFORM

IndEx's track record

CREATED
June, 1992

PARTICIPANTS
322

DROPOUTS
147

NOW WORKING
175

AVERAGE HOURLY WAGE
$6.50

AVERAGE LENGTH IN PROGRAM
6 months

BIGGEST CHALLENGE
Work ethic

REMAINING TULSA WELFARE LOAD
5,008 families

DATA: INDEX INC.

EDITED BY OWEN ULLMANN

GOOD POLITICS, BAD POLICY: TAPPING BIG BUSINESS TO FIX WELFARE

Welfare is "no longer a political issue," President Clinton declares. But that's not how he's acting. To mollify liberal anger over his signing of welfare reform, he's launching a $400 million tax-credit plan to induce employers to hire former welfare recipients. And to cover his right flank, he's enlisting CEOs in the welfare-to-work effort.

Good politics—but weak policy, claim welfare experts. Tax credits for new jobs have a checkered history of lining the pockets of low-wage businesses without doing much to boost job prospects of disadvantaged workers. And while business participation is vital to welfare-to-work plans, Clinton's vehicle—a high-profile White House conference with corporate CEOs—will probably create more headlines than new jobs.

"HALF FULL." Under Clinton's proposed Welfare-to-Work Tax Credit, employers hiring a long-term welfare recipient can save up to $10,000 in taxes over two years by claiming a credit for 50% of the worker's wage and training costs. It's a richer version of the Carter Administration's Targeted Jobs Tax Credit for the chronically unemployed.

But that troubled program didn't create many new jobs. "At least 9 times out of 10, the subsidy went to a job that the business would have filled anyway," says Anthony P. Carnevale, who studied the TJTC as head of the National Commission for Employment Policy. Nor did the credit create opportunities: Studies showed that more than half of subsidized workers would have gotten the same jobs without the break. And unscrupulous employers could "churn" the credit by replacing workers when credits ran out.

A disappointed Labor Secretary Robert B. Reich asked Congress to kill the TJTC in 1994. Now, he says it was a partial success: "When you're dealing with this group, half-full is good." And the Administration's reforms, Reich adds, will make the new plan "three-quarters full or better." For example, employers will be required to make a longer commitment to workers, keeping them on the payroll for 400 hours before they can collect the credit, up from 120 in the old plan.

But the changes may backfire. Businesses may be unwilling to gamble on an applicant with little work history if the payoff is delayed. And the new plan requires job seekers to identify themselves as welfare recipients before they get hired—raising what labor economists call the "stigma effect." It "says to an employer, 'The problems this guy brings may cost you more than the subsidy you'll get,'" says Brookings Institution economist Gary T. Burtless. In similar state programs that Burtless studied, the stigma actually reduced hiring within the targeted groups.

One solution is to encourage businesses to seek out welfare recipients. Robert B. Shapiro, Monsanto CEO, wants to do just that. That's why the White House asked Shapiro and Sprint CEO William T. Esrey to organize a CEO conference with the President this fall. "We don't need hundreds of companies, but we certainly need more than a handful," Shapiro says.

STEPHEN FERRY/GAMMA-LIAISON

NEW YORK: *Local efforts do best*

Big companies, however, offer few unskilled jobs suitable for people on welfare. And the best programs—like Industrial Exchange Inc. in Tulsa (page 126)—tend to be local partnerships between smaller companies and state agencies. "Business' role in welfare reform is at the grass roots," says Roberts T. Jones, president of the National Alliance of Business.

But grassroots efforts reap few campaign-season headlines. And Clinton, navigating between voters who want to end welfare and activists who cling to it, wants to appeal to both sides. His latest moves are evidence that welfare hasn't moved beyond politics just yet.

By Mike McNamee, with Ron Stodghill II in Chicago

CAPITAL WRAPUP

HELMS: WARM AND FUZZY?

▶ Conservative Senator Jesse Helms (R-N.C.), who tops liberals' most-hated list, has been voting with the enemy lately. Why? Helms is running a tight reelection race with liberal Democrat Harvey Gantt, so the four-term lawmaker is trying to project a warm and caring image. Examples: He voted with Democrats and GOP moderates to broaden mental-health insurance coverage and to extend veterans' health care to some children of Agent Orange victims.

BUSINESS CAMPAIGN BUST

▶ Big Business is proving no match for Big Labor when it comes to campaign advertising. After unions pledged to spend $35 million on ads attacking vulnerable House Republicans, a coalition of business groups hoped to raise up to $20 million to defend GOP candidates. But so far, the coalition has raised a mere $3 million. The problem: Corporations would rather funnel smaller contributions directly to candidates to ensure lawmakers remember their key backers.

DISAPPOINTMENT IN DETROIT

▶ U.S. and Japanese trade officials plan to applaud their 1995 auto accord at a Sept. 18-19 conclave in San Francisco, but the Big Three auto makers aren't cheering. Detroit has signed up only 106 new Japanese dealers—barely half their 1996 goal of 200. And Japanese officials recently issued plans to ease curbs on just two kinds of auto parts. That dashed hopes that Tokyo would deregulate the parts aftermarket, a move that would boost sales of U.S. components.

CHICAGO SUN-TIMES, WEDNESDAY, AUGUST 28, 1996

Cold reality of welfare reform: Get a job

■ *It may sound heartless, but it builds resolve—and eventually leads to independence.*

By Michelle Stevens p45

Applying for welfare was one of the most difficult decisions of my life. Proud and independent, I was forced to ask for a handout. The year was 1970.

I got a rude awakening when my request for emergency assistance was denied.

And when the full impact of the new welfare reform law hits those who now are receiving cash grants, food stamps and Medicaid, it will be a wakeup call—a call for independence—that is long overdue.

The bill President Clinton signed last week is aptly named the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. It abolishes Aid to Families With Dependent Children, the main cash-grant program for poor people. The savings are estimated at $54 billion over six years.

The food stamp program also will be cut, for a savings of $23 billion over six years. Most changes are effective Oct. 1.

Never again will poor families be automatically entitled to a welfare check every month. If there's a preschool-age child in the family, though, the safety net will remain in place.

A single mother with at least one child under age 5 won't have to comply with the "get a job" edict if she can prove she can't find "suitable and affordable" child care.

If the youngest child is at least 5, however, the single mother will be expected to be out working within two years. As an incentive, they can keep their family's health benefits under Medicaid for as long as they would qualify for welfare under current law.

The goal is to have every able-bodied man and woman at least partially self-sufficient in two years. But to listen to some of the welfare advocates, you'd think the proposals were cruel and heartless.

It certainly seems so. Indeed, anyone over 18 without a child under age 5 is out of luck. They won't even get food stamps to tide them over. Food coupons will be issued for only three months in a three-year period. After that, they may have to go hungry.

But many conservatives and others say "Tough luck." They're tired of working and paying taxes to support able adults.

What's the rationale, I asked Michigan Gov. John Engler, chairman of the Republican Governors Association and a vocal proponent of welfare reform. Most of these people spend all their money on rent, and need food stamps to eat.

Engler was blunt. "Because they could be out looking for work from sunup to sundown, or in job training."

That's just the kind of tough talk Republicans and increasing numbers of Democrats want to hear. Get those lazy bums off welfare and make them go to work and pay taxes, just like the rest of us.

That sounds reasonable. In fact, it's the same attitude I encountered more than 25 years ago when I walked into the neighborhood welfare office to apply for welfare. I was young and able-bodied, living on my own and going to college. But I needed help: I had lost my summer job and the rent was due at the end of the week. If I didn't get $25 by then, I might be kicked out of the rooming house.

It took great effort to walk into that storefront office on 63rd Street in Woodlawn, because "going on welfare" was shameful, a last resort. But I preferred to ask strangers for help rather than admit to my family that I was a failure.

"Unless you're pregnant," the caseworker told me, "you're not entitled to help."

That's the way it was in 1970. That tough attitude strengthened my resolve to make it—on my own. I stayed in school and eventually got another job.

And that's the way it's going to be again. Able-bodied folks are going to have to fend for themselves or turn to their families, neighbors or churches.

Clinton, who signed the welfare reform bill last week decreeing that recipients must work, admits that there are deficiencies in the law. The biggest flaw is jobs: There aren't enough to go around.

Not the traditional clerical and retail jobs which don't require intense training.

So the thing to do, for able-bodied men and women who've had a free ride on the welfare wagon, is to start looking in some of the untraditional places. In some of the larger apartment buildings, for example, mothers could form a baby-sitting service to free other mothers to go to work.

Caroline Shoenberger, commissioner of the city's Consumer Services Department, proposed years ago that men with entrepreneurial spirit sign up to drive transportation vehicles to supplement CTA bus routes.

There are other proposals. The sooner those who need jobs start looking for work or alternatives, the better off they'll be.

Michelle Stevens is editor of the Chicago Sun-Times editorial pages. E-mail: letters@suntimes.com

CEOs: Welfare Improvements Needed

WR Evaluations

By D. Ian Hopper
Associated Press Writer
Tuesday , August 22, 2000

WASHINGTON — Welfare rolls are half what they were four years ago, and the percentage of Americans on welfare is at its lowest level in 35 years, President Clinton said Tuesday.

"In four short years, we have seen a new emphasis on work and responsibility, as welfare recipients themselves have risen to the challenge and made welfare what it was meant to be – a second chance, not a way of life," Clinton said in a statement issued at the White House.

In a report released on the fourth anniversary of the welfare changes being signed into law, the Clinton administration said all states have met the law's requirements.

The percentage of Americans on welfare has fallen from 5.5 percent when Clinton took office in 1993 to 2.3 percent in 1999, and is now at its lowest level since 1965, the White House said. Welfare rolls have shrunk from 14.1 million households in January 1993 to 6.3 million in December 1999 – a drop of 56 percent or 7.8 million households.

Nearly three-fourths of the overall decline occurred since the new welfare law was enacted, with 1999 caseloads roughly half what they were in 1996, the White House said.

Clinton met at the White House Tuesday with top corporate executives who issued their own progress report on welfare.

The nation's welfare system was dramatically improved by the overhaul, but poor people entering the work force need help with child care, transportation and training, the business executives said. Their report added that former welfare recipients have made "good, productive employees."

Job retention rates for those workers meet and often exceed those for employees who haven't been on welfare, according to the report.

But the executives say government programs are still needed to help welfare recipients get jobs, citing child care and transportation as the "biggest obstacles to work."

"Lawmakers should sustain or, ideally, increase resources for a range of programs that help former welfare recipients stay on the job," the report says. "Partnership companies call for increased emphasis on child care and transportation aid, as they are consistently the two biggest challenges facing new workers."

The report recommends Congress increase tax credits and child-care grants to cover more working parents and subsidize transportation and housing costs so welfare recipients can get to work more easily or move closer to their jobs.

The 1996 welfare law encouraged recipients to enter the work force by placing a time limit on benefits, allowing more recipients to work while still receiving benefits and offering incentives to employers to hire welfare recipients.

The corporate executives who signed the report include chiefs of United Airlines, Sprint, Citigroup, Time Warner, Bank of America, Burger King, Monsanto, United Parcel Service and IBM.

The Welfare to Work Partnership, as the group is known, says over 20,000 American employers have pledged to hire at least one person from welfare rolls, employing about 1.1 million former recipients.

Employers report that the average starting wage of those hired from welfare rolls is $7.80 per hour, significantly higher than the minimum wage of $5.15, and more than 74 percent receive medical benefits. More than 44 percent of hires, the report says, get a 401(k) matching savings plan.

The report is critical of the way some states have used federal welfare funds. While some states have spent the money responsibly and creatively, others have used the funds to offset state spending instead of directly supporting welfare recipients and low-wage workers, the report says.

The report also recommends loosening the federal requirement that welfare recipients find jobs.

The definition of work activities should include substance-abuse treatment, domestic violence counseling and other special needs, and Congress also should give a break to workers who need longer than five years to get off welfare because of low starting pay, the report says.

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10/06/99

CLINTON-GORE ACCOMPLISHMENTS
REFORMING WELFARE

On August 22, 1996, President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act, fulfilling his longtime commitment to 'end welfare as we know it.' As the President said upon signing, "... this legislation provides an historic opportunity to end welfare as we know it and transform our broken welfare system by promoting the fundamental values of work, responsibility, and family."

TRANSFORMING THE BROKEN WELFARE SYSTEM

- **Overhauling the Welfare System with the Personal Responsibility Act**: In 1996, the President signed a bipartisan welfare plan that 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, performance bonuses to reward states for moving welfare recipients into jobs and reducing illegitimacy, state maintenance of effort requirements, comprehensive child support enforcement, and supports for families moving from welfare to work -- including increased funding for child care. State strategies are making a real difference in the success of welfare reform, specifically in job placement, child care and transportation. In April 1999, the President unveiled landmark new welfare regulations that will promote work and help those who have left the rolls to succeed in the workforce and stay off welfare. In May 1999, the Department of Health and Human Services released guidance on how states and communities can use welfare block grant funds to help families move from welfare to work, support working families and fulfill the other purposes of the law.

- **Law Builds on the Administration's Welfare Reform Strategy**: Even before the Personal Responsibility 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, or encourage parental responsibility. The vast majority of states have chosen to build on their welfare demonstration projects approved by the Administration.

MOVING PEOPLE FROM WELFARE TO WORK: WELFARE ROLLS DECLINE AS MORE RECIPIENTS GO TO WORK

- **Caseloads Have Fallen to Historic New Lows.** In August 1999, the President released state State-by-state data (from March 1999) showing that the percent of Americans on welfare is at its lowest level since 1967 and that the welfare rolls have fallen by nearly half since he took office. Since January 1993, 31 states have had caseload declines of more than half, and nationwide the rolls have fallen by 48 percent, from 14.1 million to 7.3 million. According to the Council of Economic Advisors, the single most important factor contributing to this historic decline is the implementation of welfare reform. Of the caseload reduction from 1996 and 1998, approximately one-third is due to federal and state policy changes resulting from welfare reform and about 10 percent is due to the strong economy.

- **Four Times More of Those on Welfare are Working than in 1992.** The first full year of work data since welfare reform, released in August 1999, show that all 50 states met the law's overall work requirement for 1998, confirming that record numbers of people are moving from welfare to work. Nationally, 35 percent of all welfare recipients were working or in work-related activities in 1998. The data also show that nationwide, the percentage of welfare recipients working has nearly quadrupled since the President took office, rising from 7 percent in 1992 to 27 percent in 1998, with the remainder fulfilling their participation requirements through job search, education and training.

- **Independent Studies Confirm People are Moving from Welfare to Work.** Numerous independent studies also confirm that more people are moving from welfare to work. A national survey released by the Urban Institute found 69 percent of recipients had left welfare for work, and 18 percent had left because they had increased income, no longer needed welfare or had a change in family situation. A recent General Accounting Office report found that between 63 and 87 percent of adults have worked since leaving the welfare rolls – results similar to state studies funded by the Department of Health and Human Services. At the same time, the Census Bureau's Current Population Survey shows that between 1992 and 1998, the employment rate of previous year welfare recipients increased by 70 percent.

- **Mobilizing the Business Community**: At the President's urging, The Welfare to Work Partnership was launched in May 1997 to lead the national business effort to hire people from the welfare rolls. The Partnership began with 105 participating businesses, and as of August 1999, has grown to more than 12,000 businesses of all sizes and industries. Since 1997, these businesses have hired over 410,000 welfare recipients, surpassing the challenge the President set in May of 1998. The Partnership provides technical assistance and support to businesses around the country, including: its toll-free number 1-888-USA-JOB1, a web site, a quarterly newsletter, and a number of resource guides for businesses. The Partnership also published "The Road to Retention," a report of companies that have found higher retention rates for former welfare recipients than for other new hires, and strategies they used to achieve this success.

- **Connecting Small Businesses with New Workers and Creating New Entrepreneurs**: The Small Business Administration is addressing the unique and vital role of small businesses who employ over one-half of the private workforce, by helping small businesses throughout the country connect with job training organizations and job-ready welfare recipients. In addition, SBA provides training and assistance to welfare recipients who wish to start their own businesses. SBA provides assistance to businesses through its 1-800-U-ASK-SBA number, as well through its network of small business development and women's business centers, one-stop capital shops, Senior Corps of Retired Executives (SCORE) chapters, district offices, and its website.

- **Mobilizing Civic, Religious and Non-profit Groups**: In May 1996, Vice President Gore created the Welfare-to-Work Coalition to Sustain Success, a coalition of national civic, service, and faith-based groups committed to helping former welfare recipients succeed in the workforce. Working in partnership with public agencies and employers, Coalition members provide mentoring, job training, child care, transportation, and other support to help these new workers with the transition to self sufficiency. Charter members of the Coalition include: Alpha Kappa Alpha, the Boys and Girls Clubs of America, the Baptist Joint Committee, Goodwill, Salvation Army, the United Way, Women's Missionary Union, the YMCA, the YWCA, and other civic and faith-based groups.

- **Doing Our Fair Share with the Federal Government's Hiring Initiative**: Under the Clinton/Gore Administration, the federal workforce is the smallest it has been in thirty years. Yet, this Administration also believes that the federal government, as the nation's largest employer, must lead by example. In March 1997, the President asked the Vice President to oversee the federal government's hiring initiative in which federal agencies committed to directly hire at least 10,000 welfare recipients in the next four years. In August 1999, Vice President Gore released the second annual report on this initiative and announced that the federal government had hired over 14,000 welfare recipients, exceeding the goal nearly two years ahead of schedule. To date, federal agencies have hired nearly 15,000 welfare recipients. As a part of this effort, the White House pledged to hire six welfare recipients and has already exceeded this goal.

- **Funds to Help Move More People from Welfare to Work**: Because of the President's leadership, the 1997 Balanced Budget Act included $3 billion for Welfare-to-Work grants to help states and local communities move long-term welfare recipients and certain non-custodial parents, into lasting, unsubsidized jobs. These funds can be used for job creation, job placement and job retention efforts, including wage subsidies to private employers and other critical post-employment support services. The Department of Labor provides oversight, but most of the dollars flow through local business-led boards to localities who are on the front lines of the welfare reform effort. Federally-recognized tribes also receive up to $30 million of the Welfare-to-Work funds. In addition, 25% of the funds are awarded by the Department of Labor on a competitive basis For FY 1998 and 1999, the Clinton-Gore Administration has awarded 188 competitive grants. These competitive grants support innovative local welfare-to-work projects, including strategies to help noncustodial parents and welfare recipients with limited English proficiency, disabilities, substance abuse problems, or a history of domestic violence to get and keep employment.

The Department of Labor also joined forces with the Department of Commerce to train welfare recipients as enumerators in the Year 2000 Census. In September 1999, White House Chief of Staff John Podesta, Labor Secretary Alexis Herman and Commerce Secretary William Daley announced that Goodwill Industries will receive $20 million in Welfare-to-Work competitive grant funds to move up to 10,000 welfare recipients into temporary, unsubsidized jobs, and later, permanent jobs, while helping the 2000 Census get a more accurate count of individuals in high poverty areas around the country.

The President's FY 2000 Budget proposes to invest $1 billion to extend the Welfare-to-Work program to help more long-term welfare recipients and noncustodial parents in high-poverty areas work and support their families. The initiative would provide at least $150 million to ensure that every state helps fathers play a responsible part in their children's lives. Under this proposal, states and communities would use a minimum of 20% of their formula funds to provide job placement and job retention assistance to low-income fathers who sign personal responsibility contracts committing them to work, establish paternity, and pay child support. This effort would further increase child support collections, which have risen 80% since the President took office, from $8 billion in 1992 to $14.3 billion in 1998. Remaining funds will go toward assisting long-term welfare recipients with the greatest barriers to employment to move into lasting jobs. The reauthorized program also would double the Welfare-to-Work funding available for tribes. The Administration's reauthorization proposal is included in H.R. 1482 introduced by Congressman Cardin and S. 1317 introduced by Senator Akaka.

- **Tax Credits for Employers**: The Welfare-to-Work Tax Credit, enacted in the 1997 Balanced Budget Act, provides a credit equal to 35% of the first $10,000 in wages in the first year of employment, and 50% of the first $10,000 in wages in the second year, to encourage the hiring and retention of long term welfare recipients. This credit complements the Work Opportunity Tax Credit, which provides a credit of up to $2,400 for the first year of wages for eight groups of job seekers. The Omnibus Budget Act of 1998 included an extension through June 30, 1999 and the President's FY 2000 Budget proposes to extend both credits for an additional year.

- **Welfare-to-Work Housing Vouchers**: In 1999, the President proposed and Congress approved $283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job. Families will use these welfare-to-work housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing that will eliminate emergencies which keep them from getting to work every day on time. On October 1, 1999, HUD Secretary Andrew Cuomo announced the release of voucher funds to help 50,000 families in 35 states and two tribes. Nearly all of these vouchers were awarded on a competitive basis, to communities that created cooperative efforts among their housing, welfare and employment agencies. The President's FY 2000 Budget provides $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers.

- **Welfare-to-Work Transportation**: One of the biggest barriers facing people who move from welfare to work -- in cities and in rural areas -- is finding transportation to jobs, training programs and child care centers. Few welfare recipients own cars. Existing mass transit does not provide adequate links to many suburban jobs at all, or within a reasonable commute time. In addition, many jobs require evening or weekend hours that are poorly served by existing transit routes. To help those on welfare get to work, President Clinton proposed a $100 million a year welfare-to-work transportation plan as part of his ISTEA reauthorization bill. The Transportation Equity Act for the 21st Century (TEA-21) authorized $750 million over five years for the President's Job Access initiative and reverse commute grants. Of this amount, $50 million is guaranteed funding in FY 1999, rising to $150 million in 2003. The Omnibus Budget Act included $75 million for this program in FY 1999, and in May, Vice President Gore awarded $71 million of these funds to 179 communities in 42 states around the country. The President's Budget proposes to double funding for FY 2000, bringing the program to the authorized level of $150 million. The Job Access competitive grants will assist states and localities in developing flexible transportation alternatives, such as van services, for welfare recipients and other low income workers.

SUPPORTING WORKING FAMILIES

- **Expanding the Earned Income Tax Credit:** Expansions in the EITC included in the President's 1993 Economic Plan are making work pay for 15 million working families, including former welfare recipients. A study conducted by the Council of Economic Advisors reported that in 1997, the EITC lifted 4.3 million American out of poverty -- more than double the number in 1993. The findings also suggest that the increase in labor force participation among single mothers who received welfare is strongly linked to the EITC expansion.

- **Improving Access to Affordable and Quality Child Care:** Under the Clinton Administration, federal funding for child care has increased by 70%, helping parents pay for the care of about one million children. The 1996 welfare reform law increased child care funding by $4 billion over six years to provide child care assistance to families moving from welfare to work. The President's budget proposes to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. The President's proposal increases funding for child care subsidies by $7.5 billion over five years, and these new funds, combined with funds provided in welfare reform, will enable the program to serve an additional 1.15 million children by FY 2004. Additional funds for subsidies are necessary because currently, only 1.25 million of the approximately 10 million families eligible for assistance under federal law receive help. The President's proposal also includes $5 billion over five years to expand the Child and Dependent Care Tax Credit (CDCTC) to provide greater tax relief for nearly three million working families paying for child care and eliminate income tax liability for almost all families with incomes below 200% of poverty. Additionally, the proposal includes $1.3 billion to enable parents who have children under one year old to take advantage of the CDCTC by allowing these 1.7 million families to claim assumed child care expenses of $500. The President's plan also includes a new tax credit to businesses that offer child care services to their employees. The President has proposed spending $600 million in FY 2000 to triple funding for the 21st Century Community Learning Center Program, which supports the creation and expansion of after-school and summer-school programs to help roughly 1.1 million children each year. Finally, the President's proposal includes a significant new investment in Head Start, our nation's premier early childhood development program, with an additional $607 million in FY 2000 to reach 42,000 more children, enabling the program to serve 877,000 low income children.

- **Providing Health Care to Low-Income Working Families.** The President has insisted on maintaining the Medicaid guarantee and has successfully fought to increase low-income families' access to health care.

  - ***Creation of the Children's Health Insurance Program.*** The President, with bipartisan support from the Congress, created the Children's Health Insurance Program (CHIP). The Balanced Budget Act of 1997 allocated $24 billion dollars over the next five years to extend health care coverage to uninsured children through State-designed programs. States will cover up to 5 million children through a combination of Medicaid and CHIP outreach.
  - ***Allowing States to Expand Medicaid to Cover Families.*** The welfare law allows states to expand Medicaid coverage under section 1931 to families who earn too much to be eligible for Medicaid but not enough to afford health insurance. These expansions allow states to present Medicaid as a freestanding health insurance program for low-income families -- an important step towards removing the stigma associated with the program and reaching families who do not have contact with the TANF system.
  - ***Providing Medicaid Coverage to Low-income Two-Parent Families Who Work.*** In August 1998, the President eliminated a vestige of the old welfare system by allowing all states to provide Medicaid coverage to working, two-parent families who meet State income eligibility requirements. Under the old regulations, adults in two-parent families who worked more than 100 hours per month could not receive Medicaid regardless of their income level. Because the same restrictions did not apply to single-parent families, these regulations created disincentives to marriage and full-time work. Prior to eliminating the rule entirely, the Administration allowed a number of states to waive this rule. The new regulation eliminates this requirement for all States, providing health coverage for more than 130,000 working families to help them stay employed and off welfare.
  - ***Transitional Medical Assistance (TMA).*** TMA provides time-limited Medicaid coverage to low-income households whose earnings or child support would otherwise make them ineligible for welfare-related Medicaid under state income eligibility standards. The President's FY 2000 Budget would reduce burdensome reporting requirements, including TMA eligibility procedures in the current Medicaid eligibility redetermination process. The budget also exempts those states that have expanded Medicaid coverage to families with incomes up to 185% of the federal poverty level from burdensome TMA reporting requirements, providing states with additional incentives to provide critical health care services.
  - ***Helping States Help Low-Income Families.*** In March 1999, the Administration released new guidance encouraging States to reach out to children and families who are no longer eligible for cash assistance but are still eligible for Medicaid or CHIP. It also establishes that states must provide Medicaid applications upon request and process them without delay. The guidance reiterates state responsibilities to establish and maintain Medicaid eligibility for families and children affected by welfare

reform, and provides creative examples of the best way to liberalize eligibility.

- **Helping Working Families to Buy Food**: In July 1999, the President took the following three executive actions to help ensure working families who need Food Stamps have access.

  - New policy guidance making it easier for working families to own a car and still receive food stamps;
  - New regulations making it easier for states to serve working families by simplifying rules so that families don't have to report income as often and states won't be penalized for small errors in projecting families' future earnings; and,
  - A new public education campaign to educate working families about food stamps, including a toolkit to assist local, state, and community leaders in understanding food stamp program requirements, as well as model strategies to improve participation and future efforts by Secretary Glickman to include new informational materials and an enhanced toll-free information line.

- **Investing for the Future**: In 1992, the President proposed to establish Individual Development Accounts (IDAs) to empower low-income families to save for a first home, post-secondary education, or to start a new business. The 1996 welfare reform law authorized the use of welfare block grants to create IDAs. And last year, the President signed legislation creating a five-year demonstration program. Households that are either eligible for Temporary Assistance for Needy Families or qualify for the Earned Income Tax Credit and have a net worth below $10,000 are eligible to participate in the demonstration. In FY 1999, the Department of Health and Human Services awarded nearly $10 million to 40 grantees that will establish over 10,000 savings accounts for low-income workers. The President has proposed to double the commitment to $20 million in FY 2000. The demonstrations will

PROMOTING PERSONAL RESPONSIBILITY

- **Increasing Parental Responsibility and Enforcing Child Support**: Tougher measures under the Clinton Administration resulted in a record $14.3 billion in child support collections in 1998, an increase of $6.4 billion, or 80% since 1992. Not only are collections up, but the number of families that are actually receiving child support has also increased. In 1997, the number of child support cases with collections rose to 4.2 million, an increase of 48% from 2.8 million in 1992.

  - ***Improving the Collection System.*** A new collection system, proposed by the President in 1994 and enacted as part of the 1996 welfare reform law, has located over 2.8 million delinquent parents in its second year of operation. With approximately one-third of all child support cases involving parents living in different states, this National Directory of New Hires helps track parents across state lines.
  - ***Tougher Penalties.*** In June 1998, the President signed the Deadbeat Parents Punishment Act, a law based on his 1996 proposal for tougher penalties for parents who repeatedly fail to support children living in another state or who flee across state

lines to avoid supporting them.

- *Increasing Paternity Establishments.* Paternity establishment, often the crucial first step in child support cases, has dramatically increased, due in large part to the in-hospital voluntary paternity establishment program begun in 1994 by the Clinton Administration. In 1998, the number of fathers taking responsibility for their children by establishing paternity rose to a record 1.5 million, triple the 1992 figure of 512,000. In 1998, 40%, or 614,000 of all paternities were established through the in-hospital program.
- *Increasing Collections.* Finally, President Clinton has taken executive action, including: collections from federal payments such as income tax refunds and employee salaries, and steps to deny federal loans to delinquent parents. The federal government collected over $1.1 billion in delinquent child support from federal income tax refunds for tax year 1997, a 70% increase since 1992.

- **Breaking the Cycle of Dependency -- Preventing Teen Pregnancy**: Significant components of the President's comprehensive effort to reduce teen pregnancy became law when the President signed the 1996 Personal Responsibility Act. The law requires unmarried minor parents to stay in school and live at home or in a supervised setting; encourages "second chance homes" to provide teen parents with the skills and support they need; and, provides $50 million a year in new funding for state abstinence education activities. Since 1993, the Administration has supported innovative and promising teen pregnancy prevention strategies, including working with boys and young men on pregnancy prevention strategies. The National Campaign to Prevent Teen Pregnancy, a private nonprofit organization, was formed in response to the President's 1995 State of the Union. In 1997, the President announced the National Strategy to Prevent Teen Pregnancy. The first annual report on this Strategy reported that HHS-supported programs already reach at least 31% or 1,470 communities in the United States. In April 1999, the Vice President announced new data showing that we continue to make real progress in encouraging more young people to delay parenthood and led a roundtable discussion highlighting promising local teen pregnancy prevention strategies. Teen births have declined nationwide by 18% from 1991 to 1998, and have fallen in every state and across ethnic and racial groups. In addition, teen pregnancy rates are at their lowest level in 20 years.

RESTORING FAIRNESS AND PROTECTING THE MOST VULNERABLE

The President made a commitment to fix several provisions in the welfare reform law that had nothing to do with moving people from welfare to work. In 1997, the President fought for and ultimately was successful in ensuring that the Balanced Budget Act protects the most vulnerable. In 1998, the President continued his proposals to reverse unfair cuts in benefits to legal immigrants. The Administration's FY 2000 budget would build on this progress by restoring important disability, health, and nutrition benefits to additional categories of legal immigrants, at a cost of $1.3 billion over five years. The Administration's proposal is included in the Fairness for Legal Immigrants Act of 1999 (S.792/H.R.1399) recently introduced by Senator Moynihan and Representative Levin. In addition, Senators Chafee, McCain, Mack, Jeffords, Graham, and Moynihan introduced S. 1227, a bipartisan bill similar to the Administration's proposal to restore health coverage to legal immigrant children and pregnant women.

- **Disability and Health**: The Balanced Budget Act of 1997 and the Noncitizen Technical Amendment Act of 1998 invested $11.5 billion to restore disability and health benefits to 380,000 legal immigrants who were in this country before welfare reform became law (August 22, 1996). The President's FY 2000 Budget would restore eligibility for SSI and Medicaid to legal immigrants who enter the country after that date if they have been in the United States for five years and become disabled after entering the United States. This proposal would cost approximately $930 million and assist an estimated 54,000 legal immigrants by 2004, about half of whom would be elderly.

- **Nutritional Assistance**: The Agricultural Research Act of 1998 provided Food Stamps for 225,000 legal immigrant children, senior citizens, and people with disabilities who enter the United States by August 22, 1996. The President's FY 2000 Budget would extend this provision by allowing legal immigrants in the United States on August 22, 1996 who subsequently reach age 65 to be eligible for Food Stamps at cost of $60 million, restoring benefits to about 20,000 elderly legal immigrants by 2004.

- **Health Care for Children and Pregnant Women**: Under current law, states have the option to provide health coverage to immigrant children and pregnant women who entered the country before August 22, 1996. The President's FY 2000 Budget gives states the option to extend Medicaid or CHIP coverage to low-income legal immigrant children and Medicaid to pregnant women who entered the country after August 22, 1996. The proposal would cost $325 million and provide critical health insurance to approximately 55,000 children and 23,000 women by FY 2004. This proposal would reduce the number of high-risk pregnancies, ensure healthier children, and lower the cost of emergency Medicaid deliveries.

- **Helping People Who Want to Work but Can't Find a Job**: The Balanced Budget Act, as amended by the Agricultural Research Act, also restored $1.3 billion in food stamp cuts. The welfare reform law restricts food stamps to 3 out of every 36 months for able-bodied childless adults, unless they were working. Acknowledging that finding a job often takes time, the BBA provided funds for work slots and food stamp benefits to help those who are willing to work but, through no fault of their own, have not yet found employment. In addition, the BBA allows states to exempt up to 15% of the food stamp recipients (70,000 individuals monthly) who would otherwise be denied benefits as a result of the "3 in 36" limit.

WR Evaluation

MEMORANDUM
TO: Eli, Rodney, communications and senior staff
FR: Dorian Friedman
RE: Wirthlin Membership Survey IV: ***FINAL RESULTS***
DA: January 17, 2000

Following are the key message points from new Wirthlin results that we've agreed to highlight. This draft reflects the FINAL results received from Wirthlin on 1/16 and contains several revisions since the last version you received, *so please discard old copies*.

HIRING REMAINS STEADY – AND STRONG.

- The Welfare to Work Partnership's business partners have hired an estimated 200,000 former welfare recipients in each of the last three years, and 239,000 in 1999 alone.
- Based on *today's* membership, Wirthlin estimates that Partnership companies have hired a total of more than **649,000** (actual estimate: 649,602) former welfare recipients in the last three years (1997-9). This updates the estimated 410,000 recipients hired in 1997-8.

