

Proposed Welfare Reform Bill
August, 1993

ATTACKS THE TWO FUNDAMENTAL CAUSES OF WELFARE DEPENDENCY

****PROBLEM 1: NONWORK**

- Less than 10% of welfare mothers work
- Although many mothers leave welfare within 2 years, many stay for 8 years or more; today there are more than 3 million mothers on AFDC who will remain on welfare for 8 years or more

****SOLUTION: MANDATORY WORK**

- When fully implemented, the bill requires 63% of mothers who have been on AFDC for at least 2 years to work 35 hours per week for their benefits
- Mothers must use the first 2 years on AFDC (or less at state option) to participate in education, training, work experience, and job search to prepare for a position in the private economy; if they do not find a job, they must work in order to continue receiving benefits after 2 years
- One adult in two-parent families on welfare must work 32 hours per week and search for a job 8 hours per week starting the first day they receive welfare
- Mothers who refuse to work have their benefits reduced and then terminated; states failing to ensure that parents work suffer serious financial penalties

****PROBLEM 2: ILLEGITIMACY**

- Illegitimacy has risen wildly in recent years; now 2 of every 3 black children and 1 of every 5 white children are born out of wedlock -- and the rates are still rising
- Of illegitimate babies born to teen mothers, a shocking 80% will be on welfare within 5 years
- Teen mothers are the most likely to stay on welfare for many years without working
- Most of the increase in poverty and welfare in recent years is caused, not by a poor economy or reduced government spending (both are up), but by increased illegitimacy

****THE SOLUTION: ESTABLISH PATERNITY, RESTRICT WELFARE, CRACK DOWN ON DEADBEAT DADS**

- All mothers applying for welfare must identify the father or they will not receive benefits
- Mothers receive a reduced benefit until paternity is legally established
- Adolescent mothers must live at home, thus preventing them from using an illegitimate birth to establish their own household
- States must increase their paternity establishment rates, over a period of years, to 90% or suffer stiff penalties
- States are required to stop increasing welfare checks when families on welfare have additional children; states can avoid this requirement only if they pass a law exempting themselves
- States are required to stop paying welfare benefits to parents under 19 years of age; states can avoid this requirement only if they pass a law exempting themselves
- Deadbeat dads with children on welfare are required to pay child support or work

SLASHES WELFARE FOR NONCITIZENS

****THE PROBLEM: TOO MUCH WELFARE FOR TOO MANY IMMIGRANTS**

- Hundreds of thousands of immigrants come to the United States to collect welfare
- A recent study by the Social Security Administration shows that more than 11% of all recipients and 20% of elderly recipients of Supplemental Security Income are noncitizens
- Noncitizens also qualify for Aid to Families with Dependent Children, Food Stamps, Medicaid, housing, and other welfare benefits

****THE SOLUTION: STOP WELFARE FOR NONCITIZENS**

- Simply end welfare for most noncitizens
- Allow refugees to receive welfare for only a fixed number of years unless they become citizens
- Allow noncitizens over 70 to receive welfare
- Continue the benefits of current noncitizens receiving welfare for 1 year

Welfare Reform Bill
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EMPHASIZES PARENTAL RESPONSIBILITY:

- **Requires unmarried adolescent mothers to live at home
- **Encourages states to stop welfare payments to unmarried parents under age 19
- **Encourages states to reduce the welfare benefits of parents who do not assure that their children are immunized and attend school regularly
- **Allows states to require AFDC parents to participate in parenting classes and classes on money management
- **Allows states to discourage parents from moving to a new school district during the school year

ATTACHES SEVERAL ADDITIONAL WELFARE PROBLEMS:

- **Allows states to convert their Aid to Families with Dependent Children program into a block grant at 101% of the state's 1992 funding level
- **Requires adults applying for welfare to engage in job search before their benefits start
- **Provides states with much greater control over 75 welfare programs so they can coordinate and streamline welfare spending
- **Encourages states to provide financial incentives to induce mothers on welfare to work and marry
- **Allows states to let welfare recipients accumulate assets to start a business, buy a home, or attend college
- **Requires addicted recipients of welfare to participate in treatment programs or lose their benefits
- **Requires adult recipients of Food Stamps to participate in work programs
- **Requires random drug testing of addicts receiving Supplemental Security Income and termination of benefits for positive tests
- **Strengthens state child support enforcement programs.

ACCOMPLISHES ALL THE ABOVE IN A COST-NEUTRAL BILL

- **Although we do not have a CBO cost estimate, we believe the paternity and immigration provisions will finance the other provisions of the bill
- **If they do not, we will identify additional reductions in welfare spending that will make the bill at least cost-neutral

Outline of Tentative Republican
Welfare Reform Bill
July 27, 1993

Outline of Bill

- Title I: AFDC Transition and Work Program
- Title II: Paternity Establishment
- Title III: Expanded Statutory Flexibility for States
- Title IV: Expansion of State Waiver Authority
- Title V: Child Support Enforcement
- Title VI: Welfare Restrictions for Aliens
- Title VII: Miscellaneous Provisions

Title I: AFDC Transition and Work Program

A. AFDC Transition Program (first 2 years on AFDC)

1. Program outline. At the time of AFDC enrollment, families are referred to the AFDC Transition Program in which they are expected to work or prepare for work:
 - a. at state option, participation in the AFDC Transition Program can begin after 1 year for some or all recipient families defined as job ready by states;
 - b. recipients and the welfare agency create a written plan describing what each must do so the parent can prepare for work; the written plan must include the statement that after 2 years (or less at state option) parents who have not secured paid employment must work in exchange for their AFDC benefit;
 - c. at the end of the first year in the transition program, an assessment is made by states to determine whether the recipient has made "clear and substantial progress" toward preparing for work (this requirement is waived if the state has elected to hold the recipient out of the transition program for 1 year);
 - d. states, in consultation with the Secretary, establish the guidelines by which "clear and substantial effort" is defined; states can set their own guidelines within the following framework:
 - 1) the general rule, to which education is an exception (see below), is that families must participate at least 520 hours per year, although states have flexibility in how the 520 hours is achieved (e.g., 100% time for 3 months, 50% time for 6 months, or 25% time for 12 months fulfills the requirement);