OFF THE ROLLS – AND, OFTEN, OUT OF POVERTY.

- Among our members who pay their new welfare hires hourly wages (that's 89% of them), average pay has risen to an hourly **$7.50** (up from $6.86 and $7.20 in our last surveys.) That's 46% higher than the minimum wage. ***At that wage, a single mother with two children working full time rises to the federal poverty line; with the Earned Income Tax Credit and other transitional benefits, she's boosted well out of poverty.***
- Among the small minority (10%) of our members who pay annual salaries instead of hourly wages, the average annual pay is up sharply – to **$18,087** (from $15,266 in the last survey.) ***At that salary, a single mother with three kids rises well above the federal poverty line.***

WAGE PROGRESSION LOOKS GOOD, TOO.

- Almost all (94%) of our partners pay the same starting wages to the former welfare recipients they've hired as to other entry-level workers.
- And the former recipients are almost as likely (90%) to receive pay increases as quickly as their non-welfare colleagues.
- One-third of the former recipients receive their first pay raise within 3 months on the job; more than half get a raise before their 6-month anniversary; and virtually all (94%) of the hourly wage-earners get one after their 1st year.

RETENTION IS HOLDING STEADY AND MOST EMPLOYERS REMAIN SATISFIED.

- For 62% of our business partners, welfare recipients have retention rates equal to or better than non-welfare hires.
- Fully 80% of employers call their new welfare hires "good, productive employees."

EMPLOYERS ARE OFFERING AN ARRAY OF BENEFITS TO KEEP THEIR NEW WORKERS ON THE JOB.

- Traditional benefits remain pretty steady for those hired off the welfare rolls:
  - 76% get **medical benefits** (up from 72% in the last survey)
  - 58% get some kind of **mentoring** (up from 53% last time)
  - 18% get help with **transportation** (down from 23% last time)
  - 16% receive **child care** assistance (up from 12% last time)
- But a surprising number of employers are offering their new workers benefits we hadn't thought to ask about in the past, *benefits that give these new workers a solid shot at "the American dream" in a way they never had before*. For example:
  - 51% offer their new welfare hires a **401-k match**
  - 13% offer company **stock options**
  - And 22% offer other financial supports, which can include **loans or lines of credit** to buy a home, a car, or other necessities.

BUSINESSES CAN DO MORE TO HELP THEIR NEW WORKERS ACCESS OTHER SUPPORTS TO WHICH THEY'RE ENTITLED -- ENABLING THEM TO ESCAPE POVERTY, WHILE SHORING UP THEIR OWN BOTTOM LINE.

- Two-thirds (63%) of our partners don't know whether their new hires are eligible for food stamps, Medicaid, or other transitional programs for low-income workers.
- But most of our members (79%) say they'd "try to help their employees access benefits" like food stamps or Medicaid if they knew they were eligible.

BUT BUSINESSES CHALLENGE GOVERNMENT AND SOCIETY TO ADDRESS BROADER PROBLEMS THAT IMPEDE SUCCESS OF NEW WORKERS.

- The top barriers employers encounter among welfare hires are increasingly things they say *they can't solve*, like lack of basic interpersonal skills (as well as child care, transportation, and poor educations.) For example, 41% of our members often see applicants with poor social (or "soft"skills, like workplace etiquette), and 53% say that would *prevent* them from hiring a jobseeker.
- Just as President Clinton and Congress challenged the American business community to step up and give welfare recipients a chance, employers are ready to return the challenge. They need the help of *politicians, public schools, and community institutions* to get the job done.

LABOR SHORTAGES CONTINUE – AND SO DOES CORPORATE COMMITMENT TO WELFARE TO WORK.

- More of our members than ever (76%, up from 67% last time we asked) say their company or their industry faces a labor shortage. That suggests they'll be looking for workers anywhere they can find them.
- Our partners say they intend to hire more welfare recipients in year 2000 than they have in the previous three years.

THE NEXT CHALLENGE – FATHERS AND EX-OFFENDERS.

- Our members seem surprisingly open to the prospect of hiring welfare recipients with nonviolent criminal backgrounds – who are most often men – under strict conditions:
    - 82% would consider hiring a recipient convicted on a *misdemeanor*;
    - 64% would consider hiring an ex-con who'd gotten in trouble *more than five years ago*;
    - 53% are more likely to hire an ex-con if a *government bonding program* protected them against any financial loss or legal liability caused by the employee; and
    - 51% are more likely to hire if a *social service agency* continued to counsel the ex-offender to help avert any problems.

WR –
~~[illegible]~~
Evaluations

kausfiles.com

Sorry, Warren!

Bad news shortage hits paleolibs.

Posted Friday, October 15, 1999

[*Note: You can sign up for the free* kausfiles.com *e-mail service at the end of this column.*]

You're probably on tenterhooks awaiting the outcome of the annual crunching of the poverty numbers (as previewed in the 9/27 *kausfiles*). The daily press, as expected, reported that the overall poverty rate for 1998 fell, along with the child poverty rate. In fact, both rates fell to the lowest level in almost two decades.

But real poverty cognoscenti, especially "advocacy" groups supporting the traditional liberal give-'em-cash agenda, weren't focusing on the overall poverty rate. True, these groups once predicted that the 1996 welfare reform would drive a million children into poverty. But with poverty declining, they have retreated to a more remote statistical battlefield -- asking if the income of *very* poor single mothers (i.e. those already well under the poverty line) has fallen, once the Census numbers are adjusted to include food stamp benefits, which aren't counted in the official poverty report. Liberal lobbies such as the Center on Budget and Policy Priorities (CBPP) and the Children's Defense Fund spotted just such a downward trend in the 1997 numbers. Along with speechwriters for more conspicuous liberal poverty crusaders like Bill Bradley (and, presumably, Warren Beatty) they were standing by two weeks ago, ready to blame any continuing downward trend on the callous Clintonite centrists.

So what happened? Good news is what happened -- that is, bad news for the left. According to the statistics (which may never have reflected reality) the decline in the income of very poor single moms stopped in 1998. That's according to calculations performed by the Office of Management and Budget and publicized by Republicans on the House Ways & Means Committee. Wendell Primus, of the liberal CBPP, says his own calculations are even a bit more positive: they show an income gain for the bottom 20 percent of single mothers -- roughly those making less than 75 percent of poverty. True, the gain was concentrated in the next-to-last 10 percent, with the bottom 10 percent showing no change. And it still doesn't put incomes for this group of mothers back to where it was in '95. But it does put them ahead of where they were in '93.

It also probably means the left won't get much traction in the press with the claim -- which the CBPP was pushing as recently as two months ago -- that the poor are getting poorer. Things are just going too damn well. Take a look, for example, at single mothers one quintile up from those on the very bottom. These mothers are still poor; they make from about 75 percent to 112 percent of the poverty line. But from '93 to '98, according to the OMB crunchers, their incomes rose from $12,144 to $14,290 -- an 18 percent increase. Not bad. Better yet, the increase came about because these mothers went out and earned more than they lost in welfare benefits, just as welfare reformers hoped they would.

Even the little bad news in the Census report was really good news. The official Census report actually showed a small increase in the black single-mother poverty rate last year. But when you look closer, you notice that the actual *number* of black single-mother families in poverty went down. That smaller number could only constitute a higher percentage of *all* black single-mother families because the number of all black single parent families went down faster -- while the number of black married couples went up. It's way too early to call this a trend, but if it continues the historic decline of the black family will have been halted.

The CBPP's head, Robert Greenstein, straining to find a dark cloud, was left to claim in a press release that "For an economy this strong, the poverty rate is still too high." That may be true. It may also be true that without welfare reform the poverty rate would be even higher -- that it was the 1996 law (which Greenstein fought tooth and nail) that put poor single mothers into the workforce where they could then be swept up by the strong economy.

Gore's Secret Weapon
posted 08.03.99

The CBPP also claims that "the number of full-time year-round workers with incomes below the poverty line rose by 459,000 in 1998." But that Census number does not take into account the Earned Income Tax Credit -- the primary means our society has chosen to boost these workers' incomes. (This is an embarrassing bit of hypocrisy for the CBPP, which makes a point of including non-Census benefits, such as food stamps, when that serves its purposes.) Later this year, the CBPP will fall back on the last resort of desperate antipoverty groups -- a "state-by-state" survey, which will inevitably show that some states are doing a lot worse than others, producing gloomy headlines in hometown papers.

And the speechwriters for Bradley and Beatty? They have their work cut out for them.

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fax to Bruce

Deadbeats will pay to keep driving

Professional license loss also boosts child support

By Cheryl Wetzstein
THE WASHINGTON TIMES

A1

When Congress reformed welfare in 1996, state child-support officials were told they could start yanking the driver's, professional and sporting licenses of deadbeat parents.

Four years later, a state-by-state review by The Washington Times shows that licenses have become a major money magnet:

- More than 300,000 parents in 42 states have had their driver's licenses suspended for nonpayment of child support. The parents paid at least $300 million to get their licenses back, with some of the biggest sums coming from parents in Maryland and Virginia.
- Hundreds of parents in at least 26 states, including four nurses in South Carolina, a beautician in Mississippi and 35 worm-diggers in Maine, have had their professional licenses clipped until they paid up. Ohio said it got $635,000 from 114 parents who couldn't afford to lose their work permits.

Results like these have made license revocation the new best friend of child-support officials.

"My staff loves driver's license sanctions. It gets to people," said Nancy Thoma, chief of the Iowa Bureau of Collections, which has suspended 772 parents' driver's licenses to date.

Still, the Great License Roundup isn't happening in every state or in every venue Congress envisioned.

Seven states and the District of Columbia have little or nothing to report about license revocation.

The District doesn't revoke any licenses, said an official with the city's Corporation Counsel.

Wisconsin hasn't taken any licenses either but will in the fall when its computers come on line, said a state spokeswoman.

In six states where license revocation is languishing, only judges can take licenses, and they aren't inclined to do so, say child-support officials, some with great frustration in their voices.

Meanwhile, there's one kind of license that is ubiquitous but untouchable by most child-support agencies: fishing licenses.

Less than a dozen states troll for deadbeats, The Times' survey found. The problem is computers, child-support directors say.

Like most states, "we issue licenses from a cigar box in the back of the bait shop," explained Nathaniel L. Young Jr., director of child support in Virginia, one of 39 states that doesn't squeeze the fishermen.

Without expensive computers to match anglers and obligors, he added, "there's virtually no way to track that license."

Licenses as leverage

The 1996 welfare law made license revocation the law of the land for two main reasons.

One, it gave child-support agencies more leverage in their quest for collections. Secondly, the constant threat of revocation was envisioned as a way to ensure steady child-support payments. This money, Congress reasoned, is going to be needed by families that use up their five years of welfare benefits.

According to the latest data from the federal Office of Child Support Enforcement (OCSE), 19 million families are involved in government child-support programs. Half of these families are on welfare.

In 1997, child-support agencies collected a record $13.4 billion on behalf of custodial parents and children. However, this money wasn't even a quarter of the $62.2 billion that the government estimates was owed that year.

Wage withholding is the most popular way of obtaining child support — 56 percent of 1997 collections were deducted from parents' paychecks, OCSE data said.

But license revocation has emerged as an effective tool to reach parents who are self-employed or otherwise unreachable through wage withholding, child-support directors said.

Driving for dollars

From coast to coast, the favorite license to lift is the driver's license.

Florida, which has a "Pay Up or Walk" campaign, has taken 50,000 licenses over the past two years, said Dave Bruns, spokesman for Florida Department of Revenue.

"It's a magic wand," especially for truck drivers, because "it produces results when other tools won't," he said.

In 1997, Hawaii did a similar "pay or walk" campaign, said Bob Norton of the Hawaii Child Support Enforcement Agency.

In December, the month before the first licenses were to be pulled, "we had our largest increase in arrearage payments in history," he said gleefully. "So it does work."

Even sparsely populated Idaho has suspended more than 2,500 driver's licenses.

"People come scrambling in to pay," said Bill Walker, a spokesman for Idaho's child-support office.

Meanwhile, in highly populated New York, "hundreds of thousands" of parents have received warning letters and "at any given time, 60,000 driver's-license suspensions are in effect," said Robert Doar, director of New York's child-support agency.

Mr. Doar added that New York's streamlined, agency-run license-suspension process is "enormously effective" and contributed "a good portion" toward the state's $1 billion in collections since 1995.

Deadbeats in Maryland and Virginia are also at considerable risk for loss of their driver's licenses.

Since 1996, Maryland state officials have threatened to take 257,740 driver's licenses and suspended 73,472 of them. These efforts have brought in nearly $153 million in collections and payment plans, said Teresa Kaiser, head of the Maryland Child Support Enforcement Administration.

Virginia has taken fewer licenses — 2,934 since 1995 — but the threat of taking them, plus the state's highly publicized "booting" program, which disables cars owned by deadbeats, has brought in more than $65 million, said Mr. Young, Virginia's director.

Revoking other kinds of work-related licenses has proved effective as well.

For instance, no-nonsense Maine has pulled the licenses of 486 professionals, including two lawyers, three auto dealers, three insurance agents, three veterinarians and 35 worm-diggers.

In North Carolina, 600 deadbeat professionals have received a letter saying "you've got 20 days to respond to this issue and prove to us that you have eliminated this problem, or your license is revoked," said Barry Miller, director of the North Carolina Child Support Enforcement Program.

"Bam," he said. "We got in excess of $500,000 in payments ... that's about $800 a pop."

South Carolina, which has already nabbed the licenses of 12 barbers, one teacher, four registered nurses and three Realtors, "takes away all kinds of licenses including manufactured housing, which is a very large industry in this state," said Marilyn Mathews, a spokeswoman for the state.

"There is only one profession in the state whose license we don't revoke and that is attorneys. Isn't that interesting?" she said.

Locally, Virginia currently takes professional licenses, while Maryland is one of five states that is phasing in this process this year.

However, these and 38 other states are devoting far less energy to the nation's 42 million sports fishermen and 15 million hunters, despite the congressional mandate to take their licenses.

WR Evaluation

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The Washington Times
WEDNESDAY, JULY 5, 2000

Fishing for deadbeats

According to The Times' review, 10 states have taken a total of 630 fishing licenses since 1996. An 11th state, New Mexico, has 771 licenses under review.

Arkansas hasn't taken any fishing licenses yet, but has 3,800 in its newly automated license-revocation pipeline, said Dan McDonald, head of Arkansas' child-support agency.

Such meager tallies of fishing-license revocations don't surprise parents like Jeanie Marshall-Hoenack of Anchorage, Alaska.

Mrs. Marshall-Hoenack's former husband is "an avid sports fisherman," but Alaska officials never pulled his license, she told The Times. "As of March 1, he owed $65,609 in child support," she added.

Lack of automation prevents recreational-license revocation, child-support officials in half the states told The Times.

A few states have gamely tried to organize the paperwork anyway.

For instance, in Delaware, where nearly 25,000 fishing licenses are kept on card files, "our staff went down and alphabetized all of them by hand," said Charles Hayward, deputy director of Delaware's child-support agency.

The plan is to start matching anglers and obligors in July, he said.

"But it's not been an easy process. Thank God, we're not a New York — we'd never get it done."

Mr. Doar of New York, where more than 1 million fishing licenses were sold in 1998, seconds that sentiment.

Without computers, he and a chorus of other child-support officials said, it's just not cost-effective.

"Hunting and fishing license revocation was required by Congress so of course we require it as well," said Dan Richard, director of Pennsylvania's child-support agency.

"But we have not found that it actually produces dollars. It revokes the license, and that's the end of the trail," he said, adding that he knew of one hunting-license revocation.

Still, some child-support promoters say state agencies should not give up on recreational licenses.

"It's another tool. You never know what tool will work with what individual. You need different tools for different people," said Nora O'Brien, who works with the Association for Children for Enforcement of Support (ACES) in California.

"The benefit of suspending a fishing license is that it should have the intended effect of getting a non-custodial parent's attention and motivating payment, but it doesn't hurt their ability to work," said Kevin Aquirre, director of child-support in Oregon, a state that is just starting to take recreational licenses.

Child-support officials don't actually want to take the licenses, Mr. Aquirre said, echoing dozens of other directors.

"The whole idea is to motivate and compel payment."

Fishing "is a huge passion" and taking the licenses would be effective, insists Debbie Kline, an ACES leader in Ohio.

"Bass fishermen live, breathe, eat and sleep fishing," she said, noting that her ex-husband even fished in blizzards.

S. Ray Weaver, Oklahoma's top child-support official, agrees that his people "really get a reaction here" when they revoke lifetime fishing and hunting licenses.

"People feel they are entitled to that [license] even if they aren't paying their child support," he said. "When we take it, they feel like we've destroyed their world."

Maine child-support director Stephen Hussey is another satisfied supporter of recreational-license revocation.

Maine recently went after 225 moose hunters for child support and all but three paid up, he said. "One guy came in with a check for over $7,000 and said 'I've been waiting all my life for this moose permit. Here's your check.'"

7/6

The Washington Times
WEDNESDAY, JULY 5, 2000

wr -
evaluation

Rethinking Welfare Reform

A WELFARE program in Minnesota appears to be succeeding like no other in the country, and the achievement has created a stir on both sides of the welfare reform debate. That's because the success appears to be due much less to the toughness of the program than to the generosity.

An authoritative study of the Minnesota effort was released last month by the well-regarded Manpower Development Research Corporation of New York. MDRC found that the program had produced "substantial, far-ranging improvements in the lives of single parents who were long-term welfare recipients." Not merely was employment up and poverty down. Domestic abuse had declined, children's behavior and school performance were reported to have improved, the marriage rate was slightly up and, among two-parent families, there were indications of greater marital stability.

Minnesota decided that, not just to encourage recipients to work but to make sure that they bettered themselves in the process, it would let them keep an unusually high percentage of their former benefits essentially until their earnings were enough to sustain them above the poverty line.

This cost the state more money than if it had simply squeezed the families off the rolls, as a lot of states have done. But the incomes of those going back to work were higher than before; they kept receiving benefits longer; it paid them to go to work. They were also under less stress than would have been the case had their benefits been taken away entirely, and the combination apparently had the important, though hardly surprising, effects on family life that MDRC also found.

The MDRC finding speaks to what has always been the central issue in welfare reform—not whether work is to be preferred to dependency, on which there is no dispute, but what mix of carrot and stick the government should use to induce (or force) mothers to become less dependent. It's a balancing of risks. The stricter the society is with parents, the greater the risk that some children will be left without even minimal support; the more it worries about the welfare of children, the greater the risk of allowing some indolent parents a free ride.

Our sense of the welfare reform bill of 1996 was, and continues to be, that it tilted too far in the former direction. The rolls have been hugely reduced and no doubt cleaned up in the sense that parents who didn't belong in the system—didn't really need to be on welfare—have been weeded out. The bill set the stage for this, and deserves some credit. But in the process it has put too many children needlessly at risk. The test will be when the economy weakens, and the federal safety net that used to exist beneath such children turns out not to be there.

States like Minnesota have done well by the poor in the absence of a federal program. The right national policy might have been to require all states to give the kind of support to needy families that Minnesota gives. Under current policy, states are as free to retreat from that responsibility as they choose.

The Washington Post

SUNDAY, JUNE 18, 2000

A Test for Gov. Bush

TEXAS GOV. George W. Bush likes to say that, in overseeing Texas's hyperactive death penalty system, he asks only two questions about the clemency cases that land on his desk: Is there any doubt as to the guilt of the accused? And has the convict had full access to the courts? When Mr. Bush decides this week whether to let a man named Gary Graham be put to death, we will learn something about whether this oft-repeated mantra states real principles or mere words. Because in Mr. Graham's case, there is substantial doubt about whether he committed the murder for which he has been on death row 19 years, and his access to the courts has been indisputably impaired.

Mr. Graham was sentenced to death for the 1981 killing in a parking lot of a man named Bobby Lambert. His conviction rested on the testimony of a single eyewitness—a woman named Bernadine Skillern. Ms. Skillern had caught only a fleeting glimpse of the killer's face—at night and through the windshield of her car—yet she told the jury she was certain Mr. Graham was that man. Because of Mr. Graham's inept counsel, however, the jury never learned that she had initially failed to identify him positively from a photo spread—though he was the only man in the spread who, consistent with her description, had no facial hair and a short Afro haircut. Nor did the jury hear that, when she picked him out of a lineup the following day, he was the only man present whose picture had also been in the photo spread. Two other eyewitnesses who testified at trial did not identify Mr. Graham as the killer. And the jury never heard from two other eyewitnesses, who have since filed affidavits denying that Mr. Graham was the man who shot Mr. Lambert. One does not have to suspect Ms. Skillern's truthfulness to wonder if she may be in error.

Yet in the maze of appeals this case has seen, no court has ever held a hearing to examine the evidence that has surfaced since Mr. Graham's conviction. The federal courts refused to consider it until the state courts had done so. Texas's courts, however, rejected it summarily. And by then, Congress had radically curtailed death-penalty appeals—so the federal courts refused to step in. The result is that Mr. Graham is at the brink of execution on a record that could well result in acquittal if the case were ever retried.

Mr. Bush does not have the power by himself to save Mr. Graham. Under Texas's constitution, he cannot grant clemency without the consent of the Board of Pardons and Paroles. But he can ask publicly that the board help him stop this execution. Mr. Graham presents as clear a case for clemency under Mr. Bush's own stated principles as one could imagine.

The Washington Post
Sunday, June 18, 2000

IRS wants 10% increase to stop slide

Says it needs funds for hardware, hiring

ASSOCIATED PRESS

The Internal Revenue Service chief told lawmakers yesterday the tax agency needs a budget increase of nearly 10 percent to halt a steep decline in audits and continue modernizing ancient IRS computers.

"We have to both do the modernization and enforce the tax law," IRS Commissioner Charles Rossotti told a House government reform subcommittee. "We have half the number of audits we had three years ago. We're really risking the entire tax system."

The IRS commissioner's appearance came one week before this year's April 17 income tax filing deadline, a week the Republican-led Congress traditionally use for symbol and substance. This year will see a symbolic vote on scrapping the tax code and serious consideration of a 10-year, $248 billion income tax cut for married couples.

The IRS is asking Congress for about $8.8 billion in fiscal 2001 — an increase of $769 million over last year's budget. Some of it is meant to hire almost 2,000 more people to beef up enforcement of tax laws and improve service to taxpayers. The agency also wants $119 million to continue the long-term task of replacing its 1960s main computer systems.

Without endorsing the budget request, Rep. Steve Horn, the subcommittee chairman, said lawmakers are concerned that taxpayer-friendly reforms enacted in 1998 — coupled with a reduced IRS work force — has contributed to a decline in enforcement. Mr. Horn, California Republican, said taxpayers now owe $231 billion in overdue taxes and penalties.

"Some people are now concerned that the agency has become so user-friendly that it isn't collecting enough of the tax money it is owed," Mr. Horn said.

Still, the IRS will collect a lot: Mr. Rossotti said net tax collections should top $1.6 trillion this year. About 127 million individual tax returns will be filed this year; as of April 2, the agency had received about 70.1 million.

As Americans rush to finish their returns, Republicans in Congress plan to keep focused on cutting taxes and tax reform, two of their signature issues. Highlights include:

- Votes in the Senate on legislation cutting income taxes for millions of married couples, including the 25 million who now pay more than they would if single. The bill also would permanently ensure that taxpayers could claim personal credits such as the $500-a-child tax credit without running afoul of the complex alternative minimum tax.
- Another Senate vote on whether to debate a bill pushed by Majority Leader Trent Lott, Mississippi Republican, that would roll back 4.3 cents of the federal per-gallon gas tax through the rest of the year. The bill, which faces long odds, would suspend the entire 18.4-cent tax if average prices topped $2 a gallon at the pump.
- House consideration of legislation costing $2.1 billion over five years that would expand taxpayer rights and give people new breaks on IRS penalties and interest. The House also plans symbolic votes on measures that would sunset the tax code in five years and a proposed constitutional amendment requiring a two-thirds vote of Congress to enact most tax increases.
- Three days of hearings at the House Ways and Means Committee on alternatives to the income tax, including a flat tax and a national sales tax.
- Senate Commerce Committee consideration of a bill to extend a moratorium on new Internet taxes by five years, sponsored by the panel's chairman, Arizona Republican Sen. John McCain.

The Washington Times

TUESDAY, APRIL 11, 2000

WR-Evaluations

Child-abuse and neglect cases decline for fifth year, HHS says

By Cheryl Wetzstein
THE WASHINGTON TIMES

The number of child-abuse and neglect cases fell to around 900,000 in 1998, the fifth successive year of decline, the federal government said yesterday.

The rate of children victimized by maltreatment also declined to 12.9 per 1,000 children, the lowest in more than 10 years, Health and Human Services (HHS) Secretary Donna E. Shalala said.

Not what WR skeptics predicted

These trends are due to better and earlier reporting of child abuse and neglect as well as more community-based prevention programs, Miss Shalala said yesterday at an international conference on early childhood education held at the World Bank.

More investment is needed, she added.

"Although we can be encouraged that the number of children who suffer abuse and neglect continues to decline, these numbers are still unacceptably high," she said.

The number of child fatalities caused by maltreatment remained unchanged at about 1,100, the HHS said.

Kevin Kirkpatrick, spokesman for the Chicago-based Prevent Child Abuse America, said his group sees higher estimates for abuse and neglect than the HHS but agrees that the number of cases fell in 1998.

Still, even with declines, he said, child-abuse numbers are substantially higher than 10 years ago, and rose 9 percent between 1993 and 1997 even as overall crime rates were falling by 21 percent.

"The abuse and neglect of children is probably the only violent social problem we have that hasn't improved substantially [as] overall crime statistics have improved. And that's troublesome to us," said Mr. Kirkpatrick.

"For every $1 the federal government spends on helping children after they've been abused, we only spend a penny on prevention."

Even the main vehicle for child-abuse prevention — the Child Abuse Prevention and Treatment Act — was recently funded at $68 million when it was authorized to have $166 million, he said.

The HHS said in its report that there were an estimated 2.8 million reports about possible child maltreatment to child-protective service agencies in 1998.

Sixty-six percent of those referrals were investigated.

As a result, there were an estimated 903,000 children who were found to be victims of abuse and/or neglect. This is around 11 percent lower than the record 1,018,692 child-abuse cases identified in 1993, the HHS said.

Parents continue to be the main perpetrators of child maltreatment. More than 80 percent of children are harmed by one or both of their parents.

The HHS also said that:

- More than half of the children (54 percent) suffered neglect.
- Twenty-three percent of children suffered physical abuse.
- Nearly 12 percent of the children were sexually abused.
- The most common pattern of maltreatment (45 percent) was by a female parent.

Viagra rival set to be OK'd by FDA

Medical advisers note Uprima has dangerous side effect

ASSOCIATED PRESS

A tablet called Uprima may soon be cutting into Viagra's impotence drug market, thanks to government advisers' recommendation yesterday that the tablet be allowed to sell despite some worrisome side effects.

One in 30 men who tested the optimal dose of Uprima fainted or suffered seriously low blood pressure — a few fell and hit their heads, and one crashed his car into a fence, the Food and Drug Administration says.

"There will be some people who will probably lose their lives because they pass out at the top of stairs or are operating a car" when they faint, warned Philadelphia cardiologist Dr. Peter Kowey, one of the FDA's scientific advisers.

Still, because Uprima did help some men regain erections strong enough for sexual intercourse — and because many of the nation's estimated 30 million impotent men are not helped by today's medications — the panel voted 9-3 yesterday that Uprima should sell as long as men and their doctors get strong warnings.

The FDA is not bound by its advisers' decisions but typically follows them.

Uprima manufacturer TAP Pharmaceuticals said men desperately need alternative treatments.

Viagra became a huge seller when it hit the market in 1998 as the only oral impotence treatment — and Viagra has killed some men. Viagra's big risk is a deadly interaction when taken by men using nitrate-containing heart medicine.

TAP said in studies of 3,000 patients, most that lasted a month, no one died or had heart attacks. Still, FDA's advisers couldn't say if Uprima would be any safer for nitrate-using heart patients.

But Uprima does work very differently than Viagra. Viagra increases blood flow in the penis. Uprima, in contrast, works in the brain.

"Your brain is your most important sexual organ," said Dr. Timothy Fagan of the University of Arizona, who helped test the drug for TAP, a joint venture between Abbott Laboratories and Takeda Pharmaceuticals.

Uprima is not an aphrodisiac, Dr. Fagan said. It seems to increase levels of dopamine — an important neurochemical that sends messages between cells — in a brain region thought important for causing erections.

Also unlike Viagra, Uprima is not swallowed — the tablet is dissolved under the tongue, where it seeps into the bloodstream through mouth tissue.

In studies, men who took 2 milligrams of Uprima had an erection capable of intercourse about 47 percent of the time. Success increased to 56 percent when men took four milligrams of Uprima.

The Washington Times
TUESDAY, APRIL 11, 2000

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DeParle Gets Half the Story

The *NYT* doesn't tell us what we need to know about Milwaukee's poor.

Posted Friday, December 31, 1999

Jason DeParle's *New York Times* reports on Wisconsin's radical welfare reform are typically gripping and fair. Thursday's Page One summing-up is no exception. But it also makes one of the basic errors of welfare coverage, an error that might be called the Leavers Fallacy.

Specifically, DeParle tends to judge the success of welfare reform by what happened to families that *were* on welfare before the Wisconsin reform took effect, but who then left. As Christopher Jencks and Joseph Swingle point out in the current *American Prospect*, "[t]hese families are only half the story." The other half includes those families who *would* have gone on welfare under the old system, but who now "no longer even apply for welfare." These latter families, you'd think, would tend to be more successful in the marketplace than people who now spend some time on the rolls. To really judge welfare reform, then, you have to look at what happens to *all* families who would have been on welfare under the old system, those who leave and those who never go on. Actually, you can't even stop there. You have to look at what is happening to the overall society in which those families live--at what's happening in the schools and on the streets, to poor single mothers who might get welfare, but also to single men and non-poor families who live in the same neighborhoods.

DeParle's piece has good anecdotal reportage about specific women who left welfare for work and who still have big problems. From this he concludes that welfare reform "may end up making less of a difference in the lives of the poor, socially or economically, than much of the public imagined." But his piece has very little evidence, and almost no statistical evidence, about what has happened overall to Wisconsin's poor, including those who "no longer even apply for welfare"--the other half of who "no longer even apply for welfare"--the other half of the story.

Thus, DeParle points out that "a long list of things" remains present in the lives of the poor, including "violent neighborhoods, absent fathers, bare cupboards, epidemics of depression, the temptations of drugs." That's very true. But are they getting better or worse? That is the issue, isn't it? DeParle doesn't tell us. Are the neighborhoods *more* violent? Are fathers taking *more* of an interest in their children? Are there fewer kids born without fathers present in the household? Are more mothers being beaten up by their boyfriends? Are kids doing better in school? Is the culture of drug-taking and drug-dealing becoming more or less entrenched? Are more people depressed? Hungry? Overall, how has the texture of ghetto life changed? Welfare reformers said it would be change for the better. Were they right?

Some of these things would not be difficult to report on; some would be very difficult. That's why we give Pulitzer Prizes. DeParle doesn't really seem to try to come up with much. We learn a lot about the problems in the lives of the handful of women he has chosen as his case studies--but not only are they all individual anecdotes, they are all "leavers," people who were on welfare before. The broader surveys DeParle offers are also all surveys of leavers. He offers no economic surveys of the whole population--much less social surveys of crime, marriage, and the like.

The Jencks and Swingle article provides some of that necessary missing information for the nation as a whole--as much as the existing statistics can provide. Although *American Prospect* gives the piece a sleazily slanted cover line ("Welfare Reform's Victims") the article contains more positive news than negative. "Employment among single mothers has increased more than almost anyone expected." Most single mothers are a little better off economically, but a small minority at the bottom "seem to be a little worse off." The "rise of the single-parent family may finally have been arrested," although this began in 1994, so it's not clear that welfare reform can take the credit. The most troubling statistic for reformers: In Wisconsin, the proportion of children born out of wedlock doesn't seem to have improved lately.

DeParle's one stab at a general assessment of the social health of Milwaukee's ghetto is rhetorically brilliant but ultimately unconvincing. He tracks down William Love, a bus driver who in 1998, along with two other drivers, gave the *Milwaukee Journal Sentinel* an upbeat assessment of the impact of reform on his clientele. The *Journal Sentinel* clip got passed around in pro-reform circles and wound up in a Clinton radio address. DeParle says Love is now "having doubts." Love is also a landlord, and some of his tenants, who no longer receive guaranteeed monthly welfare checks, are offering "excuses" for missing the rent. "So far, haven't seen a big difference, one way or another," he tells DeParle. It's a good shot at welfare reform cheerleaders, but ultimately my suspicion is that Mr. Love may be one of those kind interviewees who winds up telling reporters what they want to hear. (And aren't there other bus drivers to talk to, like the two drivers whose pro-reform observations in the original *Journal Sentinel* piece were actually stronger than Love's? What about local church leaders? Social workers? Cops?)

Some other beefs with Thursday's piece:

--Discussing one "leaver" survey, DeParle declares that "for most families the work has failed to translate into economic progress." These families, he says, earn "$400 less than they would have received by staying on welfare." But he later admits this figure ignores "earned-income tax credits, which at these levels typically total about $3,000 a year." Doesn't that mean families are actually $2,600 ahead? Isn't that the story?

--DeParle refers to "Milwaukee's growing homeless shelter population," but doesn't give any figures on how much it's growing. When I checked a couple of years ago, the shelter population had indeed increased, but only by a handful of families. Is the problem now more severe? Are we talking about dozens of people or thousands?

--DeParle's big concluding anecdote is the story of Michelle Crawford, "a 39-year-old Milwaukee woman who went to work last year at a plastics plant, after two decades of desperation and chronic dependence on welfare." She's still working, but DeParle notes that even though "she earned nearly $16,000 this year" she "struggles to simply keep food on the table" to feed her family. But wait a minute. DeParle also notes that her husband, Donald, recently "found a job, as a hotel maintenance man." Presumably he gets paid. How much? And doesn't that money get added to the $16,000 to help "feed her three children"? Maybe it's not enough to make a big difference, but DeParle doesn't even bother to tell us.