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- 2) within 12 months of enactment, the Secretary must publish rules about how education hours are counted; the guiding principle should be that meeting whatever a given educational institution (including certified professional training schools and certified degree-granting programs) considers full-time enrollment, and maintaining at least minimum passing evaluations, counts as participation;
- 3) in two-parent families, at least one parent must meet participation requirements; states have the option of requiring participation by both parents;
- 4) parents can use the 6-month birth exemption (see below) only one time; if a subsequent child is born while the parents are on AFDC, only the 4-month exemption is in effect;
- e. all the programs authorized in section 482(d) of the Social Security Act (education, job skills, job readiness, job development and placement, group and individual job search, on-the-job training, work supplementation, community work experience) count as participation under the AFDC Transition program.

2. Sanctions. Participants who fail to meet the criteria for participation are sanctioned as follows:
 - a. for the first offense, the combined value of the family's AFDC benefit and Food Stamp benefit is reduced by 25% until the parent complies and at least 3 months have elapsed; if 3 months elapse and the recipient has not complied, then the recipient is deemed to have started the second offense period;
 - b. the sanction for the second offense is similar to the first except that in addition to complying with the criteria, at least 6 months must elapse before benefits are restored; if the recipient has not complied within 3 months, then the recipient is deemed to have entered the third offense period;
 - c. for the third offense, the family is dropped from AFDC altogether;
 - d. when families are dropped from AFDC, they retain Medicaid, Food Stamps, housing, and any other benefit for which they are otherwise eligible.

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3. Exemptions

- a. incapacitated, as currently defined in regulations (not including drug and alcohol offenders);
- b. at state option, those enrolled in drug and alcohol abuse programs (with a 12-month limitation);
- c. during a 6-month period in which a recipient gives birth to the first child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
- d. during a 4-month period in which a recipient gives birth to the second or subsequent child born after the recipient participates in AFDC (divided as the recipient selects between the pre-natal and post-natal periods);
- e. during a 2-month period following the return home of a child who had been removed from the home;
- f. providing full-time care of a disabled dependent.

4. Participation Requirements

- a. participation standards are computed separately for the Transition Program and the Work Program;
- b. new participation standards apply to applicants beginning in 1996; the standard for 1996 is 30 percent; the standard for 1997 is 40 percent;
- c. beginning in 1998, participation standards apply to the entire caseload (not just applicants); the standard in the Transition Program is 50 percent in 1998, 60 percent in 1999, 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;
- d. to the extent possible, states are encouraged to fulfill their participation standards by focusing their efforts on mothers with older children.

B. AFDC Work Program. If parents have not found a job after two years, they must participate in a work program established by the state.

1. Program Outline

- a. most states now conduct a Community Work Experience Program (CWEP) in which parents work, usually in a public sector job, for the number of hours equal to their AFDC benefit divided by the minimum wage; the current CWEP hours requirement is rewritten to mandate that recipients work for 35 hours per week;
- b. states can also require participation in the Work Supplementation program in which the AFDC benefit is used to subsidize a private sector job;

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- c. reforms to the Work Supplementation program include:
- 1) elimination of the requirement that all jobs must be new jobs;
 - 2) creation of new financial incentives for states to use the program:
 - recipients participating in the Work Supplementation program must be paid a salary at least equal to their AFDC plus food stamp benefits;
 - states can negotiate arrangements with employers to pay enough of the salary that some part of the value of the AFDC benefit will not be required to reach the AFDC plus Food Stamp minimum; in these cases, states can continue to request the federal share of the AFDC benefit as if the entire benefit were still being paid by state funds (this provision has the effect of allowing states to keep the entire amount by which the employer-provided salary "buys out" the AFDC benefit);
- d. states can create a new work program, subject to approval by the Secretary, that combines features of CWEP and Work Supplementation or uses entirely new approaches developed by the state;
- e. after 3 years of participation in the work program (and a total of 5 years on AFDC), states have the option of dropping recipients from the AFDC rolls; they would continue to be eligible for Medicaid, food stamps, and other benefits.
2. Sanctions. Same as above
3. Exemptions. Same as above
4. Participation requirements
- a. in 1996 when the work program for applicants phases in, states must include at least 30 percent of the nonexempt caseload in their Work Programs;
 - b. the participation standard for new applicants then increases to 40 percent in 1997, 50 percent in 1998, and 60 percent in 1999;
 - c. beginning in 2000, participation standards apply to the entire caseload (rather than just applicants); the standards are 70 percent in 2000, 80 percent in 2001, and 90 percent in 2002;

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- d. the denominator for this calculation for each fiscal year is the number of nonexempt participants who have been on AFDC for at least 2 years on the first day of the fiscal year.
- C. Work Program for Two-Parent Families. At least one parent in two-parent families on AFDC must be required to work 32 hours per week and engage in job search for 8 hours per week. States are required to pay the combined AFDC-Food Stamp benefit in cash and only after the completion of the work requirement for any given period. If the work requirement has been only partially met, states must proportionately adjust the AFDC-Food Stamp payment level. All states can exercise the 6-month option in designing their AFDC two-parent program (current law prohibits about half the states from using the 6-month option).
- D. Work Program for Fathers. Fathers of children on AFDC must either pay child support or participate in a work program:
1. Fathers who are the equivalent of 2 months in arrears on their child support, unless they have a court-approved plan for repayment, must participate in this program.
 2. States can design their own programs, but their program must include at least the following three elements:
 - a. initial contact with the father must include a letter that informs him he must pay child support, that he should contact the child support office, and that he is subject to fines and penalties if he does not cooperate;
 - b. if the father does not pay child support within 30 days, then he must be enrolled in a job search program for between 2 and 4 weeks;
 - c. if the father still does not pay child support within another 30 days, he must be enrolled in a work program for at least 35 hours per week (30 hours if the program also requires job search).
 3. The work program participation standards outlined above apply to the work program for fathers; the denominator for calculations is the number of fathers with children on AFDC who do not pay child support.
 4. Only incapacitated fathers are exempt.