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WR - Evaluations

POVERTY, POLICY AND PRESIDENTIAL POWER:

AN EXAMINATION OF THE WELFARE REFORM POLICIES OF THE NIXON AND CLINTON ADMINISTRATIONS

BY ADAM THOMAS

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IN JANUARY OF 1969, RICHARD M. NIXON WAS INAUGURATED as the 37th President of the United States. In an essay published that month in *The Progressive*, Professor Reo Christenson of Miami University predicted that, "with Richard Nixon as president, the nation can expect few significant initiatives on the poverty front."[1] Indeed, if anything, one might have expected a scaling back of the programs already in place. During his presidential campaign, Nixon proclaimed that, "for those who are able to help themselves—what we need are not more millions on welfare rolls—but more millions on the payrolls in the United States of America."[2] A number of dramatic approaches to welfare reform were being discussed, including a guaranteed income and a negative income tax, but Nixon dismissed all of them, stating that he saw no "reasonable prospect" that he would advocate any such reform.[3]

In the opening phrases of his first major presidential address on welfare, Nixon remained true to form: "The present welfare system has failed us—it has fostered family breakup, has provided very little help in many states and has even deepened dependency by all too often making it more attractive to go on welfare than to go to work." [4] It was only a few sentences later, however, that the President heralded a startling "new approach" to welfare policy. The cornerstone of this approach was the proposition that the federal government ought, in Nixon's words, to "pay a basic income to welfare families who cannot care for themselves. . . . I propose that we make available an addition to the incomes of the 'working poor.'" [5] Thus did the President who had once claimed that "what we need are not more millions on welfare rolls—but more millions on the payrolls" come to advocate the Family Assistance Plan (FAP), a welfare reform proposal which, by the estimate of his own staff, would have added 7 million people to the welfare rolls.[6]

Almost a quarter-century after Professor Christenson's pessimistic prognostications, Tom Bethell of the *National Review* asserted that "there is not likely to be any welfare reform in the Clinton Administration." Despite Bill Clinton's repeated campaign pledges to "end welfare as we know it," Bethell predicted that any welfare legislation passed during the Clinton presidency would simply be "one more expansion of the welfare system" rather than a meaningful reform of it.[7] Others had already expressed similar premonitions. An October 1992 article in *The New York Times* claimed that then-candidate Clinton "has not committed himself on the crucial details that will spell the difference between significant and cosmetic change. And it is doubtful that the changes would be as bold as Mr. Clinton suggests once Congress, the bureaucracy and the budget weigh in."[8]

Notwithstanding these predictions, President Clinton signed a welfare reform bill on August 22, 1996 that, in his own words, "requires work of recipients, limits the time they can stay on welfare . . . demands personal responsibility, and puts in place tough child support enforcement measures."[9] Thus did the President from whom many expected nothing more than "cosmetic" reforms come to sign into law the Personal Responsibility and Work Opportunity Reconciliation Act, a bill which, according to *Time* magazine, "reversed 61 years of social policy by converting an open-ended guarantee of federal assistance . . . into a largely state-administered program with time limits on benefits designed to push most of the recipients into work."[10]

How is it that two of the most dramatic welfare reform proposals of the last half century drew the support of presidents who were expected to make little progress on the welfare front? More importantly, why is it that the Republican President advocated a sweepingly expansionist proposal, while the Democratic President signed a bill that marked the reversal of policies his party had supported for sixty years? The answers to these questions, when considered in tandem, paint a compelling portrait of presidential power in the late twentieth century. An examination of the welfare reform policies of the Nixon and Clinton eras teaches us two particularly valuable lessons. The first is that the influence of the modern presidency in the policymaking process is, to say the least, limited. The second is that a president's success as a policymaker and political tactician may be affected by his capacity to recognize these limitations and work within them in order to maximize the power of his office.

RICHARD NIXON AND THE FAMILY ASSISTANCE PLAN (FAP)

When Richard Nixon took office in 1969, the primary vehicle for providing subsidies to the poor was (and remained throughout his administration) the Aid to Families with Dependent Children program (AFDC). Although the program was funded federally, it was largely administered at the state level. State governments had a great deal of latitude in determining who would receive benefits, and in what form. In nearly half the states, assistance was denied to families in which the father was a member of the household. In other states, payments were disbursed only if the father was unemployed. These practices led to the accusation that AFDC encouraged fathers to abandon their families so that they could receive benefits.[11]

Another criticism of the program related to the wide disparities in benefits between states. Monthly payments at that time ranged from $720 in Mississippi to $4,332 in Michigan.[12] Consequently, critics claimed that the program was severely inequitable. Nixon acknowledged this problem in his speech introducing FAP, saying that, "In many areas, benefits are so low that we have hardly begun to take care of the dependent."[13] The President's plan sought to replace the AFDC system with direct payments undergirded by a minimum requirement of $1600 for all states.[14] The proposal also entailed stricter work requirements and an expansion of the food stamp program. The increases in total benefits (including food stamps) were designed to ensure that subsidies for a family of four totaled at least $2,464 per year.[15] The payments were to be disbursed to both the unemployed and the working poor. All families earning below $720 a year were to have received the full benefit, while half of any income earned above that threshold was to be applied to a reduction in additional benefits.[16]

Inherent in this proposal was the marked expansion of welfare provision in the United States. Three times as many children, for instance, would have been eligible for AFDC payments than was the case under the current system.[17] Historian Tom Wicker has written that, despite past promises to the contrary, "for the first time in American history, a president was proposing—though he carefully avoided the term—a guaranteed annual income."[18] The expansionist tenor and sweeping scope of the plan were a surprise to a great many people. According to historian Stephen A. Ambrose, when Nixon told his own cabinet about FAP, "nearly all were opposed, skeptical, shocked, or sat in stunned silence."[19] The benefit of historical hindsight sheds some light on this matter, indicating that the President decided to support FAP in part because he sincerely believed in the merits of the proposal, and in part because of the limitations inherent to his office.

One of the most important reasons for Nixon's decision to support FAP was that it appealed to his genuine sense of sympathy for the poor, which was based at least partially upon his own experience. In a 1968 campaign film, he declared that "We were poor . . . We had very little. . . . We had to learn the value of money."[20] In a memorandum to speechwriter Ray Price, he recalled the challenges his family faced in his youth: "In the depression years I remember when my brother had tuberculosis for five years and we had to keep him in a hospital, my mother didn't buy a new dress for five years. We were really quite desperately poor."[21] Thus, writes Wicker, Richard Nixon "brought to the White House—though it was largely unrealized by the public . . . a considerable empathy for the poor."[22]

"Although he empathized with the poor, Nixon despised the "bureaucratic class" whom he perceived to advocate their interests."

Although he empathized with the poor, Nixon despised the "bureaucratic class" whom he perceived to advocate their interests. This post-materialist class—well educated, well off, and politically active—bore the brunt of some of Nixon's most savage vitriol. The following quote, in which Nixon talks about social workers, exemplifies his penchant for dividing people into two clearly differentiable groups - one meriting compassion, and the other warranting reproach:

> They earn very good livings making the black poor feel put upon, when they are, which is often the case, and also when they are not. . . . On average, I would suppose, for example, that white women who teach Head Start children earn about three times as much per hour as the black men who fathered the children.[23]

The Family Assistance Plan allowed Nixon to give everyone what he perceived to be his or her just rewards. First, it entailed a substantial increase in funding for the poor, and second, to the extent that it streamlined and standardized the allocation of benefits, it limited the power of the bureaucracy. In the President's words, the plan was designed to "eliminate social workers' snooping which is essentially berating."[24]

The fact remains, however, that Nixon had once dismissed outright the possibility of pursuing anything so bold as FAP, and it is hard to believe that his empathy for the poor and his distrust of the bureaucracy were so compelling as to convince him spontaneously to change his mind. Rather, it seems more likely that his decision was affected by an array of factors of which these were only a few. Any examination of this affair would be incomplete, for instance, without considering the instrumental role played by the President's advisers. One of the most influential of those advisers was Daniel Patrick Moynihan, a Harvard professor whose work was introduced to Nixon by domestic policy adviser Martin Anderson.[25] A liberal Ivy League scholar with ties to both the Kennedy and Johnson administrations, Moynihan was not exactly the prototypical Nixon administration official. Nixon's original attraction to him was rooted in Moynihan's strident criticism of the welfare establishment and of the consensus upon which it was built.[26] Ultimately, however, Ambrose attributes the hiring of Moynihan to his personal charm: "Nixon, like most people, was drawn by Moynihan's gift for gab, by the brilliance of his mind, by his uncompromising honesty, by his pixie qualities, and the originality of his thought."[27]

Nixon appointed Moynihan to the chairmanship of the Urban Affairs Council (UAC), where he quickly forged an alliance with Robert Finch, Nixon's Secretary of Health, Education and Welfare (HEW). A faction formed within the administration in opposition to Moynihan and Finch's relatively liberal coalition. That faction was headed by economist Arthur Burns—Counselor to the President—and, ironically, Martin Anderson. Brookings Institution analyst A. James Reichley maintains that Nixon "deliberately set up competition between Burns and Moynihan as an administrative technique—like Franklin Roosevelt's practice of playing one adviser off against another."[28]

Moynihan and Finch began formulating plans to craft a welfare reform proposal involving a negative income tax. In March of 1969, Moynihan presented the Family Security System proposal to the UAC. A master rhetorician, he was able to pass off his sweeping proposal as moderate and uncontroversial. Anderson, who was present at the meeting, recalled that "Moynihan laid out this plan which was contrary to the whole thrust of the campaign and the administration, as I understood it. To my astonishment, all of the people sitting around the table . . . began nodding in agreement. They simply did not grasp that what he was talking about was a negative income tax."[29]

Burns formulated a rival proposal that established national welfare standards, mandated federal revenue sharing with state governments, and pushed for the expansion of federal work-training programs. The proposal represented a far less substantive break with precedent than did Moynihan's, and Secretary of Defense Melvin Laird criticized it as "an affirmation of the past."[30] In the end, Nixon turned to Secretary of Labor George Schultz for a final recommendation as to which of the two plans to select. Schultz recommended that the President adopt Moynihan's position while incorporating elements of the Burns plan into the final draft. Nixon agreed with Schultz's recommendation and gave the order to proceed as such. In its final form, the proposal, whose name was changed to the "Family Assistance Plan" in an effort to present it in more benign terms, involved both income support *and* national standards; it was both a reformation *and* an affirmation of the system already in place.[31]

"Clinton's critics pointed out that, for all the apparent specificity of his proposals, he had left himself considerable room within which to maneuver."

Moynihan's role was pivotal throughout this process. He was, to a large extent, responsible for Nixon's decision. He submitted numerous missives skillfully stroking Nixon's ego. He told Nixon that it was his destiny to play the role of an American Disraeli—a "Tory man with liberal policies."[32] He convinced the President that FAP would "strike a hard blow at the welfare bureaucracy."[33] He appealed in one memo to what Wicker describes as "the President's well-documented love for the big, jaw-dropping gesture" by writing in all capital letters that supporting FAP was "THE SINGLE MOST DRAMATIC MOVE YOU COULD MAKE."[34]

It is entirely possible that Nixon was *too* dependent upon the advice of his staff. Historian Joan Hoff-Wilson asserts that, by the time the debate over welfare reform reached its most contentious stage, "it had become impossible for the President to distinguish between impressionistic and substantive advice from his own staff."[35] Reflecting on his time in the Nixon administration, Arthur Burns claims that he was sometimes uncomfortable with the readiness with which the President embraced his opinion without prolonged consideration: "The President sometimes would accept my arguments without hearing them out. . . . This bothered me. . . . It was wrong of the President to make decisions without being fully acquainted with the problem."[36]

Burns' statement illustrates one of the limitations of the modern presidency and illuminates one of the traps into which contemporary presidents sometimes fall. Presidents must make decisions on a wide range of issues and are often compelled to rely heavily on others for information and analysis. Their authority is diminished to the extent that they stray from the fine line that separates effective delegation of decision making power from abdication of one's personal investment in those decisions. In this instance, it is clear that Moynihan played a significant role in Nixon's decision making process. It is an open question as to whether that role was *too* significant.

While Nixon's position on welfare reform may have been affected by those around him, the principles underlying FAP were not entirely out of sync with his own overarching conservatism. After all, the notion of a negative income tax was first forwarded by Milton Friedman, the patriarch of conservative thought in post-war America.[37] It is also important to remember, however, that President Nixon came to power during a period of dramatic public sector growth. The argument between Nixon and his political opponents was rarely about whether the government ought to expand or shrink; few questioned the merits (or at least the inevitability) of government growth. Rather, the debate more often centered on the question as to how much the government should grow, and at what rate. In response to FAP, for example, Democratic presidential nominee George McGovern proposed an even more expansive program with even higher subsidy levels.[38] One could argue, then, that to be a conservative during the Nixon era was to argue not for the dismantling of the welfare state, but for a different and more tempered incarnation of expansionism. Unable to recast the fundamental terms of the political debate of his day, Nixon was constrained instead to work within its parameters. In this respect, his support for FAP was as much a simple acceptance of the political center of gravity as it was a bold stroke of leadership.

In the end, of course, President Nixon is not best remembered for his innovations in welfare policy. His historical legacy was of a different nature than he had either hoped or anticipated. Even had the scandal of Watergate not darkened his presidency, FAP was never destined to have been regarded as one of the highlights of Nixon's tenure in the White House, because it was never enacted. It was twice passed by the House and held up by the Senate Finance Committee, which refused to send it to the Senate floor for a vote. The full Senate then deleted a compromise version of the plan from a larger spending bill, effectively marking the end of the legislative life of the Family Assistance Plan.[39]

According to Wicker, "the overriding barrier to congressional approval [of FAP] was a strange but potent liberal-conservative alliance that sprang from the nature of the proposal."[40] Conservatives, he said, had numerous reasons to oppose FAP. Not least among them was the argument—forwarded fervently by Governor Ronald Reagan of California—that it was far too expensive and would encourage idleness among the program's beneficiaries.[41] Liberals, meanwhile, complained that the work requirement was too stiff, and that the subsidies were too small.[42] This odd coalition of Democrats and Republicans was strong enough to defeat the President's plan by ensuring that it never made it on to the Senate floor in a palatable form.

Nevertheless, political scientist Carl Lieberman maintains that, above and beyond the obstructive machinations of the bill's opponents, one must consider the wider context in which Nixon was attempting to make policy:

> If a president has a good working relationship with major constituencies - the electorate, his party organization, the news media, Congress, and the bureaucracy - he probably stands a better chance of overcoming the structural, political, and ideological obstacles that stand in his way. Unfortunately for Richard Nixon, either the relationships were never good, or they deteriorated during his second term as a result of Watergate.[43]

If Lieberman's claim is true, then the successful realization of an undertaking as momentous as FAP required more than the simple support of the Oval Office. Richard Nixon—a conservative President who had, throughout his political career, made enemies at a remarkable rate—had little hope of passing a major reform premised at least partly upon distinctly liberal dispositions.

BILL CLINTON AND THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT

Despite the Nixon administration's failure to secure the passage of FAP, the number of AFDC recipients remained relatively stable from 1971 to 1989. Nevertheless, that number swelled by 30 percent over the subsequent five years, and, by the time Bill Clinton took office in 1993, nearly one in every seven children was receiving welfare benefits. In total, fourteen million people were on the welfare rolls, and the annual cost of the program had grown to almost $26 billion. *Congressional Quarterly* reported that a broad consensus was developing among Democrats and Republicans alike that the system was broken and that "the time is ripe to attempt welfare reform."[44]

That President Clinton at least ostensibly embraced this consensus should have come as no great surprise. As a candidate, he promised to fulfill his pledge to "end welfare as we know it" by placing time limits on welfare benefits, expanding job training programs, sanctioning recipients who did not find work once their time limits had expired, and guaranteeing jobs to welfare recipients by offering them community service jobs in the absence of offers from the private sector. One could even find in Clinton's plans a distant echo of FAP—he proposed to guarantee all workers a minimum income by expanding the Earned Income Tax Credit (a tax credit for the working poor) in order to raise the earnings of all full time workers to at least $13,924.[45]

Later on in the campaign, though, he admitted that his proposals, which carried with them an estimated price tag of six billion dollars, might not be affordable.[46] Some critics pointed out that for all the apparent specificity of his proposals, he had left himself considerable room within which to maneuver. For example, he did not specifically define what "sanctions" he would impose upon recipients who did not find work within the allotted period of time. Nor did he say who might be exempt from the work requirements, or whether the job training programs would be mandatory for all AFDC recipients.[47]

President Clinton did little to assuage his critics' concerns during the early part of his first term. The five-year budget plan he released in April of 1993 was devoid of any mention of welfare reform.[48] The administration focused most of its attention during its first two years on the ill-fated health care initiative rather than on welfare, prompting loud protests from Senator Daniel Patrick Moynihan (D-NY), who as chairman of the Senate Finance Committee (the very committee that had prevented the passage of the Family Assistance Plan), threatened to "hold health care hostage" until the administration produced a welfare reform bill.[49] "We don't have a health care crisis in this country," asserted Moynihan. "We do have a welfare crisis. And we can do both."[50]

The President did eventually formulate a welfare reform plan, which he unveiled in June of 1994. It was similar to the one he had proposed during his campaign, with a two-year time limit on benefits and an aggressive jobs program. *The Economist* claimed that the President's proposal amounted to "one of the most radical welfare plans ever proposed by an American president."[51] However, many conservatives were dissatisfied with it. The *National Review* complained that the work requirement amounted to only fifteen hours per week, and that it would apply to barely six percent of AFDC recipients because it was so riddled with loopholes.[52] Moreover, the proposal entailed spending increases that were unacceptable to many Republicans. According to *Congressional Quarterly*, "helping move people from welfare to jobs—with training, child-care help and other assistance—promised to cost the federal government more, not less. . . . And Republicans were looking at welfare reform as a way to save billions of dollars in federal spending."[53]

The President's plan made no legislative progress that year. After the midterm elections of 1994, the political landscape—and the nature of the debate over welfare - had shifted dramatically. Having assumed a majority in both houses of Congress, the Republicans made welfare reform a high priority. In late 1995, Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act on largely party line votes. The bill imposed time limits on benefits, and via the mechanism of block grant funding, devolved to the states all responsibility for the provision of welfare services. Among the bill's more contentious components were provisions denying services to noncitizens, drug addicts, children, and the disabled.[54] Clinton vetoed the bill twice, first as part of a budget reconciliation bill, and then as a stand-alone bill passed by Congress after the initial veto.[55] In a statement accompanying his second veto, the President said that, while the bill contained many elements which he supported (such as time limits and work requirements), it also included unacceptable cuts in health care, food stamps, tax credits for the working poor, and benefits for children and immigrants.[56]

The President delivered his second veto on January 6, 1996. Congress took up the question of welfare reform again in May of that year and added provisions to the bill addressing the President's concerns. These changes included the elimination of a proposed cap in annual spending on food stamps and a partial restoration of services for children and the disabled. Nevertheless, the bill still contained substantial cuts in welfare programs, and it retained the provision denying benefits to legal immigrants.[57] It was eventually passed by both houses of Congress with the support of all congressional Republicans and about half of the Democrats.[58]

After weeks of irresolution, the President announced on July 22 that he had decided to sign the bill. In so doing, however, he pursued the unique tack of praising *and* condemning simultaneously the legislation to which he had just put his name: "This act honors my basic principles of real welfare reform. . . . I am proud to have signed this legislation. . . . I am doing so, however, with strong objections to certain provisions."[59] Among the provisions to which the President objected were the cuts to the food stamp program (although the cuts were not as deep as in the original bill) and the denial of provisions to legal immigrants.[60] Nonetheless, he declared that the bill represented "not simply the ending of a system which too often hurts those it is supposed to help, but the beginning of a new era in which welfare will become what it was meant to be: a second chance, not a way of life."[61]

Congressional Quarterly projected that the bill was going to create about $54.6 billion in savings by 2002—a far cry from six billion dollars in *increased* spending that candidate Clinton had advocated in 1992. Senator Moynihan decried the bill's passage, declaring that "this is not welfare reform, but a welfare repeal. It is the first step in dismantling the social contract that has been in place in the United States since at least the 1930s."[62] How was it that a president from Moynihan's own party—the party largely responsible for the creation and growth of social welfare programs in the United States—came to sign a retractive Republican welfare reform bill?

One oft-cited explanation is that of political expediency. His campaign pledge to "end welfare as we know it" had contributed powerfully to the image of Bill Clinton as a "New Democrat," which, in turn, helped him win the White House. He was up for reelection in 1996, and he needed to be able to demonstrate to the public that he was capable of making good on his promise, and so he did. Clinton's signing of the welfare reform bill was regarded by many as the final nail in the coffin of the Dole campaign. In fact, Bob Dole was actually *hoping* for a veto from the President on the very bill which he, as Senate Majority

Leader, had helped to craft.[63] "Bill Clinton's signature on the Republican-drafted welfare-reform bill turned out to be so popular," wrote journalist George Church, "that the President bragged about it over and over to enthusiastic crowds."[64] *The Economist* claimed that, to the extent that the President's decision was to be a defining one, "it is most likely to prove, once and for all, not that he is a New Democrat . . . but that he is what everyone knew him to be all along: a consummate politician."[65]

Nevertheless, it would be difficult to ascribe the President's decision solely to callous political maneuvering. By the time he signed the bill, he was already well ahead of Dole in the polls, and many believe that his signature was not necessary to secure reelection.[66] His decision was surely based at least in part on the fact that he actually *agreed* with much of the substance of the legislation, just as Nixon genuinely approved of many elements of FAP. Clinton had always advocated transforming the system in order to make it incumbent upon able-bodied recipients to find work within a specified period of time. In this respect, the end (and even some of the means) of the bill were not unlike those that the President had always advocated. With the Republicans comfortably ensconced in the majority in Congress, he may have perceived this to be his final opportunity to enact real reform, flawed though it might be. This was the explanation that the President himself offered when he said upon signing the bill that, despite his strong objection to certain provisions, he was doing so, because "the current welfare system is fundamentally broken, and this may be our last best chance to set it straight."[67]

"Just as Daniel Patrick Moynihan had been a gadfly for reform for the Nixon Administration, so was Dick Morris for the Clinton Administration."

Another parallel with the circumstances surrounding FAP is the crucial importance of the President's staff in his decision to sign the bill. Just as Daniel Patrick Moynihan had been a gadfly for reform for the Nixon administration, so was Dick Morris for the Clinton administration. Morris was a political consultant from Connecticut who had first worked for Clinton during his initial gubernatorial campaign. Like Moynihan, Morris was more often associated with the President's opponents than he was with the President. He worked almost exclusively for Republicans, and like Moynihan, he had a keen ability to channel the President's longing for renown into specific policy stances.[68]

He had cautioned the President that the Democrats were going to suffer heavy losses in the midterm elections of 1994, and his prediction turned out to be true. "It was in this fallow stage of his presidency," writes journalist John Hohenberg, "that he decided to experiment with some . . . Republican ideas."[69] Put another way, it was at this stage of his presidency that Clinton turned to Dick Morris. Morris warned the President that he had drifted too far to the left. The liberal consensus that had once dominated the political debate had dissipated, and the President could not govern effectively until he accepted this reality. He encouraged the President to adopt a political strategy called "triangulation": the appropriation and synthesis of the best elements of traditional liberal and conservative thought in order to create a new ideological paradigm. This notion appealed to Clinton, who thought of himself as an innovative and transformational leader. In order for this strategy to succeed, Morris told the President, he was going to have to rethink his approach to welfare, which, he said, had become a loser for Democrats.[70]

He stressed this point to Clinton at every turn. Journalist Bob Woodward writes that Morris was at one point "literally begging him" to sign the Republican welfare reform bill.[71] Senior Presidential Adviser George Stephanopoulos and Deputy Chief of Staff Harold Ickes, two of the most liberal members of the White House staff, took up the mantle of Martin Anderson and Arthur Burns. They became foils for Morris in much the same way that Anderson and Burns had done for Moynihan. Stephanopoulos, writes Woodward, "was going through hell with . . . Dick Morris . . . Clinton obviously trusted Morris's instincts on how to position himself. . . . Previously, instincts had been part of the Stephanopoulos portfolio.[72] Stephanopoulos and Ickes urged the President not to sign the welfare reform bill, arguing that it was bad policy, and that signing it could only enhance his reputation for waffling on controversial issues.[73]

After vetoing the first two versions of the bill, the President put off his decision on the third iteration for months. When it became evident that the bill's passage was imminent—a vote was possible within a number of hours - he convened a meeting of five cabinet secretaries and five key advisers. He gave each one the opportunity to voice his or her opinions on the bill. Secretary of Treasury Robert Rubin, Secretary of Health and Human Services Donna Shalala, and Housing Secretary Henry Cisneros all counseled a veto, while Secretary of Commerce Mickey Kantor and policy adviser Bruce Reed recommended that he sign it. Shortly after the meeting ended, he told Vice President Gore that he had decided to sign the bill. He formally announced his decision shortly thereafter.[74] Some of the meeting's attendees thought that the President had already made up his mind by the time they were convened, while others were convinced that, despite Morris's admonitions, he had been as yet undecided. Regardless, it seems that at the very least, Morris had a meaningful impact on the President's decision to sign the bill, just as Moynihan had been instrumental in Nixon's decision to support FAP.

Ultimately, it was probably a mixture of the influence of the President's staff, the weight of political considerations, and the impact of Clinton's own policy priorities that led him to sign the bill. The legislation contained enough appealing elements that he was unable to dismiss it out of hand. Additionally, Morris had convinced him that signing it would guarantee him reelection and provide him with an opportunity to move the Democratic Party closer to the political center. As Hohenberg put it, "with the aid of Dick Morris . . . he had brought his party back from the dismal swamp of defeat in the 1994 congressional elections. Could so promising a trend now be abandoned?"[75] Apparently not.

RICHARD NIXON AND BILL CLINTON: CONTRASTING ARCHETYPES OF CONSTRAINED LEADERSHIP

From now on, any comparisons of Bill Clinton and Richard Nixon will almost inevitably begin with the observation that both their presidencies were marred by debilitating political scandals. They have much more in common, however, than this singularly unfortunate distinction. Both men struggled to reconcile their own ideological predisposition with the prevailing views of their time. Both were forced to work with a legislative branch controlled by the opposition party. Both yearned to leave a lasting mark on their nation's history, in the hope that those who record that history might look favorably upon their legacies. In endeavoring to create lasting legacies for themselves, both Clinton and Nixon found that their ability to lead was circumscribed by a set of inalterable parameters. They could not govern without working with a hostile Congress. They could not make decisions without relying on the counsel of advisers who measured their success according to the extent to which they were able to sway the President to their own point of view. And they could not act without first considering political ramifications of their actions—to do otherwise would surely doom their efforts to failure, as was the case with FAP.

Political scientist Stephen Skrowronek has examined the boundaries that constrain all modern Presidents. Hearkening back to Lieberman's discussion of the "structural, political, and ideological obstacles" with which Nixon had to deal, Skrowronek contends that presidential leadership has become stifled by all the "systems and processes" that now represent the interests of those who have a stake in the activities of the federal government. He asserts that these barriers are so imposing as to have brought about "the practical disintegration" of Presidents' authority to govern in the latter part of the twentieth century.[76] If Skrowronek is correct, then we cannot attribute to Presidents Nixon and Clinton a great deal of responsibility for the policies of their administrations. Those policies were, instead, the inevitable result of "systems and processes" over which they had little—if any—control.

In a certain sense, this is true. President Nixon ultimately failed to reform the system, and, for all President Clinton's languished soul-searching, the simple fact of the matter is that the final vote on the Republican bill was decisive enough to override a presidential veto.[77] Moynihan and Morris serve as powerful metaphors for the forces that confined these Presidents. Moynihan was, for Nixon, the voice of the liberal consensus of the day, and Morris was Clinton's anchor to the political center. Moynihan's portrait of Nixon as a "Tory man with liberal policies" and Morris's grandiose talk of ideological triangulation were, once distilled, nothing more than injunctions to embrace boldly the institutional and political boundaries within which the modern presidency must operate. Upon embracing them, a Republican may suddenly find himself fighting for guaranteed annual income, and a Democrat might hear himself heralding proudly the rewriting of the social contract to which his party has staked its legitimacy for over half a century.

Yet, having embarked upon this course, Presidents Clinton and Nixon met with differing degrees of success. In the simplest terms, it was Bill Clinton, not Richard Nixon, who actually signed sweeping welfare reform legislation. Once Nixon's FAP failed, he opted not to pursue further any major welfare legislation, and he directed his staff to "Flush it. Blame it on the budget."[78] But Clinton, having made no progress on his own proposal and having already vetoed two Republican welfare bills, elected to sign the 1996 bill because, he said, it was the country's "last, best hope" for real welfare reform.

Furthermore, it was Clinton, not Nixon, who was able to capitalize politically upon the difficult situation in which he found himself. After the death of FAP, Nixon just blamed "the damn social workers," and resigned himself to failure, reasoning that "politically, I wasn't going to pick up by reason of my support of FAP . . . a substantial number of the liberal democrats."[79] Clinton, however, ever the political animal, was able to turn the systemic weaknesses of his office into a political asset by signing a bill for which he claimed to have only partial responsibility. He took credit for the creditable elements of the bill and disavowed the rest. Having done so, he enhanced his own popularity (thereby improving his chances for reelection) and he furthered the Morris strategy of repositioning his party closer to the middle of the political spectrum. To the extent that the President's victory in 1996 and the Congressional Democrats' surprising success in 1998 can be attributed to the party's having successfully rehabilitated itself, Bill Clinton's decision to sign the welfare reform bill stands as a testament to his political mastery. Unlike Nixon, he recognized his limits and worked within them, endorsing a reform of welfare policy that was far from "cosmetic" and scoring a political victory for himself and his party.

This is not in any way to say that the Personal Responsibility and Work Opportunity Reconciliation Act was necessarily a good thing for the country, or for those to whom the President and Congressional Republicans claimed it would extend a "second chance." It remains to be seen whether the now-falling welfare rolls truly reflect an amelioration in the lives of the nation's poor. Nor is it yet apparent whether the President will be able to keep his promise to soften the impact of the harshest elements of the bill. President Clinton is to be respected for his political prowess; it remains to be seen whether he is likewise to be commended for his policy leadership. In either case, however, he was at least successful in achieving some sort of reform, and in turning the situation to his political advantage. Nixon, meanwhile, deserves credit for the fact that, despite the enormous controversy it generated even within his own administration, he was bold enough to support truly progressive and transformational welfare legislation, largely, it seems, because he simply believed that it was the right thing to do.

The welfare reform policies of the Nixon and Clinton administrations provide us with a number of insights into the distinctive nature of the modern presidency, and into the distinct natures of two modern presidents. Richard Nixon and Bill Clinton faced many of the same institutional and systemic constraints, but they dealt with them in different ways. In many respects, Clinton comes across as the more savvy of the two presidents, and Nixon (perhaps surprisingly) as the more principled. Ultimately, the stories of the Family Assistance Plan and the Personal Responsibility and Work Opportunity Reconciliation Act demonstrate that the presidency is but one cog in the complex policymaking machinery of the federal government. It is for each individual occupant of that office to determine how best to utilize his or her constrained policymaking and political authority. It will be the task of future presidents to take up the mantle of their predecessors and continue the struggle to unlock the full potential of the modern presidency. **LBJ**

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WR-Evaluations

Monday, August 16, 1999

WASHINGTON OUTLOOK

Welfare Reform Makes a Case for Boosting Welfare of Working Poor

In the Urban Institute study, surprisingly few former recipients were receiving the Medicaid and food stamps for which they remain eligible.

By RONALD BROWNSTEIN

When the nonpartisan Urban Institute recently released the most detailed study yet of women who have left the welfare rolls, it offered ammunition to both critics and supporters of the landmark 1996 welfare reform law.

Supporters pointed to the findings that 71% of the women who had left welfare from 1995 through 1997 were still off the dole--and that 61% of them were working, at wages significantly above their welfare benefit, and comparable to the wages for all low-income working families. Critics noted that fewer than one-quarter of the former recipients had health insurance in their new jobs, and that about a third reported economic strains such as being forced to reduce the size of meals at some point in the last year.

Yet, those economic difficulties were not significantly greater than those reported by other low-income working families who had not been on welfare recently. And that convergence points toward what may be the most important lesson of the Urban Institute study: the need for policies to bolster all working families struggling to stay out of poverty. One of the unanticipated benefits of welfare reform may be to bring that need into clearer focus.

Few issues in Bill Clinton's presidency have generated more anger on the left than his decision to sign the welfare reform bill--which ended the federal entitlement to welfare, imposed strict work requirements on recipients and set a five-year lifetime limit for aid. That liberal resistance is flaring again in the Democratic presidential race, with former Sen. Bill Bradley, who voted against the bill in 1996, continuing to criticize it. Yet the irony is that welfare reform, by moving millions of welfare recipients into the work force, may strengthen the case for one of the left's top priorities: supporting the working poor.

Before welfare reform, the campaign dialogue about poverty inevitably collapsed into an argument about whether welfare recipients should be compelled to work. But now that work is required, there's more discussion in both parties about ensuring that work is more rewarding than welfare. When liberal Sen. Paul Wellstone (D-Minn.) says that "if people work hard, they shouldn't be poor in America," he expresses a sentiment with far more popular support than the idea that no one on welfare

far more popular support than the idea that no one on welfare should be poor.

That's evident even in the actions of a Republican-controlled Congress usually skeptical of new federal initiatives. Since 1996, Congress has approved an increase in the minimum wage, a $24-billion program to provide health insurance for the children of working poor families, and a measure permitting states to use federal Medicaid dollars to cover working poor adults (which six states, including California, have now done.)

In 2000, both Bradley and Democratic opponent Al Gore are looking to do more. Gore has already called for a $1 hike in the minimum wage, an increase in the earned-income tax credit for married couples and government funding for universal preschool--which could ease the day-care crunch for working parents. Bradley is mulling his own proposals to raise incomes, subsidize day care and provide health care to low-income families.