Title II: Paternity Establishment

- A. If the paternity of any dependent named on an AFDC application has not been legally established, the mother must provide the name of the father or fathers to AFDC

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officials as part of the application process:

1. if the mother does not provide a name, her family is not eligible for AFDC benefits for that child; if there is only one child, then the family will be denied all AFDC benefits
 2. if the mother is not certain who the father is, she must name all the men she thinks could be the father
 3. in the case of families with one child, once the mother has provided the father's name, the family is eligible for an AFDC cash benefit for a 1-person family
 4. in the case of families that have at least one child for whom paternity has been established and at least one child for whom paternity has not been established, the family will receive an AFDC benefit equal to the size of family that includes only the child or children for whom paternity has been established
- B. After giving the father's name, the mother must cooperate with the state child support enforcement agency to establish paternity:
1. once paternity is legally established, the family is eligible for the full AFDC benefit for a family of that size
 2. if the child support agency finds that the man named by the mother is not the father, the mother and children are dropped from the rolls until paternity is established
 3. in the case of a family with more than one child at least one of which has paternity established, a false name will still result in the entire family being dropped from the rolls
- C. States must require all officers and employees of the state, upon first recognizing that an unwed woman is pregnant, to inform her that:
1. she will not be able to receive AFDC benefits until she identifies the father, and
 2. she should do whatever is necessary to get the father to acknowledge paternity as soon as possible

States must develop procedures in public hospitals and clinics that facilitate the acknowledgment of paternity.

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- D. States must develop procedures, in consultation with the Secretary, to handle cases in which mothers claim the father is dead or missing. State procedures should be based on the principle that the burden of proof is on the mother.
- E. The mother is exempt from these requirements if her pregnancy was caused by rape or incest or if the state concludes that pursuing paternity will result in physical harm to the parent or child.
- F. States are required to follow the provisions outlined above unless the state passes a law specifically declaring that the state wants to exempt itself.
- G. The state paternity establishment requirement of 75 percent in current law (assuming the reconciliation bill passes) is increased to 90 percent. As under current law, states under 90 percent must increase by 3 percent each year if their percentage is over 50 percent and 6 percent each year if their percentage is under 50 percent.

Title III: Expanded Statutory Flexibility for States

- A. Rewards and sanctions for immunization and/or health checkup. Allow states to increase the total monthly AFDC benefit by up to \$50 per month for 6 months (not necessarily consecutive) for complying with immunization, EPSDT screening, or other health requirements. Families could be sanctioned by up to \$50 per child per month until the requirements are met. States can decide not to follow this provision by passing a state law specifically exempting themselves.
- B. No AFDC for parents under age 19. States may refuse AFDC benefits if the mother or father of the dependent child has not attained 19 years of age. If minor parents are married, they can qualify for the state AFDC program for 2-parent families. States can decide not to follow this provision by passing a state law specifically exempting themselves.
- C. Rewards and sanctions for school attendance. Families with school-age children who attend school less than some state-established minimum without good cause will be subject to a sanction or reward of up to \$75.00 per child per month. Good cause is defined by states in consultation with the Secretary.
- D. No additional money for more children. States are not required to pay any additional benefits for children born 10 months after the date of application for AFDC. States can, but are not required to, allow exceptions for

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families: a) that leave AFDC due to earnings for at least 90 days if employment is terminated for good cause, and/or b) that remain off AFDC for 12 consecutive months. States can decide not to follow this provision by passing a law specifically exempting themselves.

- E. Change work disregards within limits. States would be permitted to replace the current Federal rules for disregarding income in setting AFDC benefit levels. The current 4-month \$30 and 1/3 rule could be changed as a state wishes but the changes can be no more generous than the equivalent of permanently disregarding the first \$200 of family earnings plus 1/2 of the remainder.
- F. Married couple transition benefit option: Keep AFDC after marriage up to certain income limit. States would be permitted to allow AFDC recipients who marry someone who is not the father of their child, and who would become ineligible for AFDC, to keep up to 1/2 of their current benefit for up to one year as long as their combined family income is below 150% of the poverty level. Couples who marry and would be eligible for AFDC-UP in the state may be treated by the state as eligible for either AFDC-UP or the state's new "married couple" transition benefit, but not both.
- G. Increase asset limit up to \$10,000. States can disregard up to \$10,000 of assets associated with a microenterprise owned by a family for purposes of determining AFDC eligibility and calculating AFDC benefits; states may also disregard up to \$10,000 of savings placed in a special account to be used for purchase of a home or for education or training. The disregard for business-related costs, income, and resources associated with a business of five or fewer employees will be increased from \$1,000 to \$10,000 per family.
- H. States can convert AFDC to block grant. States have the option of taking the amount of federal reimbursement they received under Title IV-A in 1992, plus a one-time inflation adjustment of 3 percent, as a fixed annual cash payment rather than continuing in the current AFDC program. States electing this option must present an annual report to the Department of Health and Human Services showing that all the money from the block grant was spent to help poor and low-income families.
- I. AFDC benefit levels for new state residents. States have the option of providing new residents of their state with the same level of AFDC benefits as provided by the state from which the residents moved. This level of benefits can be provided for no more than 1 year.

- J. Parenting classes, money management, and moving residence. States have the option of requiring AFDC parents to participate in parenting classes and classes on money management during the Transition Program. Such participation counts toward fulfillment of state participation requirements. States can also require parents receiving AFDC benefits to receive agency permission before changing a dependent child's residence during the school year.

Title IV. Expansion of State Waiver Authority

- A. Interagency Waiver Request Board. All waivers will be considered by an interagency board composed of representatives of the Secretaries of Agriculture, Health and Human Services, Housing and Urban Development, Labor, Interior, Justice, and the Office of Management and Budget. The Board will be headed by a chairperson appointed by the President.
- B. Application for Waivers. Any entity eligible to receive Federal funds may submit a waiver application to the Board specifying, explaining, and justifying the particular provisions of statute or regulation the entity wants to change. All applications must aim to help long-term welfare recipients improve their living conditions, help recipients strengthen their families and achieve self-sufficiency, or promote individual initiative and personal behavior consistent with progress toward self-sufficiency; applications must contain written assurances that implementing the proposal will not result in additional costs to the federal government.
- C. Agency Approval. The Chairman, after considering the proposal and making any written comments she thinks appropriate, forwards the proposal to the agency or agencies with jurisdiction over the programs. Within 45 days the agency must provide the chairman with views on whether the proposal will move families toward independence of welfare and on several similar issues. If more than one federal agency is involved in the waiver request, the chairman must take steps to assure that all agencies are informed of the others' involvement. The chairman must reach a decision on the waiver request and notify the states within 120 days; if the state waiver request has not been approved or disapproved within 120 from the date of receipt, the request is deemed to be approved.
- D. Programs Subject to Waiver Authority
See attached list

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Title V: Child Support Enforcement

- A. Improved Tracking of Absent Parents to Enforce Support. Establish a nationwide system for reporting and tracking newly hired workers to improve the nation's ability to locate parents and enforce support orders. The system would keep a current trace of parents' location, source of earnings, and support obligations. Includes reforms in three areas:
1. New employees would be required to report support obligations subject to wage withholding to employers via new W-4 forms. Withholding would begin immediately and employment information would be maintained for interstate searches.
 2. States would maintain updated registries of support orders to verify new hire withholding information and assist other states with interstate searches.
 3. The Federal Parent Locator service would be expanded to improve access to information nationwide and the Federal Office of Child Support Enforcement would coordinate an information network between states to provide for speedy interstate searches.
- B. Streamlined Wage Withholding. Streamline the interstate system of wage withholding by establishing uniform notices and requiring employers to honor withholding notices from out-of-state courts.
- C. Improved Paternity Establishment. States would establish hospital-based programs to encourage voluntary paternity establishment at the time of birth and provide for administrative processes for establishing parentage.

Title VI: Welfare Restrictions for Aliens

- A. All welfare benefits (other than emergency Medicaid) are eliminated for non-citizens, except for refugees and certain permanent residents as defined below.
- B. Exceptions for refugees and permanent resident aliens:
1. refugees who have been adjusted to permanent resident status can receive welfare for only 1 year beyond the time limit required for them to apply for citizenship (unless they are over age 70);

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2. permanent resident aliens over age 70 who have been legal residents for at least 5 years are eligible for welfare benefits.
- C. State AFDC agencies must provide the name, address, and other identifying information (including fingerprints) to the Immigration and Naturalization Service for all illegal immigrant parents with citizen children.
- D. Any noncitizen who is currently residing in the U.S. and is affected by any of the above provisions is exempt from that provision for 1 year following passage of the bill; any federal department that administers welfare programs that currently serve resident aliens must directly notify, or ensure that states notify, all resident aliens affected by provisions outlined above.

Title VII: Miscellaneous Provisions

A. AFDC Recipients and Drug Addiction

1. AFDC applicants and recipients determined by states to be addicted to alcohol or drugs must participate in addiction treatment.
2. Failure of addicts to participate on a satisfactory basis as defined by the state will result in expulsion from AFDC for 2 years.
3. States may waive participation requirements during the transition program for up to 1 year if AFDC recipients are participating in addiction treatment programs; however, states must continue to include all addicted recipients in the denominator for calculation of participation standards.
4. States are authorized to use random and unannounced drug tests with recipients who have participated in drug rehabilitation programs or have a history of addiction; refusal by the recipient to submit to drug testing will result in termination of the entire family's cash AFDC benefit.

B. Eligibility for Food Stamps

1. In order to qualify for Food Stamps, adults must be:
 - receiving unemployment insurance, AFDC, SSI, disability insurance, workers compensation, or social security, or
 - pregnant women in the last month of pregnancy or within two months of giving birth, or
 - participating satisfactorily in the Food Stamp work program, or
 - able to show proof of incapacitation or current employment.

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2. Clarifying rule. If an adult in a Food Stamp household that includes children fails to meet the requirements and is disqualified from participation, the children will still qualify for benefits (but their household size will be reduced by 1 person).
- C. Supplemental Security Income & Addicts. The Social Security Administration is directed to identify all SSI participants whose disability was caused by addiction to illegal drugs and to test them periodically, on a random schedule, to determine whether they are using illegal drugs. If use of illegal drugs is detected by the tests, the participant's SSI benefits are permanently terminated.
 - D. Evaluation of Education and Training Programs. The Department of Health and Human Services is required to fund research that examines the impacts of education and training programs on exits from AFDC, welfare expenditures, wage rates, employment histories, and repeat spells on AFDC. At least one of the studies must involve three groups to which AFDC adults are randomly assigned: a control group not required to participate in any special activity, a group required to participate in education or job training programs, and a group required to participate in job search or job search and work experience. Participants must be followed for at least 5 years.
 - E. Initial AFDC Applicant Job Search. States must require AFDC applicants to participate in job search while their welfare application is being processed. Applicants must be reimbursed for transportation and child care expenses. States can provide emergency aid when payment cannot be delayed. States retain considerable flexibility in defining such emergencies, although they must include in their state plan the general guidelines they will follow. States can decide not to follow this provision by passing a state law specifically exempting themselves.
 - F. Demonstrations on Fraud and Administrative Efficiency.
 1. HHS is authorized to conduct demonstrations in several states to determine whether providing welfare benefits (including AFDC, Food Stamps, Medicaid, housing, etc.) by use of electronic cards and automatic teller machines will reduce administrative costs and fraud; within 5 years HHS must write a report to Congress summarizing the results of the studies and making recommendations about whether and how more states might be required to use electronic funds transfer programs.
 2. HHS is required to appoint a commission composed of cabinet officials, outside experts, and state administrators to determine the cost and feasibility of creating an inter-state system of Social Security numbers of all welfare participants for the purpose of ensuring that no adults or children are participating in welfare programs in more than one state.