Yet Bradley has taken a long step away from Gore by challenging the welfare reform law itself. Aides say Bradley hasn't decided how, if at all, he'd seek to revise the welfare law. But in an interview, he made clear that his objections to the law are fundamental--so much so they would demand basic changes if he acted upon them as president.

Bradley criticizes the decision to end the federal entitlement to welfare, the time limits and the bill's core provision--the requirement that recipients accept work within two years. "We know the most important period in a child's life is from birth till age 3, and that's when the bond between the mother and the child is absolutely critical," Bradley says. "What this bill does is break that bond." Asked whether the problem is a shortage of adequate day care or the basic requirement that mothers on welfare leave the home to accept work, Bradley insists: "Both."

In a separate interview, Gore planted himself firmly on the opposite side. He expressed puzzlement about Bradley's objection to the law's two-year work requirement by noting that both partners now work in "7 of 10 American families with two parents"--and that few of them are given two years of maternity leave. And he responded with an unequivocal "yes" when asked if he would maintain the time limits. Those limits, Gore said, are "important as a signal that [welfare] is a way station, not a way of life. And there are sufficient exceptions for the cases where really the time limit is not appropriate."

While the spectacular decline in the welfare caseload (down 40% since 1996) has attracted justified applause, the early studies of the law's impact do raise some warning signs. In the Urban Institute study, surprisingly few former recipients were receiving the Medicaid and food stamps for which they remain eligible; as Bob Greenstein, director of the Center on Budget and Policy Priorities, points out, that highlights the need for more effort by states to sign up all working poor adults eligible for that aid. Likewise, evidence suggesting that the very poorest single-mother families may be growing even poorer since 1995 shows the need for states to target more of their mounting welfare block grant surpluses toward training and wage support for those with the fewest skills.

The debate ahead for Democrats may be whether these problems demand a basic reconsideration of the welfare law. There's clearly a liberal constituency still hostile to the reform. But proposing to loosen the work requirements or time limits could be risky for Bradley even in a Democratic primary (to say nothing of a general election); in one poll last year, 74% of Democrats said they wanted the next president to maintain the welfare time limits.

The larger question for Bradley is whether a frontal assault on the welfare law could threaten his broader cause of assembling a "great coalition" to attack poverty. Without moving more families from welfare to work, it will be difficult to significantly reduce poverty. (In no state is the welfare grant large enough to lift a family over the poverty line.) It's reasonable to ask government to do more for families that work hard for low wages. But if Democrats retreat from the principle that anyone who can work has a responsibility to work, they could find it much tougher to argue that government itself must shoulder more responsibility to uplift the poor.

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WR-Evaluations

Welfare Reform Has Already Achieved Major Successes: A House Republican Assessment of the Effects of Welfare Reform

Nancy L. Johnson
Bill Archer
E. Clay Shaw, Jr.
J. Dennis Hastert

May 27, 1999

Executive Summary

After nearly 2 years of partisan debate, the Republican welfare reform bill, which had been developed by a series of House Republican task forces and legislative initiatives extending back to 1988, was passed by Congress and signed into law by President Clinton on August 22, 1996. After years of struggle by Democrats to build and then protect an entitlement-based welfare system in which young people were allowed to have children they could not support and to avoid work, a revolutionary new law was passed that transformed a major entitlement program and required welfare recipients to work for their checks. The essential features of the new law were an end of legal entitlement to cash welfare, a block grant with fixed funding, mandatory work requirements, strong sanctions on both states and individuals if work requirements were not met, and a 5-year limit on cash benefits.

It has now been more than 5 years since a majority of states got a head start in implementing strong welfare-to-work programs by acquiring waivers from previous law, nearly 3 years since enactment of the national welfare reform law, and almost 2 years since all states were required to implement its essential features. A review of available evidence demonstrates that the 1996 law has already produced many striking successes. It has converted most local welfare offices from check-writing operations into welfare-to-work programs; produced by far the greatest exodus from the rolls in the history of any American welfare program; resulted in a substantial increase in per family funding; played a major role in an unprecedented increase in labor force participation by low-income, especially never-married, mothers; been associated with important declines in poverty, especially among black children; and may have influenced a historic reversal in illegitimate births. These dramatic successes were produced by the Republican revolution in welfare work requirements combined with the system of federal work support programs that provides cash tax credits, health insurance, child care, and other benefits to low-wage working families.

Although continued action is required to solidify and expand the early successes of welfare reform, it is not too early to conclude that the 1996 welfare reform law is one of the most successful pieces of social legislation in American history.

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Introduction

The welfare reform debate of 1995-96 was one of the most partisan Congressional debates in memory. Seldom has a Congressional debate offered such clear differences between Republicans and Democrats. Democrats were defending an entitlement-based welfare system that had been constructed over a 60-year period, primarily by Democratic Presidents and Congresses, but with occasional help from Republicans. By contrast, Republicans wanted to fundamentally reform the welfare entitlement system constructed by Democrats over more than six decades. ?

At the heart of the Democrat's welfare system was the philosophy that all citizens were entitled to welfare benefits if they were poor or had low income. This system was especially generous in the case of families with children. Specifically, single mothers with children were entitled to cash welfare, food stamps, and Medicaid health insurance, a package of benefits worth about $12,000 in the average state in 1995. These entitlements were the mountain in a landscape of programs which provided most poor and low-income individuals and families with cash, health care, food, housing, training, education, and social services.

Between the beginning of the New Deal in 1935 and the Republican takeover of Congress in 1995, the welfare debate at the federal level was addressed primarily to the questions: How many programs? and How much spending? With the important exception of the welfare reform debate of 1987-88, welfare politics throughout this period concerned primarily how much money the nation should spend clothing, feeding, housing, and providing other benefits to the poor. On the eve of the Republican takeover of Congress, there were well over 300 federal programs that provided means-tested benefits and combined federal and state spending on means-tested programs was $350 billion. This proliferation of programs and rapid growth of spending emboldened Republicans to question the effectiveness of the federal role in social policy, and even to question the entitlement philosophy at the center of the nation's welfare policy.

Another major development during this period was that the original cash welfare program for single mothers and children, created by President Roosevelt in 1935, was intended primarily to help widows so they could stay at home and rear their children. But the program changed dramatically over the years: by 1961 nearly 2/3rds of the mothers on welfare had children with able-bodied living fathers. Many of these mothers, in fact, had never been married.

As married mothers with children began to join the workforce in ever growing numbers in the years after roughly 1970, the justification for them paying higher taxes so that nonworking and unmarried mothers could stay home with their children rapidly became outdated. By the 1970s, many Americans began to question why young, able-bodied mothers should not be expected to work and why the father of their children should not be expected to pay child support. Between the early 1970s and 1988, Congress frequently debated, and occasionally enacted, legislation designed to force fathers to pay child support and require mothers to work or prepare for work. The work programs, however, were largely ineffective and as the welfare rolls grew rapidly during these years very few mothers on welfare actually worked.

1988-1995: Republicans Develop Their Welfare Reform Ideas

The welfare reform debate that resulted in the Family Support Act of 1988 was the first sign that Republicans were beginning to get some traction in their challenge of the entitlement system. Led by Republican members from several committees with jurisdiction over welfare programs, House Republicans argued that the entitlement philosophy was deeply flawed. Such a system permitted young people who did not prepare for work, did not work, and had children they could not support to be given enough money and benefits to support themselves and their children. As a result of this system, in the crucial years when most young Americans were learning to support themselves and to form and support families, a significant fraction of young adults, often those concentrated in inner-city neighborhoods, simply learned to live off welfare. In doing so, they avoided both work and marriage.

The solution that came to enjoy increasing support among Republicans was to require able-bodied parents to work in exchange for their welfare benefits. As opposed to entitlement, Republicans argued for a welfare system based on the philosophy that public assistance must be reciprocal. Government should provide benefits for only so long as able-bodied adults prepare for work or actually work. The Republican version of welfare is based on the concepts of personal responsibility, social contract, and mutual obligation between taxpayer and recipient. All are in fundamental conflict with the entitlement philosophy.

This personal responsibility approach did not get very far in 1988. However, House and Senate Republicans, assisted by the Reagan Administration, did persuade Democrats in the Senate to agree to two important, albeit moderate, steps toward the agenda of personal responsibility. First, states were required to ensure that a small fraction of the welfare caseload participate in education and training programs. Second, a substantial percentage of parents in two-parent welfare families were required to work 16 hours per week. However, this requirement was delayed for 5 years. In addition, Democrats expanded welfare coverage for two-parent families and converted child care for families who left welfare into another entitlement.

The 1988 reform was modest and on balance continued the Democratic tradition of increasing benefits rather than initiating a serious attack on dependency by imposing strong work requirements. But the legislation at least implied the principle that able-bodied adults on welfare should be required to do something in exchange for their benefits. Work requirements mean that benefits are contingent on behavior and are not an entitlement.

House Republicans were determined to expand this contractual feature of welfare -- all adults receiving benefits must work or prepare for work and thereby accept responsibility for supporting themselves and their children. In 1991 and 1992, the House Wednesday Group, then headed by Vin Weber of Minnesota and Bill Gradison of Ohio, published two detailed papers emphasizing the importance of reforming welfare and the central place of work in such reform. As a follow-up to these reports, in early 1993 Bob Michel of Illinois, the Minority Leader of the House, appointed a Republican task force headed by Rick Santorum of Pennsylvania and Tom DeLay of Texas to write a welfare reform bill that would, as President Clinton had promised in the 1992 campaign, "end welfare as we know it."

The task force completed its work late in 1993 and introduced a bill (H.R. 3500) that was supported by almost every House Republican. Among several prominent reforms, including a Food Stamp block grant, this bill contained very strong work requirements. But many Republicans felt even this bill did not go far enough. Thus, a small group of Republicans from the Ways and Means and the Education Committees worked during the Spring and Summer of 1994 to strengthen the already strong work requirements of H.R. 3500. This task force also added several major new provisions addressing the issue of nonmarital births, including a prohibition on aid for children of young unwed mothers and a requirement that families that had additional children while on welfare be ineligible for an increased welfare benefit. This bill became part of the Contract with America and was widely discussed by Republican Congressional candidates throughout the country in the 1994 election.

Both dropped

The Pro-Work Provisions of Welfare Reform

By the time Republicans were ready to introduce their Contract with America welfare reform bill in early 1995, they had settled on five reform features that, taken together, would produce the transformation from an entitlement-dominated welfare system to one based on work:

--The end of entitlement to cash welfare for families headed by an able-bodied adult;
--A block grant with fixed funding;
--Mandatory work requirements;
--Sanctions on states and individuals for failure to meet federal requirements; and
--A 5-year time limit on cash welfare benefits.

End the Cash Entitlement. Ending the federal entitlement to cash welfare (while retaining the entitlement to food stamps and medicaid health insurance) was the most controversial feature of the Republican bill. To liberals, the creation of welfare entitlements was one of the most important features of American social policy and one of their most valued achievements because entitlements guaranteed payments to most poor Americans, especially children and their parents. Thus, no matter what the status of the economy, no matter which political party was in control of Congress or the White House, and no matter how large or small the caseload might be at a given moment, payments for every qualified person were guaranteed. To conservatives, however, entitlements inevitably carried a moral hazard. Because recipients were guaranteed payments regardless of their behavior, entitlement policy permitted or even encouraged dependent behavior such as nonwork and nonmarital births. Moreover, as long as recipients had a legal right to benefits, it would be impossible to create the type of reciprocal welfare system conservatives wanted to establish. Conservatives wanted to make it clear that unless able-bodied, adult recipients took concrete steps to free themselves from welfare, such as training for work, looking for work, or actually working a fixed number of hours per week, their benefits would be reduced or even eliminated.

Given the popularity of requiring welfare recipients to work for their checks among the American public, Democrats faced a dilemma. They could not oppose work. But neither could they support serious work requirements with sanctions for failure to comply because these provisions would seriously undermine entitlement. This aspect of the 1995-96 debate mirrored the welfare debate of 1988. Democrats tried to find a compromise between strong work requirements and preserving the entitlement. In fact, 30 years of Democratic policies designed to promote work while preserving the entitlement had failed utterly: Mary Jo Bane and David Ellwood of Harvard showed that 65 percent of those on welfare at a given moment would eventually have spells that lasted 8 or more years; a student of Ellwood's, LaDonna Pavetti, showed that the average length of stay on welfare, counting repeat spells, for those on the rolls at a given moment was nearly 13 years; Aid to Families with Dependent Children (AFDC) administrative data showed that only around 8 percent of recipients actually worked. Thus, on the eve of the Republican attack on cash entitlement, welfare dependency was a significant problem.

Republicans saw clearly that entitlement blocked all serious steps toward creating a system based on work and individual responsibility. Hence the entitlement to cash welfare had to end.

Block Grant Funding. Republicans wanted states to have much more authority over welfare programs. If welfare was to become primarily a job program, flexibility at the state and local level was a must. The caseworker, who previously was interested primarily in getting the amount of the welfare check correct, was now to become a job counselor and motivator. With this new responsibility would come the need for more authority -- including the right to reduce the benefits of recalcitrant recipients.

Almost as important, giving states a fixed amount of money would provide them with great incentive to help people leave welfare. Under the old AFDC program in which states received additional federal funds for each new recipient added to the welfare rolls as a partial reimbursement for the increased costs and lost federal funds for each recipient who left the rolls, the state reward for helping people find work was a reduction in their federal funds (although states did save money on the state share of welfare payments). Further, with very modest exceptions, the federal funds were provided as an entitlement to individuals. As a result, they could be used only to pay welfare benefits, not to help prepare people for work. Creating the block grant (Temporary Assistance for Needy Families (TANF)), and allowing states to spend their funds on child care, transportation, training, education, work bonuses, or anything else that would promote independence from welfare, provided both the financial incentive and the flexibility needed to promote change. Fixed funding meant that when states helped people leave welfare, they retained control of all the money saved from the reduction in welfare payments. This feature of the block grant gives states great incentive to help people leave welfare for work.

Another important outcome of block grant policy is innovation. If states are given maximum authority and flexibility, they will develop widely divergent policies. Flexibility yields innovation. Through innovation, a host of new and potentially effective welfare strategies can be developed and tested. This innovation can be seen in the welfare waiver programs states mounted in the years leading up to the 1996 reform. For example, states began to test welfare diversion in which adults are helped to find employment or given resources to deal with a crisis, rather than join the welfare rolls. States also began to provide a combination of generous work disregards, in which welfare recipients were allowed to keep more of their cash benefit once they found work, and much more stringent training and work requirements. Many states also began to develop sophisticated job readiness programs, usually lasting for about a week, to prepare people for work. These short programs usually involved help in networking for job location, practice in job interview skills, help preparing a resume, and lectures and discussion about the so-called "soft" work skills such as being punctual, getting along with peers, following instructions, and dressing properly.

Not only will states use their new flexibility under the block grant to design and implement innovative policies, but states will also submit their programs to third-party evaluations to examine the impacts of their new policies. Again, this tendency can be seen clearly in the state waiver programs that preceded national reform in 1996. Highly competent companies such as the Manpower Demonstration Research Corporation, Mathematica, Abt, and others have been used by states to test their programs. These companies, as well as a number of research institutes founded by universities, provide states with skilled, independent, and reliable evaluations that allow the entire nation to profit from both the successes and failures of innovative programs.

Work Requirements. Mandatory work requirements were the third element of the Republican reform strategy. These were the logical expansion of the modest participation standards that had been placed in the 1988 welfare reform legislation. The intent of work requirements was to ensure that the atmosphere of welfare offices changed. Most Republicans believed that when a sufficient number of adults on welfare began preparing for work, looking for jobs, finding jobs, and then actually leaving the rolls, a kind of contagion would take place in which most able-bodied adults on welfare would begin to perceive a real change and would feel themselves under pressure to make serious changes themselves.

Stiff federal requirements of this type might seem inconsistent with the philosophy, inherent in block grants, that states would have great flexibility in running their programs. However, few doubted that if state programs were to undergo real change, work requirements with teeth would be necessary. Thus, the federal government was requiring something that was universally regarded as essential to serious welfare reform. Second, the actual work requirements and penalties were negotiated directly with the governors, thereby ensuring that the new requirements accommodated state interests and capabilities to the maximum extent possible.

Sanctions. The fourth element of the reform strategy was sanctions. Two types were embodied in the legislation. First, after 30 years of soft federal legislation, states had to believe that Washington was serious about welfare reform this time around. After all, the Congress had been passing work and training "requirements" since 1967 and little had happened to change the routine check-writing operations of state and local welfare offices. Thus, the Republican legislation contained a number of cash penalties against states that failed to achieve the work requirements. The governors' position was that as long as the federal government gave them adequate flexibility and control of resources, they would agree to cash penalties for failure to meet the new norms. Congressional Republicans took them at their word.

The most prominent of the requirements was the work standard under which states had to place a specific percentage of their caseload in work programs every year. The standard began at 25 percent of the entire caseload in 1997 and increased at the rate of 5 percentage points a year until it reached 50 percent in 2002. States that failed to meet these standards were subject to penalties that could grow as high as 21 percent of the state's annual block grant. not in the 1st Repub. bill

Like states, individuals were also subject to substantial penalties. Although states had the flexibility to design their own penalty structure, the federal statute required states to impose penalties on individuals who failed to meet the work requirement and to do so in proportion to the seriousness of their failure to comply. At state option, the penalty could include complete termination of cash benefits and of adult Medicaid coverage. These penalties reflect the belief among Republicans that real change required that adults on welfare realize they were subject to serious penalties if they failed to change their behavior and work diligently toward independence.

5-Year Time Limit on Benefits. Finally, individuals were subject to a 5-year time limit on benefits paid with federal funds. With the exception of ending the entitlement to cash welfare, the 5-year time limit was the most controversial provision of the legislation. Republicans held that it was vital to send young welfare recipients a direct and unambiguous message from the first day they signed up for benefits; namely, that they must begin immediately to prepare for self support because welfare was now temporary and not a way of life.

Democrats strongly opposed this policy, often using harsh rhetoric about Republicans abandoning the poor and being "mean-spirited". But Republicans were insistent that welfare recipients acted irresponsibly primarily because entitlement welfare encouraged them to do so. If an emphasis on temporary benefits were an inherent part of the welfare system, the majority of recipients would respond appropriately. Ironically, on this point Republicans had more faith in the ability of recipients than their liberal opponents. The House Floor debate in both 1995 and 1996 is full of Democratic claims that without entitlements, recipients and their children would be in grave jeopardy. To this claim, Republicans responded that it was the entitlement system itself that made recipients appear helpless and that if they understood from the beginning that welfare was only a temporary support, and if they were given help in preparing for and finding work, they would display the same ability to support themselves and their families as other Americans. Regardless of what disadvantages able-bodied adults faced in their personal lives, the welfare system must not provide them with an excuse to surrender their natural inclination for self sufficiency.

Republicans did agree with Democrats that there would be some individuals on welfare, particularly those with large families, addictions, personality disorders, or mental limitations, who would need more than 5 years to achieve independence. Thus, the law allowed states to make exceptions to the 5-year limit for up to 20 percent of their caseload in order to accommodate these hardship cases.

Summary of the 1996 Welfare Reform Law

The sweep of the 1996 welfare reform law (P.L. 104-193) was spectacular. In addition to establishing the block grant and work program that replaced the Aid to Families with Dependent Children program, the new law substantially changed welfare benefits for drug addicts and alcoholics, Supplemental Security Income benefits for children, food stamp and child nutrition benefits, child care programs, and welfare benefits for noncitizens. In addition, the child support enforcement program was greatly strengthened by extensive provisions that are generally regarded as the most important and far-reaching reforms since the inception of the program in 1975. The legislation also created a new $250 million program to promote abstinence education for adolescents in every state. Although we focus this report primarily on the cash welfare and work provisions, and to some extent the child care block grant, there is growing evidence that the impacts of the other provisions are substantial.

What We Know So Far

By the mid-1990s, many states were already implementing their own welfare reforms based on waiver requests granted by the Department of Health and Human Services. Most of these waivers involved strengthening work requirements. Encouraging states to use waivers to reform their welfare programs was an innovative federal policy initiated by the Reagan Administration as early as 1985. The Reagan, Bush, and Clinton Administrations all actively recruited states to apply for waivers. By 1994 more than half the states had implemented reform programs that imposed requirements on recipients designed to increase work. Then the Republican federal legislation was enacted by Congress and signed by President Clinton in August 1996. By the beginning of 1998, every state had implemented its reform program.

Thus, the nation is now nearly a decade beyond the early implementation of work-based welfare reform by many states and over 2 years beyond national implementation of the federal legislation. Although many observers claim that we need to wait for additional studies, enough is now known to conclude that the immediate effects of welfare reform are positive. To be sure, there are issues and questions that need further attention, but the criticisms of the welfare reform legislation hurled at Republican sponsors during the Congressional debate in 1995 and 1996 have turned out to be groundless. There has been no race to the bottom by states; indeed, many states have increased benefits; there is little evidence that states have simply dumped people from the rolls; a majority of poor families on welfare have shown that they are perfectly capable of supporting themselves once they leave the rolls, in part because of federal benefit programs for working families; there is little evidence of an increase in homelessness related to welfare reform; and there is no evidence of an unusual increase in state foster care caseloads. As we will see, the implementation of welfare reform has raised other issues and problems, but the widely reported predictions of disaster have not materialized.

By contrast, there is pervasive evidence of a host of positive impacts – on welfare offices around the country; on caseload sizes in nearly every state; on per family money available to states to conduct their benefit and work programs; on female labor force participation of mothers, especially among never-married mothers; and on poverty. In addition, there are hints that welfare reform may be having an impact on nonmarital childbearing.

Change at the Local Level

One of the more surprising results of the welfare reform law has been the continuing and even growing volume of stories, studies, and reports about its effects. A steady stream of newsletters, special reports from research organizations, TV reports, newspaper stories, weekly magazine coverage, and scholarly studies has hardly slowed since the law was enacted in 1996. It is doubtful that any federal domestic reform since the New Deal has generated such interest and study.

Many of these studies and stories are about how local welfare offices have changed since states began serious implementation of reform. Although the stories make for interesting and even exciting reading, they do not provide reliable evidence about changes in welfare offices across the nation. Everyone from reporters, to scholars, to policymakers appears to agree that welfare offices have changed dramatically. But the real question is how many offices have changed and how have they changed.

Among many good and interesting studies, one stands out for its breadth, depth, and even-handedness. Scholars Richard Nathan and Thomas Gais of the State University of New York have conducted a thorough study providing extensive information on welfare reform activities at the state and local level in 20 states. Their methods were innovative but straightforward. Nathan and Gais organized 20 small groups of experienced academic researchers, each of which conducted an extensive study of one state. Using a common protocol, they studied state statutes and regulations, visited local offices, examined administrative and budget data, and interviewed state and local officials. Each team then completed standard reporting forms to summarize the information on each state in a common format. The information they collected and analyzed has now been summarized by Nathan and Gais in a handy and readable little book entitled "Implementing the Personal Responsibility Act of 1996: A First Look".

According to the reports from state after state, the essence of welfare reform has been deep and pervasive change at the local level. More specifically, local offices that used to be organized primarily to gather information from recipients so they could write welfare benefit checks are now engaged much more heavily in a host of activities designed to help people work. The changes in these offices range from the superficial to the profound.

Many offices changed their name to remove the word "welfare" and substitute the word "work". More importantly, Nathan and Gais documented substantial changes in the behavior of welfare bureaucrats. Former check-writers now turned job counselors told recipients and those applying for benefits that what they really needed was not a welfare check, but a job. The new "Work Office" was reorganized to provide welfare recipients and applicants with help preparing for and finding a job. It is now routine practice for welfare workers to help their "clients" prepare resumes, participate in classes on job preparation, check want adds, use the Internet to find potential jobs, practice job interviews, arrange transportation, arrange child care, sign up for the earned income credit and other work-related benefits, and participate in many similar activities designed to lead to actual work, usually in a private-sector job.

Three tools that the Nathan and Gais teams, as well as other researchers, have found in frequent use by local offices are welfare diversion programs, personal responsibility agreements, and sanctions for failure to perform. Diversion programs, a recent innovation, are designed to help adults applying for welfare avoid actually joining the rolls. The theory behind this approach is that welfare could be habit-forming (President Franklin Roosevelt used to refer to welfare for the able-bodied as a "narcotic") and is therefore best avoided. To avoid welfare, caseworkers provide advice and services to get applicants into the workforce as quickly as possible. Several states require applicants to search for work before they can qualify for welfare benefits, something that would not have been possible under an entitlement system. Caseworkers provide assistance in the form of help finding child care, finding jobs, managing family budgets, and arranging transportation. Only those who cannot find jobs after a serious effort are actually allowed to go on welfare. Many states have also initiated the practice of making one-time cash payments to individuals in need of welfare because they face a crisis of some sort. In these cases, states provide their clients with cash payments to repair a broken car, make child care arrangements, pay rent or electricity, or move to acceptable housing. The goal of this approach is to make a one-time payment that allows people to continue working and thereby avoid going on welfare and risking the hazard of getting trapped.

A second tool that states have used widely is the personal responsibility agreement. This agreement specifies what services and benefits the state will provide in exchange for a list of specific obligations by the recipient. In some states, this agreement is little more than a standard form with no individualized agreements tailored to specific recipients. In other states, however, the agreement spells out in great detail what the local welfare office will do and a series of specific steps clients must take to reach self-sufficiency. These personal responsibility agreements embody the new philosophy of the nation's cash welfare system. The agreements show clients that they no longer have the option of getting something for nothing. Rather, the agreement underlines the reciprocal nature of the new system -- we'll do A if you do B. This is precisely the type of system Republicans argued for during the long

again, left out of early bills

welfare debate leading up to passage of the 1996 reform legislation.

But what if recipients ignore the requirements spelled out in their agreement? After all, since 1967 federal law has required states to refer appropriate recipients to work activities, and yet only after the 1996 legislation has work really taken hold. An important part of the answer is that both federal and state law now require that serious sanctions be placed on individuals who do not live up to their side of the bargain. In the past, clients who failed to show up for job preparation activities or failed to search for work were sanctioned with a letter or at most a partial benefit reduction. Now 33 states can end the family's cash benefit entirely, usually after one or more warnings for failure to perform.

Few on any side of the welfare reform debate question the importance of sanctions in explaining why the welfare rolls have declined and work has increased. In fact, Robert Rector of the Heritage Foundation has recently found that the states with strict sanctioning policy have much greater caseload declines than states with weak sanctions. Rector divided states into three categories according to the strength of their sanctioning policy and found that states with strong sanctions have had average caseload reductions of 42%, those with moderate sanctions averaged 28 percent reductions, and those with weak sanctions averaged 17 percent reductions. Caseload declines, in short, were directly related to the magnitude of sanctions.

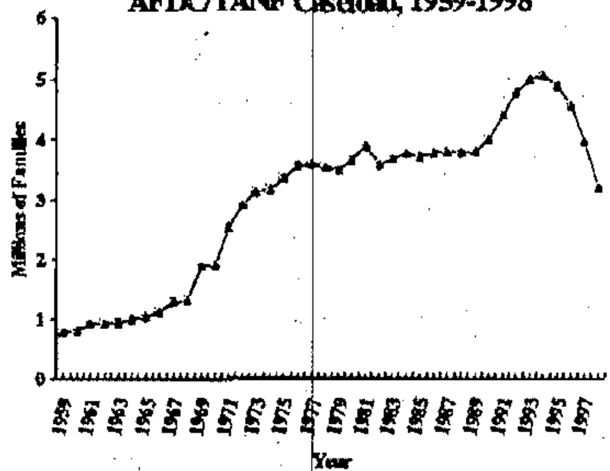
The Republican welfare reform law aimed to change the behavior of bureaucrats and through them the behavior of welfare recipients and potential recipients. There is now no doubt that welfare bureaucracies throughout the nation have changed. Such change was the first and essential step in reforming welfare and thereby reducing dependency and increasing self-reliance. As Richard Nathan has observed, <u>all they did was pass a law in Washington</u>. Of course, Washington has done that many times before. But this time the law has produced dramatic changes in the behavior of both welfare bureaucracies and welfare workers throughout the nation.

<u>Caseload Reductions</u>

Consideration of the effects of welfare reform must begin with caseload reductions. Many critics have pointed out that reduced caseloads cannot be the only or even the major goal of welfare reform. After all, caseload reductions can be achieved by simply forcing families off the rolls. Even so, caseload reductions are an exceptionally important measure if for no other reason than that the rolls have so rarely declined in the past. Moreover, young adults cannot achieve self-reliance until they actually leave welfare.

Thus, it is of great significance that between the spring of 1994 and December of 1998, the most recent period for which we have data, the number of families on welfare had fallen a staggering 45 percent after 4 consecutive years of decline (Figure 1). This caseload decline is without precedent in the history of cash welfare. In fact, as can be seen by examining the trends in Figure 1, <u>declines in just 2 consecutive years are almost unprecedented.</u> In any case, the greatest decline since the Korean War was a mere 8 percent. No reform in the history of any American welfare program has produced an impact on caseloads that resembles the decline in the cash welfare caseload since the Spring of 1994.

Figure 1
AFDC/TANF Caseload, 1959-1998



Source: Congressional Research Service

Two additional points provide perspective on these caseload declines. First, many people seem to think that welfare rolls move up and down in rough correlation with the economy -- when the economy is good and employment is high, the rolls decline; when the economy is bad and employment is declining, the rolls increase. Almost every media story about the recent caseload declines contains the claim that a primary cause of the decline is the booming economy.

Reagan - 18m jobs, +12%

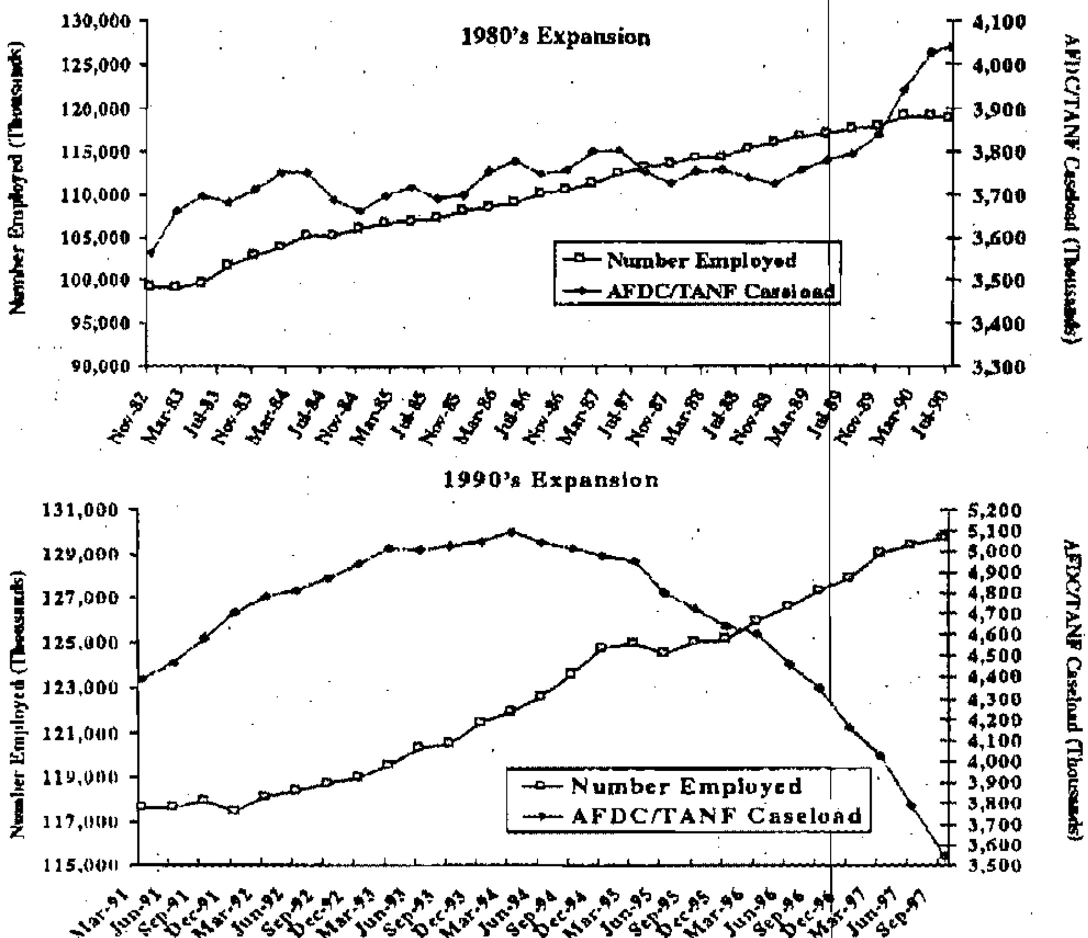
BC - 19m jobs -50%

But this view is highly questionable. Consider Figure 2. The top panel of the figure depicts both the number of people employed and the number of families on welfare throughout the duration of the booming economy of the 1980s. Over this extended economic recovery of nearly 8 years, during which the economy produced a net increase of around 18 million jobs, the welfare rolls actually increased by over 12 percent. Similarly, as shown in the bottom panel of Figure 2, during the initial 3 years of the current recovery, as the economy was adding about 3 million jobs, the welfare caseload experienced one of its most rapid periods of growth (see Figure 1), exploding from 4.4 million to 5.1 million families. It was not until the Spring of 1994, at which time more than half the states had mounted their own welfare reform programs based on work requirements, that the rolls began to decline. The decline was modest until 1996, when federal reform was enacted. Since then, the rolls have been in free fall. Even the President's Council of Economic Advisors does not claim that more than about one-fifth of the caseload decline can be attributed to the economy.

This brief examination of the relationship between the economy and the welfare caseload provides very little support for the claim that the hot American economy has produced the historic decline in welfare caseloads. We have had hot economies before, but never anything even remotely similar to the current caseload decline. No doubt a good economy provides a useful background condition that supports welfare reform, but an expanding economy without welfare reform has never led to substantial caseload declines -- until now.