Attachment 1

Programs Subject to Waiver Authority
in Unified Republican Bill
July, 1993

- | | |
|---|--|
| 1. Medicaid | 37. College Work-Study |
| 2. Maternal & Child Health Services Block Grant | 38. Supplemental Education Opportunity Grants |
| 3. Community Health Centers | 39. Vocational Education for the Disadvantaged |
| 4. Title X, Family Planning | 40. Migrant Education |
| 5. Cash and Medical Assistance to Refugees and Cuban/Haitian Entrants | 41. Special Programs for Students from Disadvantaged Backgrounds ("TRIO" Programs) |
| 6. Migrant Health Centers | 42. Perkins Loans |
| 7. Aid to Families with Dependent Children | 43. State Student Incentive Grant Program |
| 8. IV-B Child Welfare Services | 44. Fellowships for Grad & Professional Study |
| 9. Supplemental Security Income | 45. Migrant High School Equivalency Program |
| 10. Foster Care | 46. Chapter 1 Education |
| 11. Food Stamps | 47. Follow Through |
| 12. School Lunch | 48. Health Professionals Student Loans |
| 13. Nutrition Program for Women, Infants and Children | 49. Centers for Disease Control Immunization Grants |
| 14. Nutrition Program for the Elderly | 50. Lead Poisoning Grants |
| 15. School Breakfast | 51. Preventive Services Block Grant |
| 16. Child & Adult Care Food Program | 52. Alcohol, Drug Abuse, and Mental Health Grants |
| 17. The Emergency Food Assistance Program | 53. Ellender Fellowships |
| 18. Summer Food Service Program for Children | 54. Child Development Associate Scholarships |
| 19. Commodity Supplemental Food Program | 55. Job Training Partnership Act for Disadvantaged |
| 20. Special Milk Program | 56. Job Corps |
| 21. Section 8, Low-Income Housing | 57. Summer Youth Employment |
| 22. Low-Rent Public Housing | 58. Senior Community Service |
| 23. Rural Housing Loans | 59. Title 3, Older Americans Act |
| 24. Sec. 236, Interest Reduction Payments | 60. Foster Grandparents |
| 25. Sec. 515 Loans for Rental & Cooperative Housing | 61. Senior Companions |
| 26. Sec. 521 Rental Assistance | 62. Unemployment Compensation |
| 27. Sec. 235 Homeownership Assistance for Low-Income Families | 63. Low-Income Home Energy Assistance Program |
| 28. Sec. 101 Rent Supplements | 64. Weatherization Assistance |
| 29. Rural Housing Repair Loans/Grants | 65. Title XX, Social Services Block Grant |
| 30. Farm Labor Housing Loans/Grants | 66. Community Services Block Grant |
| 31. Rural Housing Preservation Grants | 67. Legal Services |
| 32. Rural Housing Self-Help Technical Assistance Grants | 68. Emergency Food/Shelter |
| 33. Rural Housing Site Loans | 69. Social Services for Refugees/Cubans/Haitians |
| 34. Stafford Loans | 70. Child Care & Development Block Grant |
| 35. Pell Grants | 71. "At Risk" Child Care |
| 36. Head Start | 72. State Legalization Impact Assistance Grants |

Bill Text is attached

LEGI-SLATE Report for the 103rd Congress Wed, August 25, 1993 5:48pm (EDT)

Search of 5,409 Bills and Resolutions to Find 1...

Limited to H.R.1293

Description and status of H.R. 1293,
Welfare and Teenage Pregnancy Reduction Act,
as of Wednesday, August 25, 1993

The bill was introduced in the House of Representatives on Wednesday, March 10, 1993 by Rep. Jan Meyers (R-KS). At the present time there are 33 cosponsors of this bill, 2 Democrats and 31 Republicans.

The bill's official title stated its purpose as follows:

"A bill to replace the program of aid to families with dependent children with a program of block grants to States for families with dependent children, and for other purposes."

The bill was referred to the House Committee on Ways and Means.

The most recent action on the bill was on Wednesday, March 10, 1993: Referred to House Committee on Ways and Means.

There is currently no committee action scheduled on this bill.

103d CONGRESS
1st Session

Welfare and Teenage Pregnancy Reduction Act

H. R. 1293

To replace the program of aid to families with dependent children with a program of block grants to States for families with dependent children, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

March 10, 1993

Mrs. Meyers of Kansas (for herself, Mrs. Johnson of Connecticut, Mr. Gilman, Mr. Clinger, Mr. Fawell, Mr. Gingrich, Mr. Solomon, Mr. DeLay, Mr. Ewing, Mr. Moorhead, Mr. Stump, Mr. Goss, Mr. Dreier, Mr. Ballenger, and Mr. Livingston) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To replace the program of aid to families with dependent children with a program of block grants to States for families with dependent children, and for other purposes.