A second interesting point about caseload declines is that, as remarkable as a national 45

Figure 2
Total Employment and AFDC/TANF Enrollment, 1982-1990 and 1991-1997



Source: U.S. Bureau of the Census and the Congressional Research Service

percent decline might be, many states have had declines of substantially more. Twenty-eight states have caseload declines that exceed 40 percent, seven states are between 50 percent and 59 percent, and three states are over 60 percent. One of these states, Wisconsin, experienced a decline that exceeds 80 percent, although some of the Wisconsin decline may be attributable to families being switched to other programs.

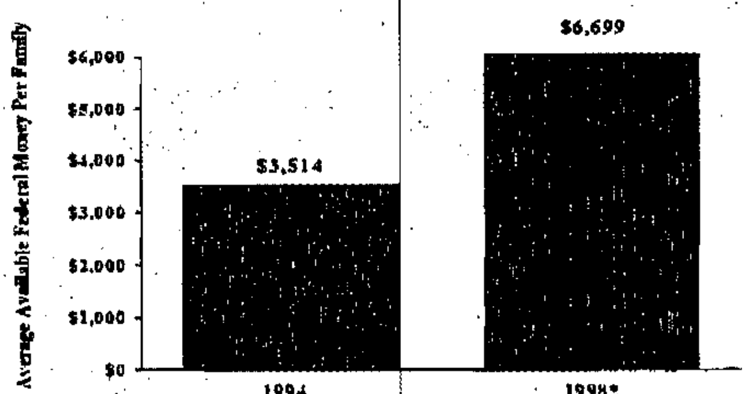
If anyone had suggested in 1994 that before the end of the decade, over half the states would have welfare caseload declines in excess of 40 percent and that ten states would lose more than half their caseload, welfare experts and program administrators would have laughed. The fact that such momentous declines have now occurred should serve as a caution to anyone who thinks they understand what is happening to cash welfare caseloads in the United States. We are in completely uncharted territory. Predictions are therefore risky, since they are not based in any way on experience.

The most important prediction that should be questioned is how deep caseload reductions can go. To put it another way, what percentage of the people who used to be dependent on welfare can in fact join the productive economy and support themselves and their families? Experts and media reporters are now arguing that the caseload reductions cannot go much further because the rolls consist primarily of adults who have serious barriers to work. But until 1996, many observers argued that most adults on welfare were unemployable. Moreover, when three states have reduced their caseload by over three-quarters, some optimism about national caseload reductions beyond the current 45 percent seems justified. We should not accept the claim that more than half the original caseload will inevitably be dependent on welfare. The national project of helping the formerly or potentially dependent become productive should have no artificial limits.

More Money Available to States to Help Poor Families

While caseloads have plummeted, the average number of federal dollars per family that states have to spend has increased substantially. As shown in Figure 3, whereas the average state had federal funds that averaged $3,514 per family under the old AFDC program, as of September 1998 states had an average of $6,699 per family, almost twice as much. This impressive increase is the mathematical result of the fixed funding feature of the block grant combined with the precipitous drop in caseloads.

Figure 3
Federal Funds Per Family on Welfare



*As of June 1998 TANF caseload of 3.0 million
Source: Department of Health and Human Services

As fortunate as this substantial increase in per family funding might be, the numbers in Figure 3 understate the total number of additional dollars available to states. This is the case because states are required to continue spending state dollars (as opposed to the federal dollars just discussed) at not less than 75 percent of the level of state spending in 1994 on the programs replaced by the TANF block grant. Given that the national caseload has declined 45 percent since 1994, even if states spend only the minimum 75 percent of the 1994 amount (several states spend more), on a per family basis state spending would still be much higher than in 1994.

The welfare reform law also greatly increased the money available to states for the child care needed to help poor parents work. According to the Congressional Budget Office, the 1996 reforms will increase federal spending on child care for poor and low-income children by about $4.5 billion over the 1997 to 2003 period.

When these three sources of support for poor families are combined – federal TANF money, state maintenance-of-effort funds, and federal child care funds – it becomes quite clear states have enough money to maintain benefit levels of those remaining on welfare and yet to spend aggressively on programs designed to help mothers – and even fathers – enter the labor force or get better jobs.

Whereas many Democrats predicted a race to the bottom if states were given full responsibility for cash welfare, the opposite has happened. States have used their money to maintain and even expand benefits, primarily by making their income disregard rules more generous so that working mothers could retain more of their cash welfare benefit. Moreover, many states are investing in child care, transportation, post-secondary training, education, wage supplements, and a host of other welfare-to-work services and benefits designed to help poor mothers join the workforce. Thus, the financial landscape nearly 3 years after the welfare law was enacted is exceptionally positive.

Work Rates

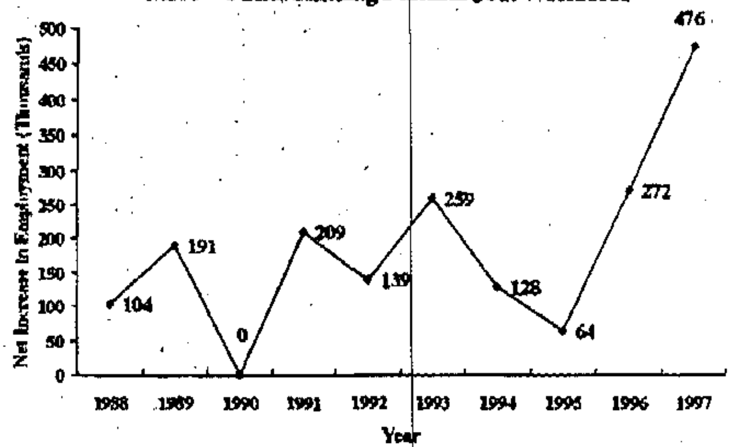
A fundamental expectation of the Republicans who insisted on strong work requirements was that most people who left welfare would work. This was an important point during the debate on the Floor of the House. Liberals argued that the poor must have entitlement benefits because otherwise they would not be able to support their families; Republicans argued that most of the poor were capable of supporting themselves but did not because they had been trapped by the entitlement-based welfare system.

We now have two major sources of empirical information on whether mothers could leave welfare for work. The first is national data sets on random samples of the U.S. population; the second is studies by states that locate and interview former welfare recipients. Both sources reveal a dramatic increase in work.

To begin with national data, Figure 4 summarizes data from the Bureau of Labor Statistics on the net increase in employment by mothers heading families. As is consistent with one of the most work force increases almost every year. In fact, between 1988 and 1995, the average net increase was around 170,000 per year. But in important demographic trends of the 20th Century, the number of female family heads who enter the work force increases almost every year. In fact, between 1988 and 1995, the average net increase was around 170,000 per year. But in 1996, the year the welfare reform law was enacted and when many states were well along in implementing their work programs, the number shot up to 272,000, the highest ever until that time. But 272,000 was modest compared with

Figure 4

More Mothers Heading Families Join Workforce



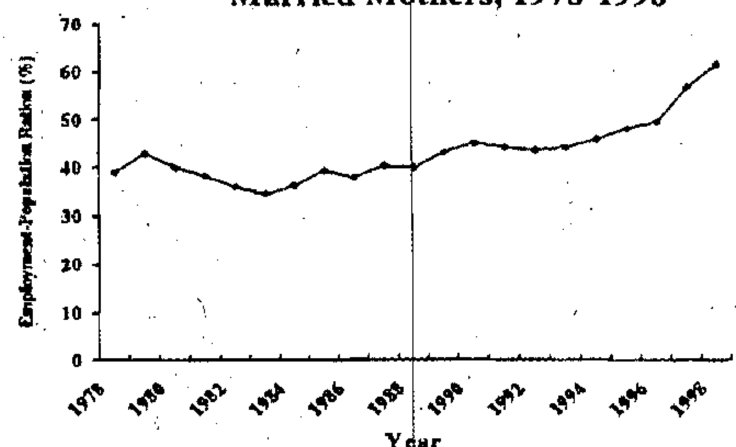
Source: Bureau of Labor Statistics

female family heads who enter the 1996, the year the welfare reform law was enacted and when many the 476,000 net increase for 1997, the first full year after the federal legislation had passed Congress. Seldom has a national data set based on population samples shown a 1-year change of this magnitude.

If we now look behind this curve to learn more about the types of mothers who were likely to enter the labor force, we find that it is precisely low-income mothers who displayed the biggest increase in labor force participation. Figure 5 shows that between 1993 and 1998 the percentage of never-married mothers who were employed increased from 44.0 percent to 61.5 percent, an increase of 40 percent in 5 years. In the previous 15 years, the biggest increase over a roughly comparable period was 19 percent between 1986 and 1991. Again, the magnitude of increase in labor force participation has no precedent. In this case, however, the evidence applies to never-married mothers, precisely the ones most likely to be on welfare. For example, according to a widely-cited 1990 study by the Congressional Budget Office, over half of the young mothers who give birth outside marriage wind up on welfare. Similarly, over 60 percent of the mothers on welfare at any given moment are never-married. Even more important, never-married mothers are more than twice as likely as other mothers to spend more than 8 years on welfare. It follows that the unprecedented increase in employment by never-married mothers is a major factor in the welfare caseload decline.

Figure 5

Employment-Population Ratio of Never Married Mothers, 1978-1998



Source: Bureau of Labor Statistics

The second source of data on the effects of welfare reform on employment is state surveys of mothers who have left welfare. At least 17 states have conducted these surveys and made some of the results public. After reviewing the studies produced by these 17 states, the U.S. General Accounting Office determined that seven of the studies -- those conducted by Indiana, Maryland, Oklahoma, South Carolina, Tennessee, Washington, and Wisconsin -- were of sufficient quality that reliable conclusions could be drawn from the results. These states located and interviewed welfare leavers who had been off the rolls between 2 and 18 months.

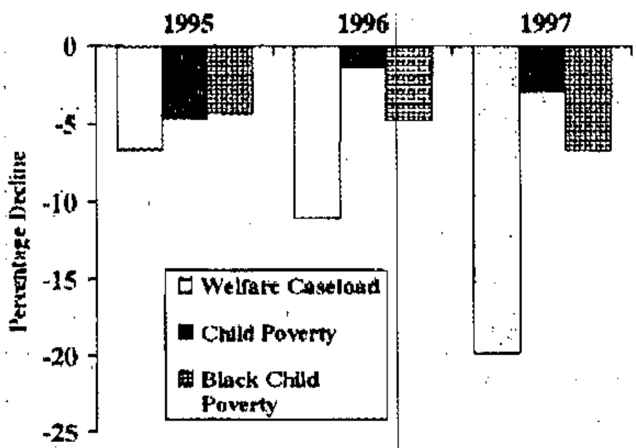
Two findings from these seven states are pertinent to our concern in this section. First, of the six states that reported the percentage of welfare leavers who were employed at the time of the interview, all found at least 60 percent of the leavers employed. Second, in all but one state, at least 80 percent had been employed at some time since leaving welfare. These numbers are probably somewhat of an underestimate of the true employment level of those leaving welfare because in some of the surveys those who had returned to the welfare rolls were included.

These increases in labor force participation are precisely what Republicans hoped to achieve with welfare reform. Now well over a million additional young mothers, including many who were very disadvantaged, are working rather than languishing on welfare. But in addition to the impacts on the lives of individual families, so substantial has been the increase in labor force participation that labor economists have begun to take notice of the impacts on the American economy. Professor John Bishop, a highly regarded economist at Cornell University, concludes that single parents have been responsible for "almost all of the increase in the overall labor force participation rate between 1994 and 1998." Bishop attributes their increased labor force participation to the combined effects of welfare reform and the increased value of the Earned Income Credit (see below).

Poverty

During the height of the welfare debate, a major Washington think tank published a study claiming to demonstrate that the Republican welfare reform bill would throw more than a million children into poverty. Democrats and liberals in the media used this number relentlessly to attack the Republican bill. It has now been over 5 years since the states began reforming their welfare programs to emphasize work and nearly 3 years since welfare reform was enacted. Is there evidence that the new law has increased poverty?

Figure 6
Welfare Caseloads and Children's Poverty Decline Simultaneously



Source: Caseload Data from Congressional Research Service; Poverty data from Census Bureau

Figure 6, based on government data from the Census Bureau and the Department of Health and Human Services, compares the percentage decline in the welfare caseload, the child poverty rate, and the poverty rate among black children for 1995, 1996, and 1997 (the last year for which poverty data are available). Both the welfare caseload and child poverty decline in every year. Most notable is 1997, the first full year of welfare reform implementation. During that year, the welfare rolls declined by almost 20 percent, more than in any previous year. Yet during that year, the overall child poverty rate declined by around 3 percent and black child poverty declined by nearly 7 percent, the biggest single-year decline ever.

Another way to judge the impact of welfare reform on poverty rates is to examine the poverty status of children in states that have had the biggest declines in their welfare caseloads. As would be expected from the decline in welfare caseloads -- as well as the decline of federal and state spending on cash welfare benefits, unless there is some offsetting source of household income, more of these mother-headed families are going to be poor. This inevitable effect of reduced welfare income would be greatest in states that have the highest level of caseload reduction and consequent reduction in income from welfare. In this sense, the poverty rate in states with the greatest caseload reductions is the most acute test of the claim that the welfare reform bill would increase poverty.

Table 1
Caseload Decline and Child Poverty Decline in States with High and Modest Caseload Declines between 1995 and 1997

Type of State	Average Percentage Caseload Decline	Average Poverty Rate Change (Percentage Points)
High Decline	-31.2	-1.8
Modest Decline	-17.0	-0.3

Source: Congressional Research Service.

Table 1 shows the average change in the child poverty rate for the 23 states that had caseload declines of 25 percent or greater as compared with the 27 states (and the District of Columbia) that had caseload declines of less than 25 percent between 1995 and 1997. If caseload declines caused increases in poverty, we would expect the high decline states to experience higher poverty levels. The opposite is the case. The states with high declines actually had an average poverty reduction of 1.8 percentage points between 1995 and 1997. Not only did the poverty rate fall by nearly 2 points in states that had big caseload declines, but the 1.8 percentage point reduction in poverty in these high decline states was actually much greater than the 0.3 percentage point reduction in modest decline states. It is not appropriate to conclude from these results that welfare caseload declines cause poverty declines, but both the national poverty data and the analysis of poverty in the states with the greatest caseload declines fail to provide a shred of evidence for the claim that declines in welfare benefits inevitably lead to increases in poverty. Many people on welfare can and have learned to support themselves by replacing welfare income with earnings.

Millions of families, previously dependent on welfare, now support themselves the old fashioned way -- they earn their money.

It is worth pausing here to note how significant these poverty data are. Although the measure of poverty suffers from many shortcomings, it is nonetheless the single broadest and most reliable measure of how many American families are experiencing serious economic difficulty. When liberals predicted that the Republican welfare reform bill would cause huge increases in children's poverty, they were employing one of the most powerful tools in the arsenal of methods for attacking reform initiatives. To produce "scientific" evidence that a controversial reform proposal would greatly increase poverty was a deeply serious and effective charge. No wonder that liberal scholars, social critics, and editorial page writers seized upon this prediction and used it to argue that the Republican bill was cruel.

Now, more than 2 years after the Republican bill became law and produced deep and pervasive institutional changes at the local level, and after the welfare rolls have declined more than anyone predicted, we find that poverty has actually declined during each year of welfare reform, that it has declined among minority children by an unprecedented amount, and that poverty has declined more in states with high caseload declines than in states with modest caseload declines. That the nation can achieve simultaneous declines in welfare payments and poverty rates is a remarkable achievement. The most likely explanation is that families have replaced welfare income with wage income and, as we shall see, with other benefits that our national policy provides to working families. Even more remarkable, it is likely that the official poverty numbers actually understate the nation's progress against poverty because the Earned Income Credit, which can provide almost $4,000 to families with two children and which administrative data show has increased dramatically in recent years (from $21 billion in 1994 to $28 billion in 1998), is ignored in the official poverty calculation. Only a cynic could deny that the poverty numbers indicate that American social policy has taken a hopeful turn.

*

Information on Household Consumption

It seems somewhat curious that the nation's primary poverty measure is based on income. Income is an indirect indicator of well being; the more direct and reliable indicator is consumption. In common sense terms, someone is poor if they do not buy the items necessary to maintain a reasonable material existence.

Fortunately, in collaboration with the Bureau of Labor Statistics, the Census Bureau collects extensive information from the nation's households and families on expenditures. This survey is the major source of information on how Americans spend their money and how much they spend each year. The information enables us to examine the course of expenditures by low-income, female-headed households over the period of welfare reform we have been examining. If welfare reform, and the consequent big declines in caseloads and welfare income, is contributing to a reduction in total family income, family consumption would decline.

Table 2 contains the spending data for families with self-reported income of less than $5,000 and for families with incomes between $5,000 and $9,999. These, of course, are the income categories most likely to contain both families receiving welfare and families that have recently left welfare.

Table 2
Personal Consumption Expenditures
by Low-Income Female-Headed Families, 1994-1997

Income Category	Personal Expenditures 1994	1995	1996	1997
< $5,000	13,842	13,746	14,331	14,734
$5,000-9,999	12,002	13,602	14,284	14,442

Note: Figures adjusted for inflation.
Source: Bureau of Labor Statistics

Most people are surprised when they first learn that families that report $5,000 or less in income also report $15,000 in spending. But this result has been found every year the Census Bureau and Bureau of Labor Statistics have conducted the Consumer Expenditure Survey. Over the years, the Census Bureau and other analysts have developed several explanations for how families can spend more money than they earn. These include underreporting of income, spending money saved in the past, and borrowing. But perhaps the biggest factor is that some wealthy families with substantial wealth in the form of real estate, businesses, or stocks and bonds, have business losses that reduce their net income in a given year to less than $5,000 or in some cases even less than zero.

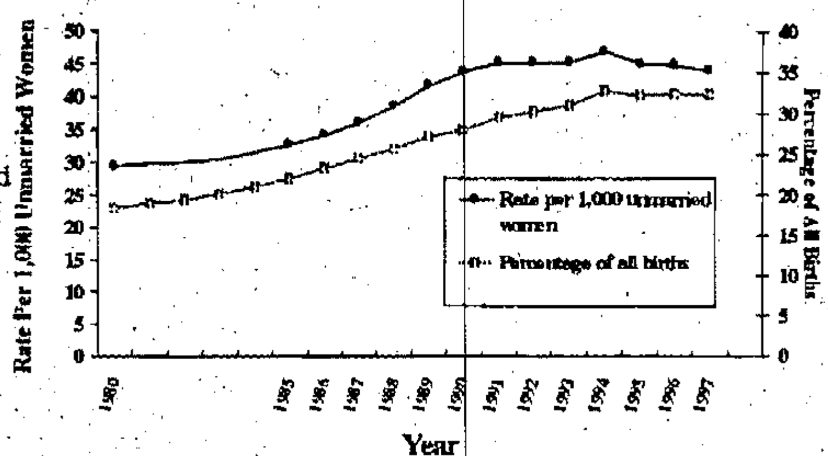
In any case, the data for families with reported income of under $10,000 do not contain any indication that these families are worse off in 1996 or 1997 than earlier. Whatever the explanation for spending exceeding income might be, there was a small increase of about 6 percent between 1994 and 1997 in spending by families with incomes of less than $5,000 and a much more substantial increase of over 20 percent among families with incomes between $5,000 and $9,999. In short, family consumption data are consistent with poverty data in refuting the claim that low-income female-headed families are worse off now that they receive less income from welfare and more income from earnings.

Nonmarital Births

Although controversial in the late 1980s, there now seems to be widespread agreement that nonmarital births are at the heart of most of America's social problems. A large and growing number of studies show that children born to never-married parents are more likely to be poor, to be raised by welfare-dependent families, to fail in school, to have poor health, to be delinquent, to quit school, to go on welfare and commit crimes as adults, and to themselves grow up to have children outside marriage. Moreover, studies show that never-married mothers are more likely to become dependent on welfare than divorced or married mothers.

In the years before the welfare reform debate of 1995 and 1996, the number and percentage of American children born outside marriage continued its relentless increase. Republicans argued that even welfare reforms promoting work would prove of only limited significance unless something was done to reduce the number of illegitimate births. Thus, Republicans included several controversial provisions in their welfare reform bill that were designed to attack illegitimacy. These included a cash reward for states that reduce nonmarital births while decreasing abortion, funds for abstinence education, a requirement that unwed teen mothers live with a responsible adult, and exceptionally strong paternity establishment requirements. Further, the bill's substantial reform of the child support enforcement program can be seen as part of a comprehensive attack on illegitimacy because effective child support builds understanding among young males of the long-term financial burden that nonmarital childbearing places on noncustodial parents. Finally, the block grant structure of the welfare reform law allowed states to develop their own policies to reduce illegitimacy. One response to this flexibility is that about half the states now prohibit additional payments to mothers already on welfare who have additional children.

Figure 7
Rate of Nonmarital Births and Percentage of All Births that Are Nonmarital, 1980-1997



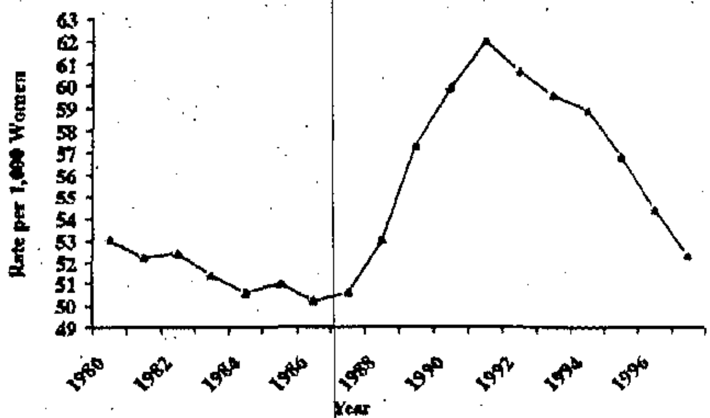
Source: National Center for Health Statistics

It is possible that these initiatives against irresponsible childbearing are helping the nation halt the increase in nonmarital childbirth. Figure 7 presents the trends in both the rate per 1,000 unmarried women of nonmarital births and the percentage of all births that are outside marriage. The trend for the percentage of nonmarital births shows the rapid rises that preceded welfare reform in the mid-1990s. Just as we saw with welfare caseload declines, the good news began as the number of states implementing their own work programs reached a critical mass in the years after 1994. In this case, the percentage of nonmarital births actually decreased for the first time in several generations in 1995. The fall, from 32.6 in 1994 to 32.2 percent in 1995, is not large, but even a leveling off of this portentous trend is welcome news. Even more welcome is the finding that after a slight increase to 32.4 percent in 1996, the rate held steady at 32.4 percent in 1997. Thus, three consecutive years of data are consistent with the conclusion that the nation may be turning a corner in its fight against illegitimacy and the host of social problems associated with it.

Equally encouraging are the trends in nonmarital birthrates (Figure 7). Like the trends for percentage of illegitimate births, for several generations the nonmarital birthrate seemed to be on an elevator that moved only upward. After generations of increases, the rate declined in 1995 and has continued its fall in both 1996 and 1997. Over this period, the rate of nonmarital births has fallen by a welcome 6 percent.

The trends in teen birthrates contain even more good news. Unlike the overall trends in illegitimacy, which have moved up almost every year, the trend in teen birth rates has been more volatile (Figure 8). After a modest decline beginning in the early 1980s, the rate increased dramatically between 1987 and 1991. It then began a steep decline: recent data from the National Center for Health Statics shows that in 1997 the decline continued for the sixth consecutive year. Over that period, the rate declined about 11 percentage points or 17 percent, and returned almost to the levels of the mid-1980s.

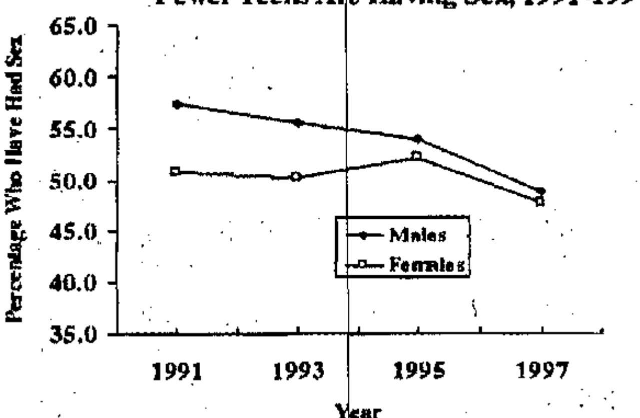
Figure 8
Teen Birthrate, 1980-1997



Source: National Center for Health Statistics

These decreases in illegitimacy for both teens and all women are encouraging. Scientists who study these trends attribute them to a variety of factors, including increased abstinence among youth, more effective use of birth control, and demographic changes. For example, recent data from the Centers for Disease Control show impressive recent declines in the percentage of teenagers who have ever had sex, especially among males. Figure 9 shows that except for a slight increase among females in 1995, sexual activity among both males and females shows a pattern of slight decline between 1991 and 1995 and then a substantial decline between 1995 and 1997. These patterns of behavioral change among young people are consistent with the conclusion that one reason for the steep decline in teen births is increased abstinence among both males and females. It is also possible that increased use of effective contraception contributes to the declining teen birthrate. In any case, once again important behaviors with far-reaching consequences for individual young people are moving in the direction of greater personal responsibility.

Figure 9
Fewer Teens Are Having Sex, 1991-1997



Source: Centers for Disease Control

It would not be justified to claim that the 1996 welfare reform law is the sole or even the most important cause of these trends. But consider the changes the 1996 law imposed on young unmarried mothers. The old welfare system guaranteed a bundle of welfare benefits to these mothers and allowed them to set up their own living arrangements while virtually guaranteeing that they would not be required to work for years. By contrast, the new system requires them to live at home or with a responsible adult, requires them to identify the child's father, requires teen mothers to stay in school or work, and imposes a 5-year limit on their cash benefits. In addition, states are in competition with each other for cash bonuses of up to $25 million per year for reducing their illegitimacy rates. Taken together, these strong measures may be playing a role in the leveling off or decline of the various measures of illegitimacy.

Perhaps even more important than the specific policies addressed to illegitimacy is the impact of the welfare reform debate at the national and state level on the thinking of young people. The national debate produced a surprising level of agreement that nonmarital births were destructive for children, destructive for parents, destructive for local communities, and destructive for the nation. In the context of this debate many politicians and other public figures argued strongly that it was wrong to have children outside marriage and wrong to have children that parents could not support. This debate, and the reality that having a child outside marriage would not guarantee an income without work, appears to have influenced young people to hesitate and reflect before engaging in the risky behaviors that lead to pregnancy. In the last three or four decades, the nation has been greatly improved by broad social movements that changed the behavior of millions of Americans. These movements included civil rights, use of car seat belts, and anti-smoking campaigns. It seems possible that we are in the early stages of a similar revolution in thinking and behavior about nonmarital births. If so, the welfare reform debate will have provided another vital benefit to the nation by signaling that federal policy held nonmarital births to be destructive for individuals and the nation.

The New Nonwelfare System of Work Support

It will be recalled that at the height of the welfare reform debate in 1996, a prominent Washington, D.C. think tank predicted that the Republican bill would throw more than a million children into poverty. A little less than 2 years after the welfare reform bill became law, the same think tank published a detailed study, based on extensive analysis of the welfare reform program in 12 states, showing that in every state a mother who accepted even a half-time job at minimum wage and who received all the benefits for which she was eligible would be financially better off than if she had remained on welfare. Given that a half-time minimum wage job pays less than $5500 while the combined cash and food stamp welfare benefit in California and other high-benefit states is over $9,000 per year, how can the mother be better off leaving welfare?

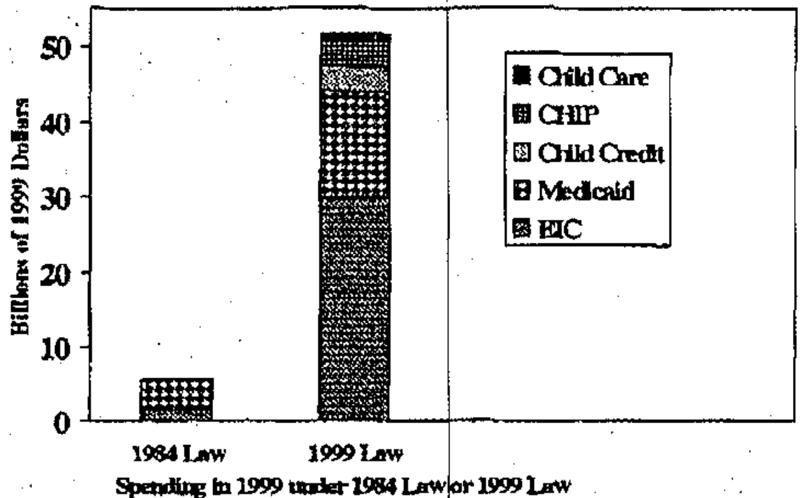
X

The answer is that over a period of roughly 15 years, Democratic and Republican Presidents and Congresses created an extensive system of government income support for working families with low earnings. This work system consists primarily of Medicaid health insurance, housing supplements, food stamps, child care, and cash wage supplements, primarily through the earned income credit and the child credit.

Beginning in roughly 1984, Congress dramatically expanded three of the most important programs in this work support system. First, Congress enacted a series of Medicaid expansions that resulted in coverage for most children, and in some cases adults, who live in working families earning below roughly $16,000 per year. Then in 1997, Congress appropriated an addition $39 billion over 10 years to provide health insurance to children from low-income families who were not covered by

Medicaid. Before these expansions began, with a few minor exceptions, only families receiving some form of cash welfare were eligible for Medicaid – so families that took jobs and left welfare often lost their health insurance. With a welfare system like that, many mothers made a rational decision to stay on welfare.

Figure 10
Support for Working Families
Increases Dramatically, 1984-1999



Source: Congressional Budget Office

In addition to providing better health care coverage, Congress expanded the Earned Income Credit (EIC), a program that provides cash wage supplements to low-income working families through the tax system. Because of major expansions enacted by Congress in 1986, 1990, and 1993, mothers leaving welfare today can receive up to nearly $4,000 in cash supplements; this money can be paid either in the mother's monthly paycheck or in a lump-sum after the mother files a simplified tax return. And on top of this tax credit, in 1997 Congress approved the Republican proposal to provide all families, including working families who pay federal taxes, with a $500 per child tax credit.

Beginning in 1988 Congress also enacted several laws that increased the amount of money available for child care. The 1996 welfare legislation alone expanded federal child care funds by about $4.5 billion over 6 years. Counting Head Start and the child care tax credit, the federal government will spend about $14 billion this year subsidizing child care, mostly for poor and low-income working families.

Taken together, these expansions of the nation's work support system for low-income working families are very substantial. We recently asked the Congressional Budget Office to estimate how much the federal government is spending in entitlement dollars on the three major work support programs that have been expanded by Congress since 1984. The surprising answer is that spending on Medicaid and associated health programs, the EIC, and entitlement child care has increased from $6.7 billion, the amount the federal government would have spent in 1999 if the country were still operating under pre-1984 law, to nearly $52 billion under current law (Figure 10). The expanded work supports include $1 billion in entitlement child care (not including the substantial increases non-entitlement child care and Head Start), $13.4 billion in medical benefits, and $30.6 billion in the EIC. These figures do not include a host of nonentitlement benefits and benefits that have not expanded greatly since the mid-1980s such as housing, Head Start, food stamps, and non-entitlement child care. Nor do they include the state matching funds that are required by the Medicaid and child care programs.

Without question, these figures show that the federal government has greatly expanded its commitment to making work pay. That is why mothers stranded on welfare can accept the types of low-wage jobs which are plentiful in our economy and for which they are qualified and then enjoy total income that greatly exceeds their welfare income. Consider the actual numbers comparing welfare with work. In the average state, a mother with two children on welfare receives a little more than $700 per month in cash welfare and food stamps. If this same mother takes a minimum wage job and works 35 hours per week, she receives about $720 per month in wages after paying Social Security taxes plus an additional $150 or so in food stamps, bringing total monthly income to about $870. This amount alone is greater than the $700 in cash welfare and food stamps she received while on welfare. Work pays.

But that's not all. The former welfare mother working at the minimum wage is eligible for maximum benefits from the EIC. If she has two children, the EIC will provide her with an additional $300 per month, bringing her total monthly income to nearly $1200, about 70 percent more than she would receive on welfare.

When the major features of the Republican welfare reform bill are considered simultaneously with the generous characteristics of the nation's work support system, the achievements of welfare reform come into sharp focus. Here's the most reasonable explanation of how welfare reform led to reduced caseloads, increased employment, and reduced poverty. First, the firm mandates of the reformed welfare system itself convinced recipients and applicants that reform was serious this time. Thus, they actually attended classes on work skills, prepared resumes, looked for jobs, and accepted jobs when offered. In many cases, these activities took place before applicants actually joined the rolls. If the General Accounting Office summary of state studies of welfare leavers is accurate, we can assume that around 80 percent of the adults who have left welfare have actually worked for some period of time since leaving the rolls.

And what did these adults encounter when they joined the world of work? In some states they were allowed to retain part of their cash benefit after they began working, thereby providing them with extra money during the critical transition period. Most also retained the eligibility to receive food stamps. For example, a mother earning $6 per hour and working full time is still eligible for $1,400 in food stamps per year. In every state, mothers leaving welfare for work are also guaranteed at least 6 months of child care subsidies, and in many states even more than 6 months. Similarly, under the federal statute, every mother leaving welfare retains eligibility for Medicaid for a minimum of 6 months and usually much longer. In addition, because of the expansions outlined above, children in families leaving welfare remain eligible for Medicaid or the Children's Health Insurance Program (CHIP) program as long as their mothers continue earning low wages (up to as much as $20,000 per year and even higher in a few states). And of greatest importance, a mother with two children who earns between about $9,500 and $13,500 is eligible for over $3,800 from the EIC. In short, because of the work support system enacted by Congress over nearly two decades, mothers leaving or avoiding welfare find an environment in the post-welfare world of work that is liveable, if still challenging.

After years of building and defending an entitlement-based system of welfare that required virtually nothing of recipients, the nation has now experienced two revolutions. First, the Republican welfare reform law ended the central welfare entitlement and required individuals to prepare for work within the context of time-limited cash benefits and sanctions for those who refuse to cooperate.

Second, the world of low-wage work entered by welfare leavers was much more accommodating than predicted by opponents of welfare reform because Congress had created a generous and universal work support system. Thus, even in high-benefit states, mothers and children who leave welfare and take low-wage jobs are almost always better off financially than when they were on welfare.

Exploiting Early Success

As shown by the review of evidence above, the 1996 welfare reform law has been successful in changing the welfare bureaucracy, increasing the funds available to help families escape dependency, reducing the welfare rolls, and increasing employment among poor female family heads -- especially never married heads. Equally impressive, as these changes have been taking place, the nation has experienced a substantial decrease in overall poverty and child poverty, especially among black children. Similarly, the nation's vexing rate of nonmarital births among teens has continued to decline throughout this period and the overall percentage of children born outside marriage has declined slightly or held stable for the last three years.

To conclude that the nation is on the right track seems fully justified. On the other hand, initial success does not warrant excessive exuberance. Rather, the nation -- including state and local government and the private sector -- must make an even stronger commitment to ensuring that the early successes continue and even expand. To do so we recommend that five policies be pursued with vigor, some of which will require further legislation.

Continued Aggressive Implementation of Welfare Reform

First, states and local governments must continue to aggressively implement the strong welfare-to-work provisions that have produced the largely positive early results reviewed above. As Nathan and Gais and many other observers have demonstrated, the old entitlement culture is being abandoned in favor of a work culture that emphasizes personal responsibility. The specific mix of policies varies greatly across jurisdictions, but work requirements, aggressive casework, assistance in qualifying for and finding employment, time limits, sanctions, and financial work rewards constitute a mix of carrots and sticks that has produced results. These policies should continue, and jurisdictions -- particularly the large urban states -- that have not yet vigorously implemented them should move quickly to catch up.

The Nathan and Gais implementation study concluded that local welfare offices are often reluctant to deal with the issues of marriage and nonmarital births. Based on their observations in 20 states, they concluded that local offices were in a "quandary" over whether to discuss nonmarital births with their clients because there were "deep political divisions" over whether such discussions were appropriate for welfare workers. To the extent that Nathan and Gais are correct, on the issue of nonmarital births there is a large gap between the intent of the federal welfare reform legislation and implementation at the local level. Thus, Congress must assess both the extent to which state and local programs are taking actions to reduce illegitimacy and whether these actions are effective. To these ends, the Committee on Ways and Means will conduct hearings later this year and, if necessary, pursue additional legislation.

Medicaid and Food Stamp Issues

Second, caseload data from the food stamp program and the Medicaid program seem to indicate that many adults and children who meet the demographic, income, and resource standards for these benefits are not receiving them. In 1997, the number of children receiving Medicaid fell for the first time even though the number of children eligible for benefits probably increased slightly. Thus, it appears that lots of children eligible for Medicaid are not receiving coverage. Meanwhile, Census Bureau estimates of the number of children without health insurance continue to rise. Similarly, there has been a very substantial decline in food stamp receipt among mothers and children, and some experts claim the decline exceeds that observed in previous economic expansions.

Some of the decline in the number of people receiving Medicaid and food stamps is a good thing. For example, state surveys suggest that roughly 40 percent of mothers leaving welfare for work take jobs with employers that offer health care benefits. A number of these families may have replaced Medicaid with private health insurance. Similarly, some families leaving welfare earn enough so that they no longer qualify for food stamp benefits. Despite these and similar considerations, there is concern among program administrators and other experts that there are probably many children eligible for Medicaid and food stamps who are not receiving them.

We do not yet have enough information about the number of children and families not receiving benefits for which they are eligible to determine how serious the problem is or what solutions might be undertaken. Later this year, the Committee on Ways and Means and other House committees will be examining these issues in detail. In addition, the General Accounting Office has organized a study group of staff members from the Congress, Congressional agencies, and the Administration, as well as selected experts, scholars, and program administrators from outside the federal government, to examine the impact of welfare reform on information systems. One of the issues this study group has taken up is the administrative problems and inconsistencies between TANF, food stamps, and Medicaid that have been occasioned by welfare reform. This group may produce a report on these issues later this year.

For now, it seems likely that administration at the state level may need some revision and updating. Before the welfare reform law of 1996, the point of entry for AFDC, food stamp, and Medicaid benefits was AFDC. In most states, application for AFDC was tantamount to application for the other benefits as well. Thus, as the welfare rolls declined, and as hundreds of thousands of families that would normally have enrolled in AFDC – and hence food stamps and Medicaid – were diverted into work, it was virtually inevitable that entry into food stamps and Medicaid would be disrupted. Another factor may be that many families eligible for Medicaid prefer to wait until someone in the family has an acute condition that requires an emergency room visit and then sign up for Medicaid in the hospital. Yet another possibility is that a somewhat unexpected effect of welfare reform has been that all welfare programs have become stigmatized. State Medicaid administrators are now providing us with anecdotal reports that some potential recipients actually avoid signing up for welfare benefits because they wish to avoid the stigma. Finally, there is strong evidence that receipt of welfare benefits is underreported in national surveys, and that this underreporting has increased in recent years.

Whatever the explanations might be, the work support system is an important achievement and has been constructed ~~over nearly two decades on a bipartisan basis.~~ Although the media and scholars often wring their hands over growing wage and income inequality, they usually fail to mention the very set of programs that now improve living standards for poor and low-income working families. If families leaving welfare earn too much to qualify for some or all of these programs, or families don't want to accept welfare, these are positive outcomes. But if there are families leaving welfare that don't know they are eligible for the benefits or encounter lots of bureaucratic hassle in trying to get the benefits, these are policy problems that must be addressed. For our part, we will examine these issues carefully in this and subsequent sessions of Congress and take whatever action may be necessary to help people obtain these nonwelfare benefits if they want them.

Adults with Multiple Employment Barriers

There was a time when many observers felt that most adults on welfare were incapable of supporting themselves and their families. But given the very substantial caseload declines and the extraordinary increase in work by low-income mothers, it seems clear that many of the adults previously dependent on welfare are capable of earning enough money so that, when combined with income from the work support system, they can support their family. But research indicates that some number of parents, because of addictions, personality disorders, mental limitations, or other problems, are having serious difficulty finding or holding steady jobs. This is the third issue that requires careful attention this year. No one should be surprised by this development; escaping welfare is bound to be difficult and we should expect some people to fail and fail again. The key will be to develop a system that helps these adults keep trying until they succeed and provides them with needed financial support between jobs.

Without assuming that any welfare recipients are incapable of self support, Congress and the states should focus a great deal of attention on ways to help these adults. Previous research, especially by Toby Herr at Project Match in Chicago, shows that small steps, constant monitoring and encouragement, and frequent failure are characteristics of programs that attempt to help highly dependent parents. Plus, the programs are expensive. But the substantial decline in welfare rolls has left most states with the necessary funds to invest additional resources in adults with many barriers to work. Inevitably, serious efforts by many states will lead to greater understanding of how to help these adults, which in turn will lead to improved programs.

Concern about welfare recipients with many barriers to employment leads inevitably to a concern for low-skill adults who have left welfare or avoided it but who are not employed. Far too little is know about this group, but it seems likely that some of them are too disorganized or have too many personal problems, including mild disabilities and addictions, to meet the requirements now placed on nearly all welfare recipients to work or prepare for work. The old AFDC system hid these people because they could just stay on welfare year after year. In such a system, learned helplessness was bound to flourish. But now under the new system, many of these challenged adults are sanctioned for failing to comply with welfare requirements; some even choose to leave the rolls rather than face the new requirements.

Thus, it is not surprising that there is some evidence that female-headed families at the very bottom of the income distribution have stagnant or even declining incomes. The total income (earnings plus welfare) of female-headed families with children in the next-to-bottom 20 percent of the income distribution increased by 15 percent from $13,564 to $15,418 between 1993 and 1997. By contrast, total income of the bottom 20 percent of female-headed families declined by about 2 percent. This fall seems to be caused primarily by a decline in welfare income by families in the bottom half of the bottom 20 percent and to be concentrated in the 1995 to 1997 period..

Some analysts regard these data as somewhat unreliable because of the relatively small number of families in the survey and because many families say they have zero or nearly zero income, which is clearly not possible. There is also strong evidence that welfare income is substantially underreported in Census Bureau surveys. Even so, it seems quite plausible that some female-headed families are experiencing stagnant or declining income.

To the extent that this analysis is correct, the difficulties being faced by these families appear to have two causes -- they are not working and they are not receiving the welfare benefits for which they are eligible. In both cases, adults must have at least some level of competence and organization to obtain income. In the former case, they must be able to consistently hold down a job; in the latter case they must apply for benefits, periodically update their eligibility information, and meet program requirements. Unfortunately, it appears that some adults are not capable of successfully fulfilling even these minimal requirements.

All of which serves to again emphasize the importance of states using their TANF dollars to follow these families and to provide whatever assistance is needed to get them on track. A point that many critics seem to miss is that these families are eligible for many welfare benefits, including TANF. But they apparently don't get the benefits for which they are qualified and for which the money is available. What may be needed is some kind of living situation for these families that is more sheltered and also more closely supervised than the norm.

The New Employment Programs

The ongoing attempt by many states to continue following families after they leave welfare raises the fourth issue that is now coming into focus. One of the many collateral effects of welfare reform, and of other legislation enacted since Republicans took over Congress in 1995, is that federal legislation now encourages and permits closer coordination between employment, education, and training programs at the local level. Before 1995, Congress had authorized well over 100 federal programs that provided money for employment and training. This blizzard of programs represented a nonsystem with a huge variety of purposes, streams of federal dollars, reporting requirements, and rules. Vision and unity of purpose in such a system are impossible. Perhaps the most telling sign of poor coordination was the almost complete separation in most jurisdictions between employment and training programs conducted under welfare departments, the U.S. Employment Service, and the Job Training Partnership Act.

But now the TANF block grant has given state and local governments complete control of a major part of their resources and virtually no federal rules that can interfere with attempts to control and coordinate employment and service activities funded by TANF. Equally important, last year, in the Workforce Investment Act, Congress combined most of the 100 or so employment and training programs aimed at helping low-income youth and adults into three major block grant programs. These actions give state and local governments a new opportunity to create comprehensive, coordinated employment and training programs at the local level.

That states and local governments are already moving in this direction is indicated by the growth of One-Stop Job Centers. Although these centers are still evolving, examples of what they can accomplish are beginning to emerge in places like Racine, Wisconsin and Broward County, Florida. The new employment service providers will have at least five defining characteristics: 1) a single location for employment services whether paid for by the U.S. Employment Service, TANF, the new Workforce Investment block grants, or any other source; 2) standard job services such as preparing resumes, obtaining skills needed for job interviews, locating potential jobs, using the Internet to search job banks, obtaining soft skills, and so forth; 3) job training or education, often at local specialized training programs, junior colleges, technical schools, or 4-year colleges; 4) aid in applying for public benefits such as child care, medical care, food stamps, and the earned income credit to supplement income and prevent welfare dependency; and 5) a single location for job services and public benefits so that adults with low skills can obtain additional services to retain jobs and get better ones.

Over the next decade, we expect One-Stop Centers to continue their development as the community hub of employment, training, and education services. As communities across the country expand and perfect these programs, low-income and low-skilled Americans, who previously resorted to welfare benefits, will be able to seek additional counseling or training or whatever assistance might be necessary to help them achieve independence and self-reliance. As these Centers develop, it may be necessary to further adapt federal programs to increase the flexibility enjoyed by local programs. The Committee on Ways and Means and the Committee on Education are working closely together to monitor the development of One-Stop Centers and the integration of TANF, the U.S. Employment Service, and the new Workforce Investment Act programs.

Fatherhood Programs

Illegitimacy is the scourge of American social policy. As we have seen, a host of social problems are rooted in the conditions in which children of nonmarital childbirth are reared. Several provisions in the welfare reform law of 1996 were addressed to fighting illegitimacy, and the nation is just beginning to experience success in reducing its formerly relentless rise.

But there is another way to reduce illegitimacy. Instead of remaining single, young couples who become pregnant or have babies can get married. There is an unfortunate myth in America that most nonmarital births are the result of fleeting relationships. Recent research by Sara McLanahan at Princeton University on a very large sample of inner city nonmarital births shows that half the couples are cohabiting at the time of the birth and 80 percent tell researchers they are involved in a serious and exclusive relationship with their partner. Most even tell researchers they hope to marry. And yet we know from careful demographic research that within roughly 2 years after the birth, less than 10 percent of these couples will still be living together and most of the fathers will be visiting their child less than once a month.

The return of two-parent families would have major impacts on domestic tranquility by reducing poverty, improving child rearing, and creating better communities, especially in the inner city. To this end, later this year we will be introducing legislation to support fatherhood programs. These programs will aim both to improve the economic status of poor, single fathers and to improve their relations with their children and the children's mother. Many of the programs will intervene with young mothers and fathers around the time of the nonmarital birth. In this way, the programs will begin with young adults who are trying to sustain their relationship at the same time that they are trying to generate an earnings capacity. The small, community-based organizations supported by our legislation, including faith-based organizations, have a real chance to improve the economic circumstances of these young parents and to increase the likelihood that they will form viable family units through marriage.

Final Word

After years of trying to reform welfare, we have come to a new understanding: What works is work – supplemented by work supports. Continued aggressive implementation of the provisions of the 1996 welfare reform law, supplemented by new legislation designed to provide states with new flexibility to exploit successes or attack remaining problems, will ensure that the nation can at last claim important victories in its continuing war on poverty and welfare dependency.

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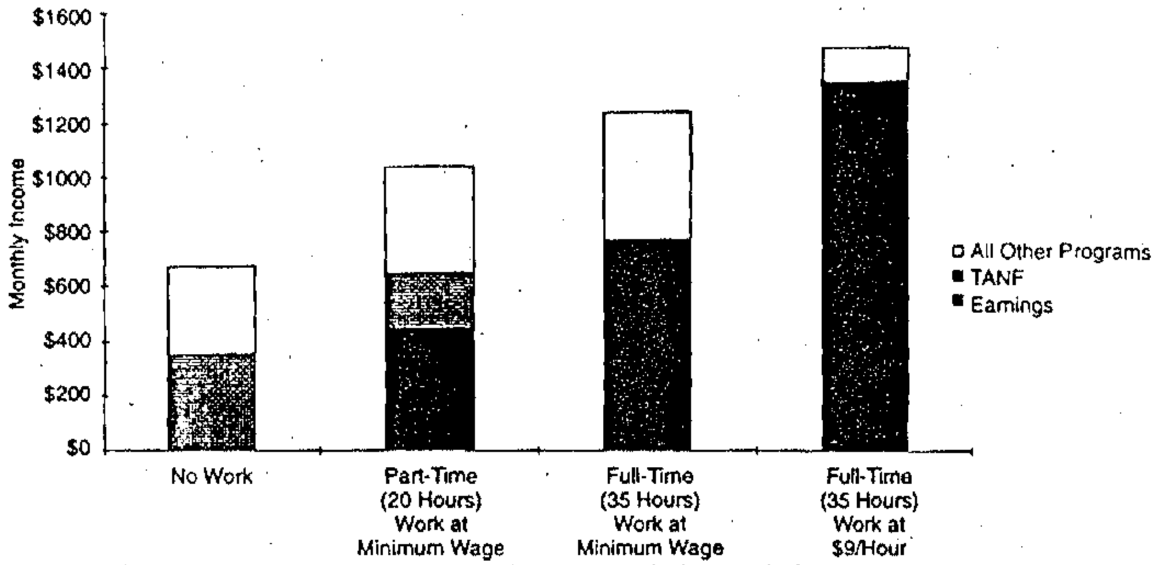
WR - Evaluation

Figure 1 *Composition of Family Income for a Family of Three under Four Work/Welfare Scenarios—An Illustrative Example*



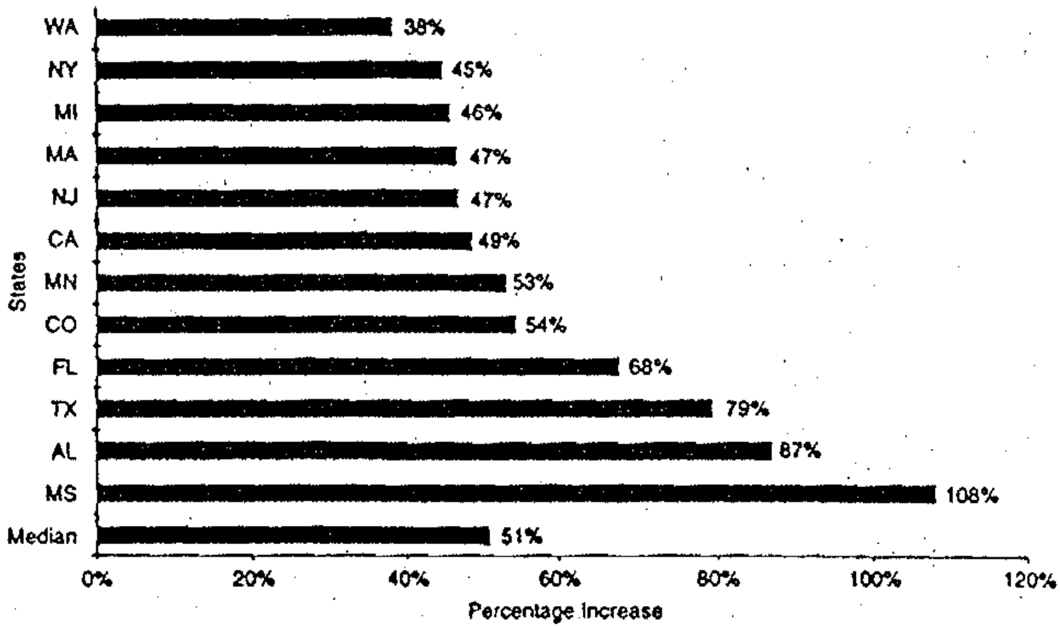
Notes: The "All Other Programs" category consists of the cash value of food stamps, the federal Earned Income Tax Credit, and state earned income and other tax credits, less payroll taxes and federal and state income tax liabilities.

The figure depicts program rules for Colorado in October 1997.

Source: G. Acs, et al. (1998) Does Work Pay? An Analysis of the Work Incentives Under TANF (Occasional Paper #9). Washington, DC: Urban Institute.

UR-
Evaluations

Figure 3 *Percentage Increase in Monthly Total Income for a Family of Three Moving from No Work to a Part-Time Minimum Wage Job in 12 States*



Notes: Total income consists of earnings, TANF benefits, cash value of food stamps, federal Earned Income Tax Credit, and state earned income and other tax credits, less payroll taxes and federal and state income tax liabilities.

Program rules are based on the Urban Institute's summary of state TANF plans, legislation, and regulations as of October 1997.

Source: G. Acs, et al. (1998) Does work Pay? Analysis of the Work Incentives Under TANF (Occasional Paper #9). Washington, DC: Urban Institute

TABLE 1

WR - Work Particip. Rates

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES
TANF WORK PARTICIPATION RATES
FISCAL YEAR 1998

STATE	ALL FAMILY RATES			TWO-PARENT FAMILY RATES		
	RATE	ADJUSTED STANDARD 3/	MET TARGET	RATE	ADJUSTED STANDARD	MET TARGET
UNITED STATES	35.4			42.3		
ALABAMA	38.9	5.0%	✓	1/		NA
ALASKA	42.5	26.8%	✓	36.8	68.6%	
ARIZONA	30.2	8.7%	✓	76.6	53.7%	✓
ARKANSAS	19.4	16.6%	✓	20.3	57.8%	
CALIFORNIA	36.6	17.8%	✓	36.2	32.7%	✓
COLORADO	28.7	7.5%	✓	25.7	15.1%	✓
CONNECTICUT	41.4	21.5%	✓	73.2	66.5%	✓
DELAWARE	26.2	9.4%	✓	23.7	54.4%	
DIST. OF COL.	22.8	20.1%	✓	22.5	30.1%	
FLORIDA	34.5	5.8%	✓	1/		NA
GEORGIA	29.3	6.1%	✓	1/		NA
GUAM	12.4	30.0%		13.8	75.0%	
HAWAII	30.0	28.1%	✓	1/		NA
IDAHO	28.6	4.2%	✓	22.5	0.0%	✓
ILLINOIS	37.7	13.6%	✓	77.7	45.0%	✓
INDIANA	29.9	0.0%	✓	32.8	20.1%	✓
IOWA	56.9	9.1%	✓	53.6	51.4%	✓
KANSAS	41.3	1.9%	✓	44.2	23.2%	✓
KENTUCKY	38.3	16.3%	✓	51.6	37.5%	✓
LOUISIANA	29.2	2.0%	✓	38.1	0.0%	✓
MAINE	45.6	15.1%	✓	49.9	35.3%	✓
MARYLAND	12.7	3.1%	✓	1/		NA
MASSACHUSETTS	29.0	7.3%	✓	73.3	44.6%	✓
MICHIGAN	49.2	5.2%	✓	63.9	38.4%	✓
MINNESOTA	30.6	17.0%	✓	30.8	42.5%	
MISSISSIPPI	25.2	3.7%	✓	70.4	1.2%	✓
MISSOURI	24.1	10.4%	✓	34.9	0.0%	✓
MONTANA	78.3	7.2%	✓	86.4	52.2%	✓
NEBRASKA	36.2	20.6%	✓	39.5	53.1%	
NEVADA	34.5	6.0%	✓	58.7	31.7%	✓
NEW HAMPSHIRE	37.3	5.5%	✓	44.6	1.6%	✓
NEW JERSEY	26.5	14.7%	✓	1/		NA
NEW MEXICO	15.9	8.5%	✓	16.8	35.6%	
NEW YORK	37.5	15.0%	✓	58.8	38.5%	✓
NORTH CAROLINA	14.5	10.0%	✓	30.9	55.0%	
NORTH DAKOTA	31.5	10.7%	✓	1/		NA
OHIO	44.9	11.6%	✓	51.5	49.2%	✓
OKLAHOMA	35.2	0.0%	✓	31.4	4.2%	✓
OREGON	98.2	0.0%	✓	95.2	9.8%	✓
PENNSYLVANIA	19.3	9.9%	✓	21.8	26.3%	
PUERTO RICO	6.8	17.1%		1/		NA
RHODE ISLAND	27.5	19.3%	✓	32.4	51.1%	
SOUTH CAROLINA	42.7	19.0%	✓	60.9	48.5%	✓
SOUTH DAKOTA	39.2	11.2%	✓	1/		NA
TENNESSEE	43.2	2.0%	✓	39.1	4.6%	✓
TEXAS	25.2	5.2%	✓	44.3	47.9%	
UTAH	39.8	2.5%	✓	49.7	47.5%	✓
VERMONT	2/		NA	2/		NA
VIRGIN ISLANDS	15.5	27.7%		1/		NA
VIRGINIA	27.5	6.8%	✓	26.5	51.8%	
WASHINGTON	48.5	21.1%	✓	45.5	52.2%	
WEST VIRGINIA	33.4	19.2%	✓	37.2	46.8%	
WISCONSIN	64.0	0.0%	✓	39.2	0.0%	✓
WYOMING	55.3	0.0%	✓	65.8	4.9%	✓

KEY

1/ State does not have any two-parent families in its TANF Program.

2/ State claims waiver inconsistencies exempt all cases from participation rates.

3/ The work participation rate standard before the application of the caseload reduction credit is 30% for the overall rate and 75% for the two-parent rate.

ACF/OPRE: 07-231-99

WR - Evaluations

UNITED STATES

The crunch comes for welfare reform

WASHINGTON, DC

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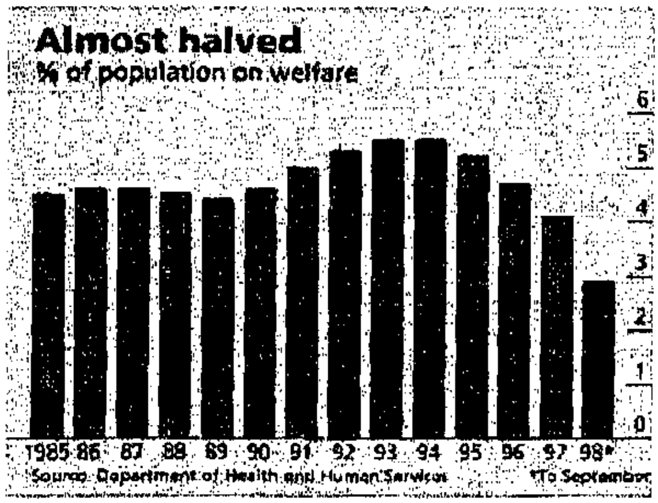
ACROSS the country they greet the guests at Marriott hotels or dispense Burger King Whoppers; east of the Mississippi they ring the tills at CVS pharmacies; in Washington, DC, they give manicures at the Just Nails with a Gentleman's Touch salon. They, and several hundred thousand like them (President Clinton's estimate is 1.5m), have left the welfare rolls over the past two years and are the wage-earning proof that welfare reform is working.

But will it go on doing so? By July 1st, or earlier in many states, those families who have been receiving welfare payments for two continuous years will receive them no more. Nor will families who, over time, have had a total of five years of payments. The pessimists, worried that America's long economic expansion will finally run out of steam, are already raising the alarm. The newly hired will be the first to be fired, but this time there will be no welfare cheque to soften the blow. Some mayors are predicting massive social unrest.

Perhaps they protest too much. After all, when Mr Clinton signed welfare reform into law in August 1996, it was a bold stroke. For years there had been attempts to wean families off welfare; but the rolls kept growing, to a peak of 5m families (14m individuals) in 1994. Under the terms of Mr Clinton's bill, welfare ceased to be a federal entitlement; recipients of welfare would have to work for it. For their part, the states, in return for federal block grants and the freedom to run their own welfare programmes, would have to remove 25% of their families from the welfare rolls (or at least into "work activities" such as training programmes) in the first year, rising to 50% by 2002.

So far, so very good. Since 1994 the rolls have fallen to about 3m families, or fewer than 8m people (see chart). The private-sector Welfare to Work Partnership, launched in May 1997 by United Airlines, UPS, Burger King, Sprint and Monsanto, now has almost 10,000 member-companies committed to hiring from the welfare rolls. Its latest estimate is that in the past two years they have hired some 410,000 people. The Partnership's chief executive, Eli Segal, says: "We're trying not to gloat . . . Welfare was an income-production system; now it's a work-preparation system.'



Maybe so. Even late converts to the cause, such as Hawaii, have managed to meet the law's requirements. Some enthusiasts, such as Wisconsin (whose caseload fell by 77% over two years), have done spectacularly well. But do the figures, and the emphasis on cutting caseloads, flatter to deceive?

Mr Segal argues that welfare recipients are not doomed to find only "dead-end" minimum-wage jobs. Some 80% of Partnership companies claim to pay well above the $5.50 an hour minimum wage (with an average of $7.20 an hour); more than 70% offer medical benefits, and have promoted employees hired from welfare. Moreover, the former welfare recipients appear to show above-average loyalty and sticking power. Steve Wing, director of government programmes for CVS, reckons that 55% of welfare hires over the past two years are still employed by CVS, compared with an overall retention rate over that period of 25%; Giant Food, an east-coast supermarket chain, compares its 90-day retention rate of 79% for ex-welfare recipients with a dismal company-wide average of 50%.

Yet the truth is that such figures do not happen easily. A successful move from welfare to work involves an investment by both states and the private sector in training programmes, transport, remedial education and "mentoring" by colleagues or outside advisers. For the moment, with the labour market at its tightest since the 1960s, the private sector arguably has little choice but to make the investment. As for the states, they can afford to be generous: the economic expansion has given almost all of them healthy budget surpluses, and until 2002 they are supposed to receive a federal block grant of some $16.8 billion a year. Add the president's 2000 budget proposals for welfare-to-work tax credits, housing vouchers and transport, and perhaps the downturn in the economic cycle will not be as damaging as the pessimists fear.

But it cannot be entirely painless. As a recent study from the Brookings Institution points out, the welfare rolls in America's biggest cities may be falling, but they are doing so much more slowly than in the surrounding counties. The implication, as some mayors argue, is that when the downturn comes poverty will be still more concentrated in cities, which will become still less attractive to investors.

Moreover, for all Mr Segal's glad tidings, others tell a less happy story of widening income disparities and families trapped in poverty even when they are in work. Analysts at Washington's Centre on Budget and Policy Priorities, for example, maintain that most welfare hires do not receive paid holiday or sick leave, and that it takes a year of employment before they can be covered by the Family and Medical Leave Act—a crucial factor when so many welfare hires are single mothers.

Still, welfare reform has worked better than anyone dared hope. How ironic, then, that the experiment's future could be imperilled by its present success. Because the welfare rolls have fallen so fast, the states have had to spend less on welfare cheques—which means they have some $3 billion in federal block grants left unspent. To Washington's politicians that money is an irresistible temptation, which is why this week some Republicans in the Senate proposed siphoning off $350m to provide disaster relief for Central America and why other Republicans in the House want to let the states use their federal welfare money for education programmes.

Happily for the states, not all Republicans agree. As the House Ways and Means chairman, Bill Archer, wrote to the Senate leader, Trent Lott: "We made a deal. As state legislatures confront the toughest challenges of welfare reform, Congress is proposing to pull the rug from under them." Indeed so, and as Mr Archer points out, that would be a bad precedent to set when the Republicans want to turn other areas—education, child protection, housing and so on—over to the states in the form of block grants. After all, welfare reform is an experiment in a different sort of government provision for its citizens, and if it keeps working there could surely be more.

DONNA: Statewide is more telling than demos
More work, greater decline than projected
Govs - taking ownership
Challenges: Keeping people in jobs - hard-to-serve
Tough work rqmts, greater personal resp., strict time limits - core principles of WR

11.2.98

WR - Evaluations

PROGRESS REPORT ON WELFARE REFORM

Work is the Centerpiece of State TANF Programs

- TANF recipients are getting jobs: in the first year of TANF, 1.7 million welfare recipients became employed -- that means that 1 in 3 families who were on welfare in 1996, were working in 1997. This is a substantial increase from 1992, when only 1 in 5 families on welfare the previous year found work.

- The most recent data show this success continuing: the percentage of the 1997 caseload who were employed in 1998 has remained at over one third. In 1998, 1.5 million families who were on welfare the previous year were working in 1998, a slightly lower number than in 1997 because the total caseload has declined substantially.

- The proportion of people working after receiving welfare is higher than in the past -- about 50 to 60 percent of those leaving the welfare rolls are working in the period following welfare receipt. This is comparable to or slightly higher than States' experience under AFDC.

- Evaluations of State programs suggest that increased employment of welfare recipients is due to implementation of welfare policy changes -- a study of Oregon's program showed increases in the employment and earnings by 11 percent over 2 years due to State policies that focused on work and work supports. State-specific studies isolate the effects of State policies from external factors, such as the economy.

State Policy and Spending Choices

- Most States have changed the way they count income under TANF to let working recipients keep more of their check -- 42 States have changed the way they count income in determining eligibility and benefits. Most of these have increased their earnings disregards.

- Most States have maintained their benefit levels. According to State TANF plans, 9 States have increased, while 8 have decreased their benefit levels.

WR-Evaluations

Temporary Assistance for Needy Families (TANF) Program

Second Annual Report to Congress
August 1999

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
Administration for Children and Families
Office of Planning, Research and Evaluation

TANF REPORT TO CONGRESS

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I. INTRODUCTION AND EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

On August 22, 1996, President Clinton signed the bipartisan welfare reform plan that is dramatically changing the nation's welfare system. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 replaced the old welfare system (AFDC) with Temporary Assistance for Needy Families (TANF), to focus on work and responsibility and to provide States with flexibility to create the best approaches for their individual circumstances. Even before the Personal Responsibility Act became law, many States were well on their way to changing their welfare programs into 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.

This strategy of requiring work and responsibility and rewarding families who have gone to work is paying off. Since welfare reform there has been a dramatic increase in employment among welfare recipients. The percent of current TANF adults who are working has nearly quadrupled. In addition the Census Bureau's Current Population Survey reports that between 1992 and 1998, the employment rate of previous year TANF recipients increased by 70%. Finally, all States met the first overall work participation rates required under the welfare reform law for FY 1997 and 1998.

A recent General Accounting Office report found that between 63 and 87 percent of adults have worked since leaving the welfare rolls. Preliminary findings from six of the HHS funded studies of families leaving welfare indicate that between one-half and three-fifths of former TANF recipients found work in jobs which were covered by their States' Unemployment Insurance program. Employment rates were even higher – 75 to 82 percent – when measured as the percentage of those who were ever employed within the first 12 months.

Welfare reform has shown promising results among those most vulnerable to welfare dependency in a continuing rise of employed single mothers. In 1998, according to the Census Bureau, almost three-fifths (57 percent) of single mothers with incomes under 200 percent of poverty were employed as compared to 44 percent in 1992.

Welfare caseloads are at their lowest level since 1969 and the welfare rolls have fallen by nearly half since the beginning of this Administration. The number of recipients fell from 14.1 million in January 1993 to 7.3 million in March 1999, a decline of nearly 6.8 million or 48% fewer since President Clinton took office. The rolls have declined by 4.9 million people, or 40 percent, since President Clinton signed the welfare law in August 1996. Since 1993, welfare rolls have declined in all States, with 29 States recording declines of half or more. A new report by the Council of Economic Advisers finds that the implementation of welfare reform accounts for one third of the decline between 1996 and 1998, and is the single most important factor contributing to the widespread and continuous caseload declines during this period.