=====
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Welfare and Teenage Pregnancy Reduction Act".

SEC. 2. BLOCK GRANTS TO STATES FOR FAMILIES WITH DEPENDENT CHILDREN.

(a) In General.--Part A of title IV of the Social Security Act (42 U.S.C. 601-617) is amended to read as follows:

"Part A--Block Grants to States for Families With
Dependent Children

"SEC. 401. ENTITLEMENT.

"For grants to which States meeting the requirements of this part are entitled, there is authorized to be appropriated to the Secretary for each fiscal year an amount equal to 103 percent of the aggregate amount of Federal outlays under part A of this title (as in effect immediately before the

effective date of this part) for fiscal year 1992.

"SEC. 402. APPLICATION REQUIREMENTS.

"To be entitled to a grant under this part for a fiscal year, a State must, not later than June 30 of the immediately preceding fiscal year, submit to the Secretary an application which describes the State program to assist families with dependent children, including the goals and objectives of the program.

"SEC. 403. BLOCK GRANT.

"The Secretary shall make a grant to each State that meets the requirement of section 402 in an amount equal to 103 percent of the amount paid to the State under part A of this title (as in effect immediately before the effective date of this part) for fiscal year 1992.

"SEC. 404. USE OF FUNDS.

"(a) In General.--Each State to which a grant is made under section 403 for a fiscal year shall use the grant to carry out the State program to assist families with dependent children.

"(b) Prohibitions.--Each State to which a grant is made under section 403 for a fiscal year shall not use any Federal or State funds provided to carry out the State program to assist families with dependent children, to provide assistance during the fiscal year with respect to a dependent child if--

"(1) the mother or father of the dependent child has not attained 18 years of age; or

"(2) the paternity or maternity of the dependent child has not been established.

"(c) Special Rule.--During a period not exceeding 1 year from the date a family with a dependent child moves to a State to which a grant is made under section 403 for a fiscal year from another State, the State may--

"(1) apply the same rules as apply with respect to any other dependent child in the State, in providing assistance with respect to the dependent child under the State program to assist families with dependent children; or

"(2) treat the dependent child in the same manner as such other State would have treated the dependent child if the dependent child had not moved from such other State.

"SEC. 405. DEFINITION OF DEPENDENT CHILD.

"As used in this part, the term 'dependent child' means an individual who--

"(1) is needy, as determined by the State in which the child resides;

"(2) has been deprived of parental support or care due to the death; continued absence from the home (other than absence occasioned solely due to the performance of active duty in the uniformed services of the United States), or physical or mental incapacity of a parent;

"(3) is living with the individual's father, mother, grandfather, grandmother, brother, sister, stepfather, stepmother, stepbrother, stepsister, uncle, aunt, first cousin, nephew, or niece, in a place of residence maintained by 1 or more of such relatives as his, her, or their home; and

"(4) is--

"(A) not more than 18 years of age; or

"(B) at the option of the State--

- "(i) not more than 19 years of age; and
- "(ii) a full-time student in a secondary school (or in the equivalent level of vocational or technical training) who may reasonably be expected to complete the program of the secondary school (or the training) before attaining 19 years of age."

SEC. 406. ANNUAL REPORTS.

"Not later than 6 months after the end of each fiscal year for which a State is made a grant under section 403, the State shall submit to the Secretary a report which contains--

- "(1) a statement of the average number of families with dependent children in the State during the fiscal year;
- "(2) in absolute and in percentage terms, the extent to which there has been an increase or decrease, during the fiscal year and since the effective date of this part, in--
 - "(A) teen pregnancies in the State;
 - "(B) births of children immediately eligible for assistance through the State program of assistance to families with dependent children;
 - "(C) families to whom such assistance has been terminated due to the gainful employment of 1 or more members of the family; and
 - "(D) absent parents who contribute financially to the support of families receiving such assistance; and
- "(3) the extent to which the State has met the goals and objectives set forth in the application for the grant.

SEC. 407. WITHHOLDING OF BLOCK GRANT.

"Notwithstanding any other provision of this part, beginning 4 years after the effective date of this part, the Secretary may suspend or withhold for any period part or all of a grant to a State for a fiscal year under this part if, after reviewing the State reports submitted pursuant to section 406, the Secretary determines that the State program of assistance to families with dependent children during the immediately preceding fiscal year has not adequately met the needs of the families."

(b) Effective Date.--The amendment made by subsection (a) shall take effect on October 1, 1993.

(c) References in Other Laws.--Any reference in any law, regulation, document, paper, or other record of the United States to part A of title IV of the Social Security Act, or to a provision of law contained in such part, shall, unless the context otherwise requires, be considered to be a reference to such part, or such provision, as in effect immediately before October 1, 1993.

SEC. 3. REDUCTION OF FEDERAL AFDC ADMINISTRATIVE COSTS.

(a) Cost-Reduction Requirement.--The Secretary of Health and Human Services shall, using any authorities otherwise available, take such actions as may be necessary to ensure that, for each fiscal year beginning after September 30, 1994, the total administrative costs of the program described in part A of title IV of the Social Security Act shall not exceed 50 percent of the total administrative costs of that program (as then in effect) for fiscal year 1992.

(b) Reporting Requirement.--Not later than 1 year after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit a written report to Congress describing--

(1) the actions which have been or will be taken in order to achieve timely compliance with subsection (a);

(2) the procedures and criteria used in determining what actions to take, including the reasons why each such action was chosen;

(3) the savings anticipated from each action described under paragraph (1); and

(4) the methodologies and assumptions used in connection with any computations under this section.