The President started reforming welfare early in his first term, granting waivers, expanding the Earned Income Tax Credit and the minimum wage to make work pay, and pushing the Congress for historic nationwide welfare reform legislation. Since 1996, he has launched the Welfare-to-Work Partnership which now includes over 12,000 businesses that have hired over 410,000 welfare recipients; issued an executive order to ensure the Federal government hired its share of welfare recipients – over 14,000 have been hired to date; encouraged the launching of the Vice President's Coalition to Sustain Success, a coalition of national civic, service and faith-based groups who are working to help these new workers with the transition to self sufficiency; and fought for and won additional funds for welfare to work efforts for long term recipients in high poverty areas including $3 billion in Department of Labor Welfare-to-Work funds enacted in the Balanced Budget Act; a new tax credit to encourage the hiring of long term welfare recipients; funding for welfare to work transportation ($75 million in FY 1999); welfare to work housing vouchers (50,000 enacted to date); and putting in place new welfare rules that make it easier for States to use TANF funds to provide supports for working families such as child care, transportation, and job retention services.

With more parents entering the work force, the need for childcare has risen as a critical support to help parents keep their jobs. The 1996 welfare law did provide $4 billion in additional funds to States to provide more care and help improve the quality of programs, but the unmet need remains large. There are approximately 10 million children eligible for federal funded support, yet in 1997 only 1.25 million children received assistance.

Ensuring that families who leave welfare for jobs stay employed is one of the next challenges of welfare reform. Reliable, safe and affordable childcare is one of the critical ingredients for parents succeeding in work. A recent GAO study demonstrated that parents who receive child care assistance more often complete training, get jobs and experience positive outcomes. To address this growing challenge, President Clinton proposed an $19.3 billion child care initiative comprising increased subsidies to States, expanded tax credits and an early learning fund so States have a dedicated source of funding to improve the choices parents can make for child care programs. The President's proposals to invest an additional $1 billion to extend the Welfare-to-Work program, increased funding for Access to Jobs transportation, provide 25,000 more welfare to work housing vouchers, and extend employer tax credits will also help people make a successful transition from welfare to work.

This report compiles early data about welfare caseloads, family employment and earnings, and State policy choices, to give a picture of these first two years of welfare reform. Below are some more extensive highlights describing the information available to date as well as the research underway to learn more.

EMPLOYMENT AND EARNINGS OF NEEDY FAMILIES

There has been a dramatic increase in employment of current welfare recipients. The percentage of employed recipients reached an all-time high at 23 percent, compared to less than 7 percent in 1992 and 13 percent in 1997. Thus, almost one in four recipients was employed in a typical month, the highest level ever recorded. Similarly, the proportion of recipients who were working (including employment, work experience and community service) reached 27 percent, a nearly fourfold increase over the 7 percent recorded in 1992.

All States met the all family participation rate standard for 1998. All States plus the District of Columbia met the all family participation rate standard. Of the forty-three States plus the District of Columbia that are subject to meet the two parent work participation rate, twenty-nine met the FY 1998 two-parent participation standard.

Between 1992 and 1998, the employment rate of TANF recipients increased by 70%. In 1992 one in five previous year recipients was working the following spring, whereas in 1998, the figure had increased to one in three. Each March the Current Population Survey, which is used to calculate unemployment rates, collects information about households' income and program participation in the previous calendar year as well as employment and earnings data reflecting individuals' March employment status. As a result we know whether adults who received AFDC or TANF in the preceding calendar year (who may or may not still be receiving welfare) were employed the following March. Between 1992 and 1996, the employment rate increased from 20 percent (its approximate level for the previous four years) to 27 percent. In the last two years it jumped even more dramatically to 34 percent in 1998.

Employment of single mothers has grown significantly. By 1998, the latest year for which Census figures are available, the percentage of single mothers with incomes under 200% of poverty who were employed rose from 44% in 1992 to 57% in 1998.

A variety of State research studies show that most adults have worked once leaving the welfare rolls. Studies summarized by the GAO show that between 67% and 87% of adults had worked since leaving the welfare rolls. These findings from these interim reports also indicate that between one-half and three-fifths of former TANF recipients found work in jobs that were covered by their State's Unemployment Insurance program at the time they left welfare which found employment rates of families leaving welfare were from 75 to 82 percent when measured as the percentage of those who were ever employed within the first 12 months. While these employment rates are not radically different from the patterns of AFDC leavers in earlier studies, they indicate a dramatically large increase in the absolute number of families leaving welfare with earnings, given the significant caseload decline in the past few years.

MAKING WORK PAY

The average earnings of employed TANF recipients increased from $506 per month to $553, an increase of about 11 percent between 1997 and 1998. Eight percent of adult recipients had unearned income averaging about $232 per month.

A recent GAO study found annual earnings of $9,512 - $15,144 among those who had left welfare. Especially when earnings are combined with other supports for working families such as EITC, food stamps, and child care, families are better off than they were on welfare.

The Administration has taken key steps to support working families and make work pay. These initiatives include: expanding the Earned Income Tax Credit to lower taxes for 15 million working families; raising the minimum wage to $5.15 an hour and fighting for an additional $1 per hour increase; adding $4 billion more in child care and fighting to provide even more, and enacting the $24 billion Children's Health Insurance Program to extend health care coverage to millions of uninsured children. Most recently, the President announced a series of executive actions to ensure working families access to food stamps. Through $4 billion in additional child care investments added in the welfare reform law, an additional 441,000 children have been provided child care so parents could work. The EITC lifted 4.3 million Americans out of poverty in 1997 and reduced the number of children living in poverty by 2.2 million.

The poverty rate, as measured by the Census Bureau's official poverty measure, has fallen to 13 percent, down from 15 percent in 1993. Since 1993, the African American poverty rate dropped from 33.1 percent to 26.5 percent – the lowest level on record and the largest four-year drop in more than a quarter century. Last year, the Hispanic poverty rate dropped from 29.4 percent to 27.1 percent – the largest one-year drop since 1978. The child poverty rate declined from 22.7 percent in 1993 to 19.9 percent in 1997, the biggest four-year drop in nearly 30 years. While these are encouraging trends, there is more work to do in all these areas. The Department will be monitoring child poverty rates in States through regulation.

Although welfare reform is having a positive effect on the earnings of some categories of recipients, early information provides a complicated story. Along with the employment gains described above, the CPS data suggests average earnings for all female-headed families with children have increased substantially between 1993 and 1997 from $14,668 to $17,646 (both in 1997 dollars). However, the early CPS analysis suggests preliminarily that the gains are not evenly distributed over the period with roughly three-quarters of the gain occurring between 1993 and 1995, and only one-quarter between 1995 and 1997.

Family income on average has increased for some families, but there is also preliminary evidence that some families are experiencing losses. For the period 1993 to 1997, CPS data indicate that the average annual income of all female-headed families with children increased, as did employment and earnings as described above. This measure of income includes both earnings and a broad range of transfer programs. Again, the income increases were unevenly distributed over the period, with larger gains in the 1993 - 1995 period, and across the income distribution. The bottom quintile did not fare as well as the top four fifths, especially in the 1995-1997 period, underscoring the need for additional welfare to work efforts.

TRENDS IN CASELOADS AND EXPENDITURES

There continue to be dramatic declines in welfare caseloads. Overall, between August 1996 and March 1999 there has been a 40 percent decrease in the number of recipients on the rolls. The percent of the U.S. population receiving assistance in March 1999 was the lowest since 1969.

Date	*Estimated U.S. Population*	*AFDC/TANF Recipients*	*Percent of U.S. Population*
1992	254,489,083	13,625,342	5.4
1993	257,563,667	14,142,710	5.5
1994	260,103,333	14,225,651	5.5
1995	262,560,167	13,659,206	5.2
1996	264,990,250	12,644,076	4.8
1997	267,510,917	10,935,151	4.1
1998	270,063,250	8,770,376	3.2
March 1999	272,445,000	7,334,976	2.7

A new report by the Council of Economic Advisers finds that the implementation of welfare reform is the single most important factor contributing to the widespread and continuous caseload declines from 1996 to 1998. CEA estimates that the federal and State program and policy changes implemented as a result of welfare reform account for approximately one-third of the caseload reduction during this period. While the strong economy has also played an important role, accounting for approximately ten percent of the decline between 1996 and 1998, it was the larger factor in declines from 1993 to 1996 when the largest declines in the unemployment rate occurred.

In FY 1998, States continued to make large investments in their work first welfare programs. Overall, based both on the level of spending in FY 98 reported by States and on the cash assistance levels established by the States under the TANF program, there is clearly no "race to the bottom" occurring. When FY 1997 and 1998 funds are combined, States spent or committed to spend 90 percent of the TANF Federal block grant funds. By the end of FY 98, nineteen States had already spent or committed all of their FY 98 federal funds. All States met the minimum requirement in State maintenance of effort (MOE) spending in 1997 and 1998, with some States spending more. Also, to meet the critical need of child care for parents moving from welfare to work, States increased the amount of TANF funds (up to $652 million) transferred to the child care block grant. In May, HHS provided guidance on how States and communities can use the flexibility and resources available under TANF to support working families and address the needs of families facing challenges to self-sufficiency.

STATE POLICY CHOICES.

States are emphasizing work in their TANF programs. Under the TANF program, parents or caretakers receiving assistance are required to engage in work (as defined by the State) within 24 months or less at the State's option. Currently, 20 States require immediate participation in work, 6 States require participation in work between 45 days and 6 months of receipt of cash assistance, 23 States require participation within 24 months, and 2 States within other timeframes.

States vary in limiting the time that families can receive TANF assistance. Currently, 28 States are using the Federal five-year limit, 6 States are using "intermittent" time limits up to a total of five years, 8 States are using shorter time limits than the five-year threshold, 5 States are using options involving supplements for families exceeding the five-year limit, and 5 States are applying time limits for adults only.

States are offering up-front payments or services to divert families from entering the welfare rolls. To date, 27 States have opted to offer diversion payments or services to families applying for TANF benefits as part of their TANF plan. In several States, this includes lump-sum payments to the families who in turn agree not to seek additional assistance for a specified period of time. In other States, the diversion includes job search and related services designed to help the family go directly to work.

States are seizing the opportunity to become certified under the "Domestic Violence Option" of TANF. The TANF program offers flexibility to States in offering special treatment to the victims of domestic violence under the "Domestic Violence Option." To date, 27 States have certified that they will assist victims of domestic violence, with 4 more States in the formal process of becoming certified.

States are engaging in forums to share information and lessons learned. The Department is supporting the Welfare Peer Technical Assistance Network Project as an opportunity for States to link up and share information as well as cross-train each other on emerging best practices in areas such as transportation, substance abuse, and post-employment services. The project is challenging States to develop and share solutions for issues ranging from assuring adequate transportation for TANF families in rural areas, offering substance abuse treatments to TANF families, particularly those with a history of domestic violence or with mental health issues, to strengthening supportive services for TANF families that enter the world of work.

CHILD SUPPORT COLLECTIONS

In 1998, the number of child support cases with collections rose dramatically. Children need the support of both parents, which is why the Administration has worked closely with Congress and the States to increase child support collections. In 1998, child support was collected for 4.5 million families, an increase of 33% from 3.4 million in 1994. In fiscal year 1997, $13.4 billion was collected in child support. In 1998, the State and federal child support enforcement program collected a record $14.4 billion for children, an increase of 80% from 1992, when $8.4 billion was collected. The Office of Child Support Enforcement established a record 1.5 million paternities in 1998, two and a half times the 1994 figure of 676,000 and triple the 1992 figure. A key to improvements in the nation's child support enforcement program is the use of modern automated technology. The new National Directory of New Hires has located 1.2 million delinquent parents during the first year of operation since its October 1, 1997 launch. The Administration's Welfare-to-Work reauthorization proposal will help even more low-income fathers increase their employment and child support.

OUT OF WEDLOCK BIRTHS

We will soon award bonuses to reward reduction in Out-of-Wedlock births. The Bonus to Reward Decreases in Illegitimacy Ratio will be awarded later this year to up to five States who have had the largest decrease in their ratio of out-of-wedlock births, and also decreased their abortion rates. Out-of-wedlock births and teenage births continue to decline. Final data for 1997 (calendar year) indicate that the birth rate for unmarried women aged 15-44 years decreased from 44.8 births per 1,000 women in 1996 to 44.0 in 1997. The actual number of out-of-wedlock births declined very slightly from 1,260,306 in 1996 to 1,257,444 in 1997. Over the same period, the proportion of all births that were out-of-wedlock was unchanged at 32.4. Approximately 500,000 teenagers give birth each year. Nationally, the birth rate for teenagers continued to decline in 1997, and has now fallen by 16 percent to 52.3 births per 1,000 women aged 15-19 years, compared with 62.1 in 1991. During the 1991-97 period, teenage birth rates fell in all States and the District of Columbia and the Virgin Islands.

DEMOGRAPHIC AND FINANCIAL CHARACTERISTICS OF FAMILIES RECEIVING ASSISTANCE

Families received an average monthly amount of $358 in cash assistance under the TANF program. This is consistent with past years.

The average number of persons in TANF families was 2.1 persons. The TANF families averaged 2 recipient children, which remained unchanged. Two in five families had only one child. One in ten families had more than three children.

While the percentage of child-only cases on the welfare rolls has risen steadily since 1988, the rate of increase seems to be slowing in the recent 3 years. For the 49 States that reported child-only cases, 23.4 percent of TANF families had no adult recipients, a less than one percentage point increase for the comparable States for the October 1996 - June 1997 period. Even though the overall percentage of child-only cases has continued to increase, the total number of child-only cases has actually declined by about 200,000 since FY 1996.

There was little change in the racial composition of TANF families. Three of five TANF adult recipients were members of minority races or ethnic groups. Thirty-seven percent of adult recipients were black adults, 36 percent were white, 20 percent were Hispanic, 5 percent were Asian, and 1.6 percent were Native Americans.

Understanding the reason for case closure is severely limited by the fact that States reported 56.1 percent of all cases that closed did so due to "other" reasons. TANF families are no longer receiving assistance for the following reasons: 21.7% due to employment, 15.5% due to State policy, and 6.2% due to sanction. There is evidence that these case closure data understate employment rates when compared to State leaver studies.

TRIBAL TANF

As of April 30, 1999, DHHS has approved TANF plans for seventeen Tribes and two consortiums with Tribal TANF plans, involving 72 Tribes and Alaska Native Villages. An additional 13 plans are pending approval and several other Tribes are known to be exploring the option of operating a TANF program.

Tribal TANF programs served slightly more than 3 thousand families in a typical month in FY 1998. Another 47,502 American Indian families were served by State governments. Some Tribes and TANF programs also operate Native Employment Works (NEW) programs.

Native Americans make up a considerable amount of the caseload in certain States. In Fiscal Year 1998, the percentage of TANF adults in the TANF caseload served by the States who are American Indians was almost 73 percent in South Dakota, over 54 percent in North Dakota, almost 41 percent in Alaska, and over 46 percent in Montana.

CHILD CARE

Child care continues to be a critical support for families moving from welfare to work. The increase in the proportion of TANF families who are working and the increase in number of hours they must work makes the availability of child care critical in allowing TANF families to retain jobs and avoid seeking cash assistance. PRWORA added $4 billion for child care, providing child care for an additional 441,000 children. As State minimum work participation rates increase, from 25 percent of all parents in FY 1997 to 30 percent in FY 1998 and rising to 50 percent in FY 2002, parents will need more child care to get and keep jobs. States made significant investments in child care, spending over $1 billion of their own funds. In addition, in

FY 1998 States transferred a total of $652 million in TANF funds to the Child Care Development Block Grant, an over three-fold increase from FY 1997.

Despite our investments in childcare, there is still a large unmet need. Nationally, there are approximately 10 million children who are income eligible for CCDBG childcare. The Department estimated that in 1997 about 1.25 million children were receiving childcare assistance through the CCDBG.

Another indicator of the high demand for childcare services is the rate of State spending of their federal childcare funds. While States have two years to obligate and expend the CCDBG funds, States have obligated or expended 100% of the funds available in FY 98 in that same fiscal year.

A recent GAO study demonstrates the issues around finding affordable child care by analyzing the trade-offs low-income mothers confront when they want to work but face high child care costs. According to that study, child care subsidies are often a strong factor in a parent's ability to work, and reducing child care costs increases the likelihood that poor and near-poor mothers will be able to work. The GAO observed that affordable child care is a decisive factor that encourages low-income mothers to seek and maintain employment. In an earlier study, the GAO found that single parents who received child care assistance more often successfully completed their training, obtained jobs or experienced other positive outcomes.

PUBLICATION OF FINAL TANF RULES AND OTHER INITIATIVES

The TANF final rules reflect PRWORA's strong focus on moving recipients to work and self-sufficiency, on ensuring that welfare is a short-term, transitional experience, and on States' accountability for moving families toward self-sufficiency. The final rules encourage and support State flexibility, innovation, and creativity to develop programs that can reach all families and use TANF funds to provide supports to working families such as child care, transportation and job retention services. At the same time, they incorporate the core TANF accountability provisions, including work requirements, time limits, State penalties, and data collection and reporting requirements. This final rule announced by the President on April 10th. will take effect on October 1, 1999.

We will soon award the high performance bonus (HPB) provision in the new welfare reform block grant legislation as a way to reward States that are the most successful in achieving the goals and purposes of the TANF program. A total of $1 billion (or an average of $200 million each year) is available in FYs 1999 through 2003. The four work measures for the bonus in FY 1999 and FY 2000 are: Job Entry, Success in the Work Force (a measure based on job retention and earnings), and improvement from the prior fiscal year in each of these measures. The participation in the HPB is optional and States may compete in some or all measures. Forty-six States have submitted data to compete for the HPB for FY 1999. We anticipate awarding the FY 1999 bonuses later this year.

The President's FY 2000 budget includes key initiatives that build on the Administration's continuing efforts to help families move from welfare to work and succeed in the workforce. The FY 2000 budget requests $1 billion to extend the Welfare-to-Work program to help 200,000 long-term welfare recipients and low-income fathers move into lasting unsubsidized employment and support their families. The budget requests $430 million for 75,000 welfare-to-work housing vouchers, including $144 million in new funds for 25,000 additional vouchers, and doubles Access to Jobs transportation funding from $75 million to $150 million. The President is proposing to extend both the Welfare-to-Work Tax Credit and the Work Opportunity Tax Credit to encourage the hiring and retention of long-term welfare recipients and other groups of job seekers. Finally, the President is proposing significant new funding for childcare to help working families meet the cost of childcare. Central to this childcare initiative is an expansion of the CCDBG by 7.5 billion over 5 years.

HHS has a critical role in ensuring that the nation has the answers to major questions regarding welfare reform. These questions can only be answered through rigorous and systematic studies. HHS's welfare reform research agenda has two broad goals: to increase the likelihood that the objectives of welfare reform are achieved by developing credible information that can inform State and local policy and program decisions, and to inform the Congress, the Administration and other interested parties on the progress of welfare reform.

PROGRESSIVE POLICY INSTITUTE

WR - Transportation

August 3, 1999

Dear Friend:

Since President Clinton signed historic welfare reform legislation in 1996, transportation has risen to the top of the welfare reform agenda, with many administrators, employers, and recipients reporting it to be the single most important barrier remaining to getting and keeping a job.

A recent report by the Progressive Policy Institute (PPI) and Public/Private Ventures (P/PV), *Working Far From Home: Transportation and Welfare Reform in the Ten Big States* (Executive Summary enclosed), presents a new survey and field research from the states and makes several provocative recommendations to federal and state policy makers. The authors are Margy Waller, Senior Fellow at the Progressive Policy Institute and director of a new joint PPI/Brookings Institution project on ending poverty among working families; and Mark Alan Hughes, formerly vice president of Public/Private Ventures and now Distinguished Senior Scholar at the University of Pennsylvania and Nonresident Senior Fellow at the Brooking's Center on Urban and Metropolitan Policy.

Over the past year, Waller and Hughes surveyed numerous state and local officials responsible for funding, designing, and implementing transportation assistance for low-income workers in the ten states with the largest number of recipients of Temporary Assistance for Needy Families (TANF) funding, which collectively represent two-thirds of the national caseload. They point out some of the limitations and consequences of transportation strategies centered on public transit, even though substantial welfare funding is being spent on these systems. Noting several innovative examples of car-related programs, the authors argue the necessity of expanding our commitment to helping low-income workers acquire and operate cars to access work and other opportunities. They offer policy recommendations designed to improve the performance of both public transit and private cars in assisting those leaving welfare for work.

I hope you find the study of interest. For a copy of the full report, or for additional information on PPI's work in the area of welfare reform, I encourage you to call us at (202) 547-0001, or visit our web site at www.dlcppi.org.

Cordially,

Will Marshall

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WR - Evaluations

Michael Kelly

Assessing Welfare Reform

It is official: The reform of the welfare system is a great triumph of social policy—so great, indeed, as to restore some legitimacy to the whole concept of large-scale social policy.

When the 1996 law ending welfare as an entitlement was under consideration, the Department of Health and Human Services and the nongovernmental Urban Institute predicted that the proposed reform would push more than a million children into poverty. Critics warned of social catastrophe. This week, after studying the data for 1998, HHS and the Urban Institute have returned their verdicts: The pessimists were wrong. Welfare reform did not give rise to catastrophe. It did not fling a million dependent children into the streets; it did rescue from the grinding tyranny of the dole millions of dependent adults.

The principal aim of the 1996 law was to require the states to move adults off the welfare rolls and into work. In 1998 the states were obliged to show that 30 percent of adult welfare recipients were working at least 20 hours per week. The actual results, released this week by HHS: On average, 35 percent were working. In some states more than 55 percent of welfare recipients were working at least half-time.

The Urban Institute also released a report this week. Studying women who left welfare between 1995 and 1997, the institute found that a majority—60 percent—were employed at the time they were interviewed. And, as President Clinton justifiably boasted Tuesday, the welfare rolls have been cut in half since 1993.

The first question about welfare reform's success is: Why? Recall that only a decade ago, the welfare system seemed frozen utterly and forever. In the media-warped public discussion, the politics of welfare were also locked in place, with liberal Democratic humanists protecting women and children from cruel Reaganite ketchup-as-vegetable-heads. How did we ever get out of this great dismal swamp?

The first answer is political. Here is one of those rare happy occasions when everyone takes credit and everyone deserves credit.

Governors—Republicans mostly, but some Democrats too—led reform well in advance of the administration and Congress, and they get credit for forcing and driving the issue—and, in many states, for implementing reform so aggressively and creatively as to outstrip the law's requirements.

Newt Gingrich and his revolutionary Republican Congress of 1994 get credit for drafting three welfare reform bills, sticking with the cause through two Clinton vetoes, and holding the president's feet to an election-year fire to win enactment the third time out.

Bill Clinton gets credit for making the governors' crusade a national promise, with his 1992 campaign pledge to "end welfare as we know it," and for keeping that pledge. It is perhaps true that he kept it reluctantly, but he kept it, and more. Clinton worked to undo some of the more Draconian and underthought elements of the law, and to strongly support the reworked version. In so doing, as a Democratic president, Clinton legitimized the reform; he did something crucial that no Republican could have done and no other Democrat had ever dared to do.

The second answer to the question of why is one of economics, and one of considerable debate. Some—Clinton, for one—hold that the 1996 law is responsible for almost all of the reform's success. Others believe the fantastic economy largely did the job. Isabel Sawhill, a policy analyst at the Brookings Institution, is probably right to figure that the economy accounted for half the gain and the other half was due to policy changes (including the 1996 bill, the increase in the earned income tax credit, improvements in child care for the poor and the increase in the minimum wage).

Sawhill's analysis raises a last, critical point: Welfare reform's success is fledgling and fragile. As the Urban Institute's study shows, many of the women who have left welfare are barely making it. A recession of any length could threaten much of what has been accomplished.

What this suggests is that we must plan for a recession, and to defeat a recession. Incredibly, House Speaker Dennis Hastert thinks differently. The states have been so successful at getting people off welfare that at least $4 billion in unclaimed welfare block grants have piled up in Treasury accounts. The states have been wisely content to leave the money there for now, as rainy-day cushions against recession's ability to undo the hard-won gains upon which millions of reclaimed lives depend.

Hastert has proposed that Congress glom the cash instead, and spend it on something else. It would be interesting to know what the speaker thinks is more important than the rescue of what was long thought to be a permanent underclass.

Michael Kelly is the editor of National Journal.

The Washington Post

WEDNESDAY, AUGUST 4, 1999

Robert J. Samuelson

The Deficit in Leadership

It's been a bad time for good debate. Thomas B. Reed, speaker of the House a century ago, once remarked of two woeful colleagues that "they never open their mouths without subtracting from the sum of human knowledge." The same can be said of the budget debate. The longer it lasts, the more confused the public becomes. We are bombarded by baffling numbers, slogans and programs. There may not be a conspiracy between President Clinton and Congress to confound the public, but the effect is the same.

This ought not be. What Americans need to know about budget surpluses—and what ought to be done with them—is straightforward. Let's review (again) the essentials.

First: No one knows whether the surpluses will materialize. The Congressional Budget Office (CBO) puts them at $2.9 trillion over 10 years. The White House projects them at $5.9 trillion over 15 years. But the projections could easily unravel. The economy could disappoint. Health costs might exceed forecasts. Tax collections, which have risen unexpectedly, could just as easily drop unexpectedly. Moreover, the projections assume—probably unrealistically and undesirably—a constant fall in defense and domestic discretionary spending as a share of national income.

Second: If big surpluses continue, their best use is to reduce the publicly held federal debt, now $3.7 trillion. This ought to please both liberals and conservatives. In 1998, interest payments on the debt totaled $243 billion, slightly more than Medicare spending ($211 billion). Eliminating the debt and interest costs would shrink government. That ought to cheer conservatives. But lower interest payments would also make it easier to afford the retirement costs of the baby-boom generation, which in 15 or 20 years threaten to overwhelm any budget surpluses. That ought to please liberals.

Finally: Budget surpluses may someday justify lower taxes or new spending programs. Tax cuts might cushion a recession or promote tax simplification. Government may have to respond to new national needs. But that time is not now. Having managed only one surplus between 1961 and 1997, the White House and Congress ought to let today's surpluses run to gauge their strength.

President Clinton created much of the present confusion. No one is more influential than the president in setting the national agenda. Early this year, Clinton might have laid out a clear framework for reducing the federal debt. Instead, he proposed a baffling program.

Though preaching debt reduction, the proposal had much more. First, Clinton made budget projections for 15 years—a period so unrealistic that no president had done it before. This allowed Clinton to claim huge future surpluses that could be spent on new programs: universal savings accounts; common-stock investments for Social Security; a drug benefit for Medicare; increases in defense and domestic programs. The president also double-counted much of the surplus so as to make extra "contributions" to the Social Security and Medicare trust funds.

Republicans might have challenged the president to focus honestly on debt reduction. Instead, they compounded the confusion by embracing big tax cuts. "Americans are paying the highest taxes as a percentage of the nation's economy since World War II," said House Ways and Means Committee Chairman Bill Archer. "We should give it back to them before it gets spent by the bureaucrats." So House and Senate Republicans endorsed different tax cuts each totaling about $800 billion over 10 years.

The resulting debate gushes misinformation. Contrary to Archer, "bureaucrats" don't decide spending; Congress and the president do. Another myth is that the Republican plan sacrifices debt reduction, while Clinton's doesn't. The Republican program would achieve debt reduction of $2.2 trillion by 2009, says the CBO. By contrast, Clinton's debt reduction would be only $2 trillion. Democrats complain that CBO estimates of spending under the Republican plan are artificially low. But even adding $500 billion of spending (over 10 years) to the Republican plan—subtracting from debt reduction—would leave the two plans fairly close.

And all these competing claims suffer from the self-serving assumption that the underlying surpluses will actually occur. How iffy are they? Let's take one item: tax collections. One reason the budget has suddenly sprinted into surplus is that personal income-tax revenues have unexpectedly increased by about two percentage points of national income since 1994. This may sound small, but it isn't. It roughly equals $170 billion a year.

No one really knows why this happened. The most thorough analysis comes from CBO economists in an agency report and a professional paper. Their figures indicate that perhaps 60 to 70 percent of the rise came from taxpayers with $200,000 of income or more. This implies a couple of conclusions. First, it qualifies Archer's claim that most Americans are paying historically high taxes; mainly, it's the rich whose taxes raise total taxes to lofty levels. Second, it suggests that the tax windfall might vanish. It could be a creature of the economic and stock booms that have produced large gains from stock profits, bonuses and stock options.

The eagerness to dispose of the paper surpluses says more about the political culture than sound budget policy. This misleading debate could have been avoided. Had Clinton proposed a simple program for debt reduction, he could have rallied public opinion and large blocs of centrists from both parties. The president's compulsive cleverness, aimed at disguising his irrepressible partisanship, squandered this opportunity, in part because the Republicans lack statesmanship and are so easily goaded into shrill partisanship.

These Democrats and Republicans represent a generation of hyperactive politicians unschooled in self-restraint. They are media addicts, living to score points on their opponents. Their fiscal proposals would lead the country in different—but equally undesirable—directions. Though the budget has swung into surplus, the deficit in national leadership grows wider.

The Washington Post

Wednesday, August 4, 1999

WR-
Evaluations

Clinton's Cosmetic Poverty Tour

By Peter Edelman

WASHINGTON

As President Clinton travels across the country this week visiting poor areas, he should stop referring to them as "pockets" of poverty. It is not just a matter of pockets. Persistent poverty is endemic in cities and rural areas and is increasingly present, if less visibly so, in suburbs.

The President cannot admit the extent of the problem because his Administration has a vested interest in the notion that welfare reform has been a success. But welfare reform does not live up to the hype. The welfare rolls are down 40 percent, but poverty has been reduced only a little. Even in our hot economy, those who have just left welfare are, on balance, worse off. More people are working, but the increased earnings add up to less than the benefits lost.

Why?

- People are being pushed off the rolls all over the country. Many states drop people from the rolls for such derelictions as failing to come to the office for an appointment. Depending on the state, 30 to 50 percent of those who leave welfare don't find jobs. With the rolls down by more than six million people, this adds up to a big number.
- Many people who lose jobs can't get welfare. They come to the welfare office for assistance and are told to look for a job. This is called "diversion." To make matters worse, they are often not told they can get Medicaid and food stamps right away. Indeed, the food stamp rolls are down by more than a third — much more than what can be attributed to the booming economy.
- Getting a job doesn't always mean steady work. Unemployment records across a number of states show that since early 1997, two-thirds of those who left welfare were unemployed for at least three months in the first year after they left the rolls.
- Too many jobs pay poorly, often because they are only part time. Moreover, two million people work full time all year and can't get their families out of poverty. More than 70 percent of poor children live in families where somebody has income from work. Lousy pay from work is the biggest source of poverty for people who aren't elderly.

And all of these problems hit minorities the hardest. We should remember that race is an underlying issue in the debate on poverty.

Some states are better, some are worse. Vermont, Maine and Rhode Island are really trying to help people get and keep jobs and protect children at the same time. Minnesota gives income assistance to those with low-paying jobs.

Idaho, on the other hand, has a two-year lifetime limit, with few exceptions, and throws the whole family off welfare for life after the third violation of its rules. In Mississippi, which has very tough policies and a weak economy in much of the state, the welfare rolls went down by 68 percent, but only 35 percent of those people found jobs. New York City and a number of states force women out of community college and into welfare programs that lead nowhere.

The bottom line: the poor are not better off. The number of extreme poor — people trying to survive on an income of less than half the poverty line, or less than about $6,750 a year for a family of three — actually went up to 14.6 million people in 1997 from 13.9 million in 1995. Among families headed by single mothers, the poorest 10 percent actually lost 15.2 percent of their income over the same two years.

Boosters of the new welfare law tout the decreases in child poverty the past couple of years. Child poverty is down slightly, but it ought to be down much more in this hot economy. One child in five is still poor, and we are a long way from the early 1970's, when one child in seven was poor, itself not a statistic to write home about. And the number of children in extreme poverty has increased.

MAKING WELFARE WORK

The bad news behind diminishing caseloads.

States are sitting on large surpluses of unspent Federal welfare money while welfare-to-work needs — child care, transportation, literacy, mental health services and drug and alcohol treatment — continue to go unmet. If we want real welfare reform, we have to offer more. The needs are going to become more pressing. Nearly eight million people are still on the rolls, three million of them adults, mostly women. The Federal five-year time limit, one of the welfare law's harshest features, will start hitting them two years from now.

In fact, the real issue isn't welfare. It's poverty. And it's not just poverty, it's the situation of millions of people who don't earn enough to support their families. When you add up what it really costs to pay the rent, buy food, buy clothes, pay to get to work and all the rest, it's a whole lot more than what we call the poverty line. The vast majority of those getting the short end of the stick are doing the best they can and are not making it.

If there is a constructive side to the new welfare law, it is that it has helped many people see anew the challenges in making work into a reality for so many who were marooned by the old system. Perhaps now we can have a debate that goes beyond bumper stickers and sound bites. For openers, we should insist that Mr. Clinton's poverty tour be based on the real facts about the state of the poor in America. □

Peter Edelman, a law professor at Georgetown, resigned as Assistant Secretary for Planning and Evaluation at the Department of Health and Human Services to protest the 1996 welfare law.

The New York Times
THURSDAY, JULY 8, 1999

Naysayers, Thriving in the Heat

By Gale E. Christianson

TERRE HAUTE, Ind.

In 1896, with the Industrial Revolution as his backdrop, Svante Arrhenius, a Nobel prize-winning chemist, first theorized that the mass consumption of fossil fuels — coal, oil and natural gas — would gradually push earth's temperature upward. He calculated that in the distant centuries to come, humanity would flourish in a more benevolent climate, one that would open up the sparsely settled reaches of the Northern Hemisphere to agriculture and to commerce as never before.

Scientific research in the last 30 years has yielded a mixed verdict on Arrhenius's hypothesis. On the one hand, the planet is clearly warming just as he predicted, its temperature having increased by a little more than one degree Fahrenheit. On the other, this warming has occurred during the century following this theory's publication, and instead of creating a climatic nirvana, we are now stewing in our own juices.

What is more, global warming is accelerating. The 1970's were warmer than the 1960's, the 1980's were warmer than the 1970's, and the 1990's have been warmer still. Last year was the warmest in recorded history, and — as this recent record heat wave seems to bear out — the temperature continues to rise.

Yet even when a 91-degree day qualifies as a break from the heat, there are still those who discount the idea of global warming. They persist in denying the obvious, even though a majority of the world's scientific community is now convinced that humans are at least partly responsible for this phenomenon, though to precisely what extent remains to be determined.

Many of the most vociferous naysayers tend to be astronomers, chemists and physicists, often having no track record whatsoever in climatology and the environmental sciences. Having established their reputations, they have often joined forces with conservative think tanks like the American Enterprise Institute, the Cato Institute and the Hoover Institute. Some, like Frederick Seitz, a physicist who once served as president of the National Academy of Sciences, and Thomas Gale Moore of the Hoover Institute, seem oblivious to the ongoing depredation of nature and the climate system.

How can some scientists still deny global warming?

"The environmental problem is largely hypothetical and not substantiated by careful observations," Mr. Seitz wrote.

Add to this the fact that few of their papers have been placed in respected scientific journals, where all articles are subject to intense peer review. Instead, they pen short books that are published by the ideologically driven think tanks to which they belong.

In sum, they cannot see what Arrhenius saw a century ago, though his conclusion has been bolstered by hundreds, perhaps thousands, of articles in distinguished journals like Nature, Science and Scientific American.

As a historian of science, I have spent the last two years plumbing that literature, some of it reaching across two centuries. And most of the predictions of what a single degree of warming can do are proving to be right. The corals of the warming seas are dying, destroying a fragile ecosystem that has flourished time out of mind; the waters of the world are gradually rising, their destructive storm surges and high tides a menace to the island nations of the world, as well as to southern Florida, Louisiana, the Netherlands and Bangladesh; the glaciers and polar caps continue to shrink; the melting permafrost in the Arctic tundra threatens to buckle roads and topple electrical lines, releasing great quantities of methane, one of the most potent of the greenhouse gases, into the atmosphere; the habitats of many insect species, including butterflies, shrink under a withering summer sun, and ice core samples collected in Greenland inform us that there has been no warming like ours in the past 250,000 years, though ice has come and gone and come again.

The most common argument used by skeptics of global warming is that during the four billion years of its existence, earth has gone through countless cycles of warming and cooling, which, of course, is absolutely true. But let us not hide behind this chestnut as a way of evading scientific truth. And the truth is this: There is no evidence of a cycle of warming in the fossil record, or in the core samples taken from the ocean depths, or in the growth rings of trees, or in the ice cores drawn from the spinning axis of the world, that matches the pattern of the last century, which saw the rise of modern industry and the widespread release of carbon dioxide into the atmosphere.

The attempt to turn a scientific discovery into an ideological, spiritual or political debate does no one any good, as students of Galileo and Darwin well know. Rather, it impedes the very steps required to set things to rights, and in the current climate of drift it will take a very long time to do so, for a century's supply of greenhouse gases have accumulated in the earth's atmosphere, and more are being banked every hour of every day.

We should have learned long ago that in such cases as this it is science and not personal beliefs that will prevail. It is well past the time to start paying close attention to what almost all well-informed scientists are saying. The naysayers have long since had their day. □

Gale E. Christianson, a history professor at Indiana State University, is the author of "Greenhouse: The 200-Year Story of Global Warming."

Note to Readers

The Op-Ed page welcomes unsolicited manuscripts. Because of the volume of submissions, however, we regret that we cannot acknowledge an article or return it. If manuscripts are accepted for publication, authors will be notified within two weeks. For further information, call (212) 556-1831.

The New York Times

THURSDAY, JULY 8, 1999

WR - Evaluation

The New York Times
THURSDAY, JUNE 3, 1999

Economic Scene | Michael M. Weinstein

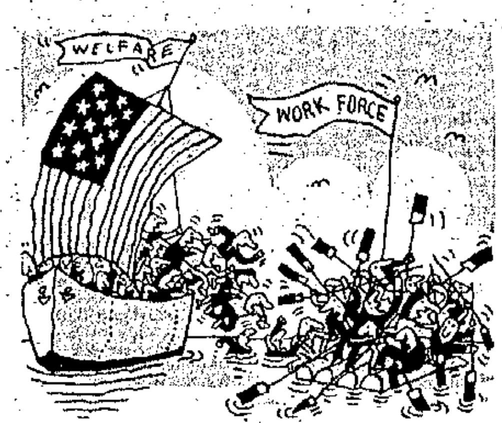
The new welfare rules may be tested in the next recession.

PROPONENTS of the 1996 welfare law are finding plenty of reasons to feel smug these days. Republican leaders held a news conference last week to proclaim a triumph after releasing a study by the General Accounting Office that showed plunging welfare rolls, soaring employment rates among former recipients and no burst of homelessness, as many of the law's opponents had predicted.

So should opponents, including several high-ranking Administration officials who resigned when President Clinton signed the Republican-sponsored bill, acknowledge they were wrong?

"No," says Wendell Primus, one of those officials who resigned in protest and who now works for the Center on Budget and Policy Priorities, a liberal research group in Washington. It might seem churlish to slough off all the good news, but Mr. Primus has a point. The test of the '96 act comes when the next recession hits and there will be no Federal security blanket for the first time in 60 years. In an interview this week, Mr. Primus echoed testimony he gave to Congress last week. "Many former recipients are surviving on less income today than when they were on welfare. And the number that will need to return to the rolls in the next few months or years in an effort to make up for their lost income by combining work and welfare could prove staggeringly high."

First, the good news. Douglas J. Besharov, a resident scholar at the American Enterprise Institute, a conservative research group, testified last week that the welfare law, rather than the robust economy, was a key reason "for this unprecedented decline — now reaching 44 percent since March 1994" in caseloads. He estimates that there are almost seven million fewer people on welfare. He cites an analysis by the Federal budget office that reductions in welfare benefits were offset by "two or threefold gains in income due to work." Besides, he says, perhaps 30 percent of poor single-mother families live with nonfamily members from whom they can derive support.



Niculae Asciu

The General Accounting Office adds to the cheery evaluation. Its review of studies from seven states finds employment rates of people who left welfare rolls ranging from 61 percent to 87 percent. Those are stunningly high numbers, well beyond predictions when the law was passed. By contrast, the employment rates among current welfare recipients hover around 30 percent.

Sarah Brauner and Pamela Loprest at the Urban Institute reviewed 11 studies of people who have recently left welfare and turned up another encouraging result: More than half of the employed people who left welfare worked 30 or more hours a week, nearly full time. A few of the studies found that a majority of recent welfare recipients report life is better for those who leave the rolls.

• • •

Mr. Primus presents a darker view. Incomes of single-mother families did rise before the 1996 act passed. But between 1995 and 1997, the income of the poorest 20 percent of single-mother families fell by almost 8 percent despite a fast-growing economy, a substantial increase in Federal tax credits for poor working parents and the fact that time limits on welfare benefits had not kicked in. The fall in welfare benefits overwhelmed the rise in earnings. And Mr. Primus rebuts Mr. Besharov's suggestion that the income of nonfamily members could fill in the gap. "Maybe 3 percent of the million households who lost money coped by sharing income," he said.

"I find an income loss for roughly a million families of $860 per family, which represents a decline of 15 percent," he added. "That's big."

Mr. Primus also points out that welfare rolls fell after 1995 five times more than did the number of people living in poverty. He says that Mr. Besharov exaggerates the importance of income gains reported by the Government for all female-headed families because many of those families were not poor. In one study, only 35 percent of those who left welfare earned as much as $12,000 a year, and even that level falls short of the poverty level for a family of three by about $1,000. A Wisconsin study showed that between a third and a half of those who left welfare for good had income above the poverty level.

The Urban Institute study concludes that most people who leave welfare "report having incomes that are lower than or similar to their combined earnings and benefits before exit." Its review also shows that only about half to two-thirds of people who leave welfare receive Medicaid benefits and only about half receive food stamps even though the welfare law did not withdraw these benefits. Participation rates for those who leave welfare are much lower than among those who continue on welfare. About a third of the families who leave report problems paying for food and utilities.

Mr. Primus focuses on another threatening statistic. In Maryland, about 20 percent of welfare recipients returned to the rolls after 3 months. In Wisconsin, about 30 percent returned after 15 months. "The issue of families needing to return to welfare will become more important as increasing numbers of recipients reach their time limit on aid and returning to the rolls will no longer be an option for them," he said.

The data behind any evaluation of the welfare-to-work programs are skimpy. Few states have conducted reliable surveys. "We could draw no conclusion about the status of most families that have left welfare," the General Accounting Office says. But Mr. Primus and others provide enough cautionary tidbits to make the case that "considerable caution ought to be exercised before pronouncing welfare reform an unqualified success."

Republican Elected To Head C.F.T.C.

WASHINGTON, June 2 (Reuters) — In a surprise move, the Commodity Futures Trading Commission announced today that David Spears, a commissioner, had been elected acting chairman after the departure of the chairwoman, Brooksley E. Born. The election of Mr. Spears, a Republican, is unusual under a Democratic Administration, especially given the fact that a Democratic commissioner, Barbara Holum, had indicated she expected to fill the role until a new head was appointed for the agency, which regulates United States futures markets.

By convention, the commission has named as acting chairman the senior commissioner from the party that controls the White House. But after Ms. Born stepped down on Tuesday, the agency's five-member commission — already down to four after a previous resignation — was reduced to just three: Ms. Holum, Mr. Spears and James Newsome, another Republican.

None of the three commissioners were available for comment, but a C.F.T.C. spokesman said they had voted 2 to 0 in favor of Mr. Spears, with Ms. Holum abstaining.

The C.F.T.C. said Mr. Spears would take over as acting chairman immediately. He was confirmed as a commissioner in August 1996, with his term expiring in April 2000. Before moving to the commission, he was an aide to Bob Dole, the former Republican Senator from Kansas.

Home Sales Unexpectedly Rose in April

U.S. Prices Driven To Record Level

WASHINGTON, June 2 (Bloomberg News) — Sales of new homes unexpectedly rose in April to the second-highest level ever, driving prices to a record high and giving Federal Reserve policy makers another reason to consider raising interest rates, Government figures showed today.

Sales surged 9.2 percent in April, to a seasonally adjusted annual rate of 978,000 units, the Commerce Department reported. That topped analysts' forecasts for a 1.5 percent decline and came after an eight-tenths of a percent decrease in March.

Rising mortgage rates contributed to the April increase, builders and economists said.

Average rates for 30-year fixed-rate mortgages rose to 7.23 percent last week, up from about 6.8 percent at the start of the year and a three-decade low of 6.49 percent last October.

The median price of new homes rose 3 percent in April, to a record $159,500 from $154,800 in March, Commerce Department figures showed. That is 7.8 percent higher than a year earlier.

Rising prices do not necessarily mean buyers are being priced out of the market. With a 7.23 percent mortgage on a $159,500 home, a buyer would pay $1,086 a month in principal and interest costs, compared with a $1,007 payment at 6.49 percent.

The rise in home sales "will be one more piece of the puzzle that says to the Fed it's appropriate" to raise interest rates, said Diane Swonk, deputy chief economist at the Bank One Corporation in Chicago. "The strong home sales keep generating additional spending, and this just puts that much more in the pipeline."

Just last week, Mr. Greenspan indicated policy makers were watching the housing boom's effect on the rest of the economy. "The home sales market is a critical factor of what's going on in retail sales," he said in a speech to the National Retail Federation.

April's sales level was second only to November's record pace of 958,000 homes. So far this year, home sales have averaged an annual rate of 921,000. If sustained, that would exceed last year's record 886,000 homes sold.

World Bank Says Poverty Is Increasing

By PAUL LEWIS

The number of people living on less than $1 a day appears to be rising and will reach 1.5 billion by year-end as a result of the economic crisis in Asia and its aftermath, the World Bank said yesterday.

"Today, countries that until recently believed they were turning the tide in the fight against poverty are witnessing its re-emergence along with hunger and the human suffering it brings," the World Bank president, James D. Wolfensohn, wrote in its latest report on global poverty.

The report implied that the increase was caused in part by the international rescue packages begun to help Asian countries overcome their economic difficulties. Those packages were mainly prepared by its sister institution, the International Monetary Fund.

The bank did not mention the I.M.F. by name, but said these packages bore down too harshly on the least well-off sections of the population and should have been more carefully designed to cushion them from the effects of the crisis.

The bank said that while 1.2 billion people lived on less than $1 a day in 1987, this figure had risen to 1.3 billion by 1993. Assuming the proportion of people living in poverty remains unchanged, the number of abjectly poor will reach 1.5 billion by the start of the new millennium.

In East Asia, the bank said, Indonesia, Thailand and South Korea are suffering "significant increases in poverty." In Indonesia alone, the bank said, the proportion of people living on under $1 day rose to 19.9 percent in 1998 from 11 percent in 1997, the bank said, implying 20 million newly poor.

The picture for South Asia is more mixed with some countries recording good economic growth. But the number of abjectly poor in India has increased to about 340 million by 1997 from 300 million in the 1980's.

In sub-Saharan Africa, economic growth lagged behind population growth last year implying a fall in average incomes. Brazil's difficulties continue to cloud Latin America, where the World Bank found evidence of growing inequality. It also anticipated "sharp declines in growth and increases in poverty" in Russia, Ukraine and Romania as well as in the Middle East and North Africa.

The bank's criticism implies that the rescue packages for Asian and other countries hurt the poor disproportionately. While cuts in government spending are inevitable in a crisis, it said services that protect the worse-off should be maintained.

The New York Times

THURSDAY, JUNE 3, 1999

The New York Times
THURSDAY, AUGUST 5, 1999

More Who Leave Welfare Rolls in New York Are Found to Get Jobs

But Study Says Many Worked Short-Term

By RAYMOND HERNANDEZ

ALBANY, Aug. 4 — Two-thirds of the people who left New York State's rapidly declining welfare rolls found jobs within the year after they stopped receiving public assistance, according to a new study commissioned by the state.

The study, however, also found that only 40 percent of the people who found jobs worked continuously during that time.

Done by independent researchers using state data, the study showed that of the people who left welfare during that period, more than 80 percent were still off public assistance a year later, although many did not report wages.

Conducted by the Rockefeller Institute at the State University of New York in Albany for the Office of Temporary and Disability Assistance, the study examined the fate of roughly 9,000 single mothers whose cases were closed in early 1997 and followed them throughout the next year. It has not been published, but it has been circulating among policy makers and a copy was provided to The New York Times.

The report is the most detailed analysis to date of what has become of hundreds of thousands of New Yorkers who have left welfare in recent years. It also offers the first documentation of claims by Gov. George E. Pataki and Mayor Rudolph W. Giuliani that new welfare policies intended to push people off the rolls have moved them toward self-sufficiency, not destitution.

The findings, experts say, suggest that the combination of a robust economy and tough new policies aimed at nudging people off welfare have led many former recipients to find jobs. But the report does not answer many crucial questions, such as the types of jobs that former recipients secured during their first year off welfare and whether they were advancing in the workplace. Nor does it say how many of the people who were tracked are working part time or how many are working off the books.

In the end, both opponents and proponents of New York's new welfare policies found something in the study that supported their positions. While state officials pointed to the employment figures as evidence that their policies were helping former welfare recipients become self-sufficient, advocates for the poor said the study showed how difficult it was for former recipients to hold onto jobs, even in flush times.

The report, for example, noted that while 66 percent of the people found a job within the 12 months after they left the welfare rolls, slightly more than half — 53 percent — still had a job at the end of the 12-month period. Many of those people may have taken low-paying jobs or jobs without benefits, the report noted. About 20 percent of those who left welfare returned to the rolls.

The study was financed by the Federal Government to determine the initial impact of the 1996 Federal welfare overhaul, which gave states sweeping new powers to impose new requirements and restrictions on public assistance.

Richard P. Nathan, the director of the Rockefeller institute and one of the main authors of the study, said that while crucial questions remained, the study provided a valuable glimpse of life after welfare.

"This is a first step in understanding the effects of the widespread changes in welfare policy in New York," he said. "But we need to know a lot more. This is the tip of the analytical iceberg."

A robust economy may have led people pushed off welfare to find work.

That said, the results suggest that people who left welfare in New York may actually be doing better than former recipients in some states that have been celebrated for their welfare-to-work efforts, like Wisconsin and Massachusetts.

In a survey released last January, Wisconsin reported that 62 percent of former welfare recipients surveyed were working full time or part time when they were interviewed and that 83 percent of respondents had worked at some point since leaving welfare.

But the Wisconsin survey deliberately excluded anyone who had left welfare during the first three months of 1998 and then returned over the next nine months. By excluding those who returned to welfare, Wisconsin officials got significantly better results than if they had included former recipients who were unable to find work and went back on the rolls.

By contrast, New York included people who returned to the welfare rolls, and it achieved largely the same results.

Nearly 690,000 people have left the state's two main welfare programs — Aid to Families With Dependent Children and Home Relief — since 1995, according to state social-services data. About 470,000 of them left welfare in New York City in that period.

As the main part of the study, researchers compared lists of people whose benefits ended during the first quarter of 1997 with records of wages that were reported to the state by employers through March of 1998. Employers are required to file wage reports to the state each quarter.

The study has certain limitations. It did not track people who are self-employed, who recently married an employed person or moved out of New York for a job. Nor did it include information from employers who are not required to report wages at all, like farm owners.

The study also did not track 66,000 families who came off the rolls after the state managed to collect child support payments from delinquent parents. Those families, while off welfare, do not show up in the state's wage reporting system.

More than that, though, the study does not attempt to track the fate of childless, single adults who received aid under the state-financed program called Home Relief. The rolls in that program have declined by 224,316 since 1995, and advocates for the poor have long contended that people in that program are among the most difficult to employ because they often have disabilities like substance-abuse problems.

Rather, the study sought to determine what has become of the roughly 465,000 single parents and children who have left the rolls since 1995. For the purposes of the study, the researchers did not count people who returned to the rolls within two months of their cases being closed. Those cases were excluded from the study, the researchers said, because welfare cases are often closed inadvertently and then reopened once the error is noticed.

The study's authors estimated that when people with unreported employment were factored in, more than 70 percent of former welfare families had some kind of employment during their first year off welfare, and about 60 percent were employed when the year was over.

But the study counted anyone with even the most minimal employment as having had a job; the threshold was just $100 per three-month period in income. Even so, researchers found that by the fourth quarter after leaving welfare, the average family income was $4,230 for the quarter, equivalent to $16,920 for a year. When that figure was adjusted to reflect income that might not have been reported, the average was $5,034, or $20,136.

Another major finding was that of the people whose cases were closed, 29 percent were receiving food stamps a year later and 48 percent were receiving Medicaid.

WR - Evaluation

A Friendly Game Leads to a Charge of Murder

By FOX BUTTERFIELD

MILWAUKEE, Aug. 3 — Jacquelyn Woods was on the telephone, as usual, with her friend Efrain Casas one evening last January, and she could hear Efrain and his high school buddy Eduardo Rivera playing with two semiautomatic pistols owned by Efrain's father.

The boys were laughing and pointing the guns at each other and pulling the triggers. It was a game to see who could fire the fastest. She heard Efrain say, "Eddie, are you ready?" and count "One, two, three." There was a loud gunshot. After that, silence.

The teen-agers, it turned out, pulled their triggers simultaneously, and unknown to them, even though they had taken the magazines out to examine them, the guns had rounds in the chambers. Efrain, 15, was shot through the head and killed. Eduardo, 16, was shot through the neck, severing his spinal column.

Now, paralyzed from the neck down, Eduardo has been charged with murder.

"If we didn't prosecute this kid, it would send the wrong message," the Assistant District Attorney in charge of the case, Steven V. Licata, said today after a preliminary hearing in Children's Court was recessed after two hours because Eduardo, slumped in a reclining wheelchair, was in too much discomfort to continue.

"A human life was taken," Mr. Licata said, "and there is a lesson to be learned about kids playing around with guns."

Mr. Licata said his office normally charged the juvenile who pulled the trigger in accidental shootings in which two young people were playing with a gun and one was killed. The Government has already shown compassion for Eduardo's special plight, he said, by agreeing not to try him in adult criminal court, where he would face a more severe sentence.

But Dr. Stephen Hargarten, director of the Firearm Injury Center at the Medical College of Wisconsin in Milwaukee, said he believed that the case was an example of a little-known phenomenon in which roughly 5 percent to 10 percent of shootings listed by the police as homicides were actually accidental deaths, frequently involving adolescents who did not know that a gun was loaded.

"This is a difficult issue for law enforcement, for district attorneys and for medical examiners and coroners investigating these cases," said Dr. Hargarten, who is a professor of emergency medicine. "But from a public health perspective, to classify these shootings as homicides and cast the blame entirely on the people who pull the trigger does not address the question of how can we reduce the number of these shootings."

There should be more punishment of adults who allow children access to firearms, Dr. Hargarten added, and gun manufacturers should be required to incorporate more safety devices to prevent accidental shootings. These would include several devices already available on some handguns, like trigger safety locks, load indicators to show if there is a bullet in the gun and safeties that prevent firing a gun if the magazine has been removed.

In 1996, the last year for which data are available, more than 34,000 Americans were killed with firearms, including 14,300 homicides, about 18,100 suicides and more than 1,100 unintentional shootings, the Journal of the American Medical Association reports. Of the accidental deaths, 23 percent occurred because the person firing the gun did not know it was loaded, a report by the General Accounting Office found.

The absence of safety features in pistols to help prevent accidental shootings is a main issue in lawsuits filed in recent months by 23 cities and counties against the gun industry. The suits seek damages to recover the costs of gun violence for additional police and hospital care, and for changes in gun design and marketing.

Today it took Eduardo's mother, Yolanda Rivera, three hours to get him ready for the court appearance. She dressed him neatly in a tan shirt and loose khaki pants.

Before the Jan. 5 shooting, Eduardo had been in trouble with the law only once. Last fall he was convicted of joy riding in Children's Court and was sentenced to a year of probation. Judge Thomas R. Cooper warned him that under a new Wisconsin law he was prohibited for life from possessing a handgun.

That conviction, and the ban on possessing a gun, figured in the decision to prosecute Eduardo in the shooting, Mr. Licata said.

On that evening in January, Eduardo and several friends had gathered at Efrain's apartment, police reports show. Tony Schmalfelt, a 16-year-old who was there, told the police that Eduardo and Efrain opened a plastic case where Efrain's father kept the two .22-caliber pistols, and the two teen-agers each pulled back the slide on their guns to check if they were loaded. The clips,

A question of responsibility when juveniles play with guns.

or magazines, were not in the guns, Tony recalled.

"Being Efrain and Eddie, they would pull the triggers and the guns would click while they were pointing the guns at each other," Tony told the police.

At some point, the other friends left, but Efrain remained on the phone with Jacquelyn Woods.

"They were laughing and giggling," Ms. Woods told the police, and she could hear someone pull the trigger and the sound of a click. After that, one boy said jokingly, "I got you," she said.

Eduardo was lying on a bed and Efrain was standing at the foot of the bed, no more than three or four feet away. What happened next, and how bullets got into the guns, is unclear.

Detective Scott Lange reported that he interviewed Eduardo the next morning in a hospital intensive-care ward. Mr. Lange said Eduardo told him that the two teen-agers had each loaded a gun, and Efrain had said, "Let's see who can draw and cock the gun fastest."

Four days later, after Eduardo was arrested in the hospital and read his rights, he told another detective that he and Efrain had checked the guns by pulling the slides back and believed they were unloaded.

Whatever happened, after the two fired at the same time, Eduardo was left helpless on the bed for five hours, until Efrain's father returned from his job at the Milwaukee city garage at 2 A.M. Ms. Woods had stayed on the phone for a time and had heard Eduardo say, "Call 911," but his voice was faint and she thought it was a prank.

Robin Shellow, Eduardo's lawyer, said that prosecuting him was "ghoulish, the criminal justice system gone mad" and that "it's like convicting a dead person."

Ms. Shellow, who has taken the case without charge, will argue that the teen-agers were simply playing and did not know the guns were loaded.

"It is easy to charge a kid with homicide, to provide accountability," she said, "so we don't have to look at what guns do in America and what role adults play."

In this case, the father who owned the guns has not been charged because his actions did not constitute a violation of Wisconsin law.

The New York Times

THURSDAY, AUGUST 5, 1999

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The food stamp mystery

Piles of unspent funds suggest a brighter poverty picture

BY JODIE T. ALLEN

When Congress was looking for ways to cover (or cover up) the costs of the "emergency" spending bill it splurged on last month, it decided to raid an unlikely pantry—the food stamp program. Tucked in the fine print of the $15 billion measure to pay for the war in Kosovo—not to mention numerous pet projects pushed by various congressmen—was the revelation that $1.25 billion was being diverted from one of the federal government's best-known antipoverty programs. Is this a case of guns literally crowding out butter?

Not quite. What's behind the raid on food stamps is a complicated but largely encouraging story about the current state of welfare reform and poverty in the United States. But it's also a cautionary tale of how, in the current cannibalistic budget climate, unclaimed money can be gobbled up for unintended purposes. "When I close my eyes, I see tongues hanging out," says Rep. Nancy Johnson, who chairs the Ways and Means subcommittee that deals with welfare.

Less care or less need? Johnson has particular cause for concern. The Congressional Budget Office estimates that reserves under the reformed Temporary Assistance for Needy Families program could exceed $20 billion by 2002. States are spending less than a fifth of the $4.2 billion earmarked for the Children's Health Insurance Program created in 1997 to aid low-income children. Most of the $3 billion meant to help special-problem welfare recipients find jobs has also gone begging. New York had accumulated $689 million in unspent welfare money by the end of 1998; California has spent only $9 million of its allocated $162 million for job training.

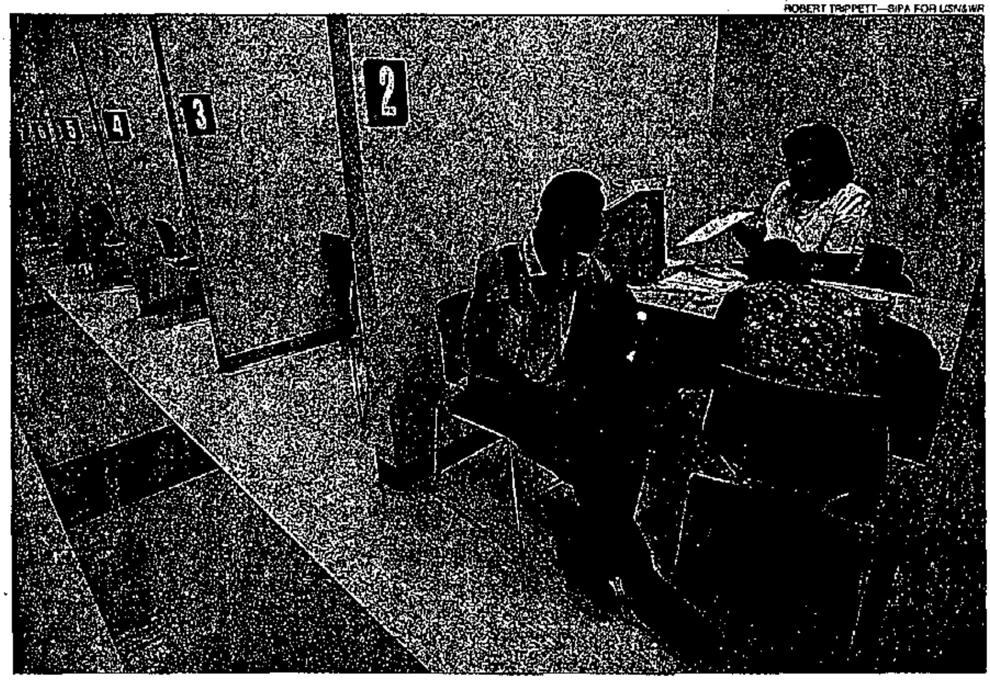
Whether diverting these surpluses is a good idea or not depends in large part on what caused them in the first place. Do they arise from a shortage of compassion on the part of states charged with finding and helping the needy? Or simply from a shortage of needy people?

Advocates for the poor argue that as welfare caseloads have dropped—an astounding 44 percent since their 1994 peak—some states aren't making good-faith efforts to reach out to the poor. Newspapers and welfare watchdogs cite scattered reports of families resorting to soup kitchens or abandoning their children to protective agencies. "Some aspects of this picture must be considered troubling," Wendell Primus of the Center on Budget and Policy Priorities recently told Johnson's subcommittee. Primus calculates that the very poorest single-parent families had lost an average $860 in annual income between 1995 and 1997, as tougher welfare policies went into effect.

But while welfare reform may not be the timeless masterpiece that Ways and Means Committee Chairman Bill Archer implied when he compared problems to "cracks" in the Sistine Chapel ceiling, it has impressed even the most skeptical of critics. A meaty new committee report notes that even as caseloads have declined, so has poverty among families: In 1997, it fell by a record 7 percent among black children. Curiously, the steepest declines came in states where welfare caseload reductions were the largest. Strong local job markets no doubt help a great deal, but as the committee noted, job growth was strong in the late 1980s and welfare rolls went up.

University of Maryland School of Public Affairs Prof. Douglas Besharov notes that employment among welfare-prone, never-married mothers has increased from 44 percent to nearly 62 percent since 1993. And Urban Institute researcher John Holahan says that unused child health insurance is unsurprising because states are having the usual start-up problems, the number of low-income children keeps declining, and, from the start, Congress greatly overestimated the number eligible under current rules. As for food stamp declines, working families leaving welfare may well skip the bother of signing up for food stamps even if they are still eligible. But preliminary analysis by the research firm Mathematica Policy Research suggests

ROBERT TRIPPETT—SIPA FOR USN&WR



A Baltimore welfare center: Plunging caseloads leave excess cash—and hard-to-solve problems.

that the decline in food stamp use since 1993 has roughly followed the decline in people eligible to apply for them.

In short, says subcommittee staff director Ron Haskins, while reform has likely produced individual cases of hardship, "nothing bad has happened that you can put a number on in a national data set." Of course in any evolving social transformation, "data sets" don't tell the whole story. But the anecdotal evidence is also encouraging. In one study, despite complaints about being "hassled" by caseworkers, large majorities of recipients in two states rejected the notion that "life was better when you were getting welfare." Similarly, in focus groups conducted by five universities, most current and former recipients expressed "cautious optimism" about the new system.

Trouble ahead. Still, Haskins and most other experts concede that Primus is right that many families have been left behind and the hardest part of welfare reform may lie ahead. That's where the unspent money becomes so crucial, and why the nation's governors recently warned Congress to keep its hands off their cash. "Welfare reform originated in the states due to the hard work of governors," says Wisconsin Gov. Tommy Thompson. "It would be a breach of trust and commitment on the part of Congress to go back on their promises." Part of the "block grant" deal under which states accepted fixed sums instead of the previous system of federal matching grants was that they would get to keep any surpluses in return for assuming the risk of deficits. Diverting that money now would deprive states of the extra funds needed to deal with the hardest-to-help families and to cope with expanding caseloads should the economy falter.

For the moment, both liberals and conservatives seem inclined to give states the leeway they are requesting. (The food stamp money was completely under federal control.) "Republicans in Congress think states should use some of their surpluses to handle unmet needs such as child care," says Ways and Means Committee spokesperson Trent Duffy. "States are doing a lot of interesting experimentation," says Eileen Sweeney of the Center on Budget and Policy Priorities, but they are only starting to focus on the families with multiple barriers to work—substance abuse, child abuse, disabled dependents, and so on. "Congress definitely should be patient," she adds.

But patience is not high on Congress's roster of virtues. And as budget pressures grow, so will the temptation to pilfer from state piggy banks—and from the poor. ■

The Medicare plan everyone's waiting for

Drug coverage leads Clinton's wish list

By Kenneth T. Walsh and Joseph P. Shapiro

It may be the only major initiative with a chance of passing in the next year. While Kosovo has been front and center, President Clinton has been working behind the scenes on a Medicare reform plan that is likely to dominate Washington's policy debate and emerge as a prime issue for the nation's seniors in the 2000 election. White House sources say the central element will be a program to heavily subsidize prescription-drug coverage. Says a senior Clinton adviser, "It's not a question of 'if' but 'how.' "

STEVE HOOPER—KEENE SENTINEL/AP

Seniors want relief from soaring costs of essential drugs.

The president had hoped to unveil the details in May, but the Balkans war intervened. White House officials now say the president will announce what is likely to be the last major initiative of his administration as early as next week. Aides led by economics adviser Gene Sperling presented Clinton with a detailed series of options last week, and Clinton said he needed to study them awhile longer. But prescription-drug coverage, with a modest premium payment, will be the centerpiece of whatever approach he chooses. Also high on Clinton's priority list is finding ways to restrain the cost of medicines. He proposes funding the new programs with 15 percent of the growing federal surplus.

Several White House aides, including Chief of Staff John Podesta, argue that it's likely that congressional Republicans will want to pass a Medicare bill this year to beef up their record for the 2000 elections and take the edge off Democratic charges that they are running a "do-nothing Congress." "This is about the only big idea on the horizon that they can latch on to," says a White House aide. "If we put a credible proposal on the table, there's a good chance it could actually move this year."

They have a point, especially when it comes to the House, where GOP leaders are eager to preserve the modest inroads they made among elderly voters in the last election as they struggle to hold their slim majority. In the Senate, GOP sources say Majority Leader Trent Lott will accede to pressure to increase benefits for prescription drugs. Yet some Hill Democrats may fight a deal, using the issue to bludgeon Republicans as they try to reclaim the House.

The White House plan will be more generous than one that nearly won approval early this year from a bipartisan commission led by Democratic Sen. John Breaux of Louisiana and Republican Rep. Bill Thomas of California. The commission plan would have guaranteed drug coverage to couples with a joint income of less than $13,300. But administration sources say Clinton isn't likely to be as generous as Democratic Sen. Edward Kennedy of Massachusetts and Rep. Pete Stark of California, whose plan would require Medicare to pay 80 percent of an individual's drug costs between $201 and $1,700 annually, and then everything above $3,000. Any drug plan would cost billions in a program that is already facing insolvency by 2015.

Two other numbers tell the political tale—4.5 million seniors each pay over $1,000 a year for drugs. Virtually all of them want some relief from Washington. ■