Statement of the

Honorable Jan Meyers.

before the
Republican Policy Committee

June 8, 1993

In 1975, 39% of all teenage mothers who gave birth were unmarried. By 1990, 68% of all teenage births were to unwed mothers under the age of 19. But one thing remained the same-- over half of these unwed teenage mothers end up on AFDC and will stay on welfare until they are over 30. Through AFDC the federal government has said, in effect, whatever you do we will pay for. While it may not be a conscious motivation, teenage girls now know there is guaranteed help available if they have a baby without a partner in the house. As children grow up in these rootless non-families without any fathers, is it any wonder we have more juvenile delinquency, violent gangs, drug abuse, high-school dropouts, and teenage out-of-wedlock pregnancies?

We believe it is time to acknowledge that "more" of the same policies just won't work. We are alarmed by the tremendous increases in welfare spending. But even more disturbing is the doubling of births to single teenagers over the past two decades. Our federal dollars have created a program which encourages our disadvantaged youth to believe that a social safety-net will be provided for them if they have a child. In reality, it is a cruel trap which perpetuates dependence, destroys self-esteem, and more often than not, condemns these young mothers and their children to a life of poverty.

As we debate the future of the AFDC program, we can no longer afford, in human terms, to stay the course. Clearly, federal efforts have failed. It is time to try new policy options for reducing teen pregnancies and welfare dependency.

Republican members support reforms to return welfare programs to State management, where programs can be created to serve individual community needs. We believe in prohibiting federal funds being paid out if either parent is under 18. We also believe that no federal funds should ever be given until paternity is established. We support giving States latitude to experiment with programs or methods to limit welfare participation and encourage self-reliance. We support ending the welfare trap, and replacing it with a system which promotes individual growth, achievement, productivity, and self-reliance.

DEPARTMENT OF HEALTH & HUMAN SERVICES

KHD-31

ADMINISTRATION FOR CHILDREN AND FAMILIES
370 L'Enfant Promenade, S.W.
Washington, D.C. 20447

DATE : **MAY 28 1993**
TO : Acting Director
Office of Family Assistance
FROM : Director
Division of Program Evaluation
SUBJECT: AFDC Flash Report: March 1993

The attached report presents national estimates of AFDC program activity for the month of March 1993. These summary data are prepared prior to the completion of State final reports and are based, in part, on preliminary estimates. This report is part of a continuing effort to monitor current program trends. Since the information is preliminary and subject to later revision by the States, it is intended for internal use only.

The highlights for the month of March 1993 include:

- Total AFDC caseload increased 42,000 families, exceeding 5.0 million, and
- AFDC-Unemployed Parent cases increased 10,000 to 374,000.

For further information, please contact me at 401-9315.


Peter Germanis

Attachment

10 DISTRICT, KANSAS
WASHINGTON OFFICE
38 RAYBURN HOUSE OFFICE BUILDING
(202) 225-2889
DISTRICT OFFICE
204 FEDERAL BUILDING
KANSAS CITY, KS 66101
(813) 821-0832
DISTRICT OFFICE
7133 WEST 98TH STREET
SUITE 217
OVERLAND PARK, KS 66212
(813) 383-2013

Congress of the United States
House of Representatives
Washington, DC 20515-1603

SMALL BUSINESS COMMITTEE
RANKING REPUBLICAN
FOREIGN AFFAIRS COMMITTEE
SELECT COMMITTEE ON AGING
VICE CHAIRMAN
ENVIRONMENTAL AND ENERGY STUDY COMMITTEE
AT-LARGE MEMBER
REPUBLICAN POLICY COMMITTEE

April 16, 1993

SUPPORT THE WELFARE AND TEENAGE PREGNANCY REDUCTION ACT

Dear Colleague:

I have introduced a bill with 24 cosponsors that I believe will be of help in the long debate about welfare dependency and teenage pregnancy.

My bill does three things:

1. Freezes AFDC at 1993 levels and returns the program to the states in the form of block grants;
2. Provides that there will be no AFDC benefits unless both the mother and father are at least 18 years of age; and,
3. Provides that there will be no AFDC benefits unless paternity is established.

By freezing and returning AFDC to the states, we will stop the uncontrolled upward spiral of spending that began in the 1960s when AFDC became an entitlement. My bill will grant the states more flexibility to design their own welfare reform solutions, with minimal federal intervention. It stands to reason that a welfare reform plan drafted in Congress may not work well in both New York and Kansas, or in California and Nebraska.

By prohibiting AFDC benefits until paternity is established, we make it clear that the responsibility of having a child rests with the father and mother. The U.S. government will provide assistance under AFDC when it is needed, but only when the identity of the child's father has been determined. The father can no longer walk away from the mother and child and leave that responsibility to the mother and U.S. taxpayers.

There are many reasons why very young women become pregnant. They may be seeking self-esteem or someone to love. They may be experiencing peer pressure or boyfriend pressure. And then along comes the federal government--promising that if this young woman will have two children without a man in the

- continued on back -

home, the government will pay her as much as \$500 a month AFDC, give her \$300 in food stamps, pay all her medical bills, in some cases find her a place to live, pay for a job training or education program and pay for a baby sitter while she attends that program.

If the young woman is 16, it may sound like the best offer she's ever had. If she is 30 years of age, she is mature enough to know this would be a difficult life. Either way, our "offer" becomes a cruel trap.

As long as the U.S. government actually creates an incentive for young people to have children without intact families, it will continue to happen because people continue to do what they are rewarded for doing.

Ultimately, I believe that my legislation, by requiring parents to be more responsible for the choices they make, will help with our problems of drugs, crimes, and gangs.

With the best of intentions, we have created our own teenage pregnancy problem, and we have helped to create, over the last 30 years, millions of single-parent families--many of whom are without adequate emotional support, love, or hope that their lives will be better.

In summary, my bill would not affect food stamps or medicaid. But it would freeze AFDC and return it to the states, and provide no AFDC unless both parents are 18, and no AFDC at any age unless paternity is established.

To cosponsor, please have a member of your staff contact my legislative assistant, Michele Johnson, at x5-2865.

Sincerely,



Jan Meyers
Member of Congress

Cosponsors of H.R. 1293

Hon. Nancy Johnson
Hon. Ben Gilman
Hon. Bill Clinger
Hon. Harris Fawell
Hon. Newt Gingrich
Hon. Gerald Solomon
Hon. Tom Delay
Hon. Tom Ewing
Hon. Carlos Moorhead
Hon. Bob Stump
Hon. Porter Goss
Hon. David Dreier
Hon. Cass Ballenger
Hon. Bob Livingston
Hon. Tillie Fowler
Hon. Richard Baker
Hon. Tom Petri
Hon. Robert Dornan
Hon. Frank Wolf
Hon. Barbara Vucanovich
Hon. Thomas Bliley
Hon. Bill Goodling
Hon. Steve Horn
Hon. Jim Hansen
Hon. Craig Thomas
Hon. Pat Roberts
Hon. William Lipinski
Hon. Marilyn Lloyd
Hon. Ron Packard
Hon. Sam Johnson
Hon. Jon Kyl
Hon. Chris Cox
Hon. John Boehner

WR - ~~JAS~~
GOP

- Contact Beshaw, head
- Look into work disincentive evidence (p 11)
- Release data on what deadbeats earn (BC's 40% figure??)
- Waivers? (p 29)
- Teen Pregnancy Data (3: incl. costs)
- Require AFDC kids to attend school

Moving Ahead:

How America Can Reduce Poverty Through Work

- Update Benefits chart (p 55)
(Total Fed/St/Local priority)

E. Clay Shaw, Nancy L. Johnson, Fred Grandy
 Republican Members, Human Resources Subcommittee
 Committee on Ways and Means
 United States House of Representatives

June 1992

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Executive Summary

There are currently 4.8 million families on the nation's major cash welfare program, Aid to Families with Dependent Children (AFDC). Around 3 million of these families will eventually be on cash welfare in 8 or more years. These numbers lead us to conclude that, by any reasonable definition, dependency on welfare is an important national problem.

The typical welfare package of AFDC cash, Food Stamps, and Medicaid, plus housing in about one-quarter of the cases, has permitted, perhaps encouraged, a life of nonwork. We have now reached the point at which only 3% of female-headed families in the bottom fifth of the income distribution have a year-round, full-time worker. Clearly, a way of life has grown up around welfare benefits that is incompatible with the core values of American society. Work, educational achievement, self reliance, marriage, and obedience to law are the cornerstones of American society. Yet all are jeopardized by the dependency of welfare culture.

Over half a century, a major objective of American social policy came to be making life on welfare as comfortable as possible. It has been a policy of gradual accretion since the 1930s: cash, medical care, food stamps, school lunches and breakfasts, home heating, drug treatment, preschool programs and day care, job training, legal services, and social services. Meanwhile, spending on housing for the poor grew relentlessly toward the \$20 billion mark. By 1990, according to the Congressional Research Service, federal and state governments were spending \$203 billion on 76 programs for poor and low-income Americans. Though this fundamental direction of the nation's social policy is bipartisan and well-intentioned, we think most Americans now believe the policy has failed. To be sure, creeping welfarism reflects the generous spirit of the American people, but non-contingent generosity has created a way of life at odds with values held by the benefactors.

There is consensus that change is at hand. The single most valuable change would be to return to the small civilization of two-parent families. This change would virtually wipe out poverty, and would constitute a revolution in child rearing by restoring the commitment of two adults to this civilizing task. Seemingly of its own account, the rate of divorce among parents has leveled off and even declined slightly in the last decade. Meanwhile, the rate of illegitimate births continues its wild climb, now reaching the point at which nearly 7 in 10 black children and 2 in 10 white children are born into a single-parent household. But the stark fact is that no known public policy will subdue or reduce these rates. Nor is America alone in this growth; Sweden and Denmark, among other countries, are experiencing high rates of illegitimate birth and female-headed families. Huge and growing numbers of female-headed families are going to be a major part of the social environment for the foreseeable future.

Once this fact is accepted, we turn squarely to the consideration of female-headed families with children, 7.7 million of them in 1990, containing about 14 million of the nation's children. About 4.3 million of these families, primarily the ones headed by mothers with solid educations and work experience, are managing to avoid poverty and, one trusts, are rearing children most of whom will grow into constructive and personally satisfying roles in our society. But an astounding 3.4 million or 44% of these families have incomes below the poverty level. Of these, perhaps 2 million live in the midst of serious violence, are almost completely dependent on public benefits, and are often unable to put their children on the path to educational, financial, and personal success. Abundant research shows that their children have greatly increased odds of having poor school attendance and achievement, dropping out of school, committing crimes, having illegitimate children, being without a job, and falling into welfare dependency themselves. Although all children in

mother-headed families are at an elevated risk for these conditions, the children in poor, mother-headed families are especially vulnerable.

Something must be done. We therefore adopt the straightforward goal of assuring the financial stability of female-headed families. More specifically, we want to build toward a system in which mothers willing to work will be substantially better off than mothers on welfare and will have incomes of around \$15,000 from earnings and subsidies plus health insurance and subsidized day care. We accept the fact that most mothers who are actual or potential long-term welfare recipients will be able to obtain only low-wage jobs when they first enter the job market. So the goal of ensuring financial stability will be more difficult.

Three major ideas on reducing welfare dependency while improving the financial status of female-headed families deserve careful consideration. These ideas are to place a definite limit on the duration of welfare benefits, to provide a government guarantee of a low-wage job for anyone willing to work, and to provide a government guarantee of child support for children in single-parent families. Doing more than one of these things simultaneously could produce effects that are greater than doing them separately.

The rub is that no one knows whether these ideas would work or how much they would cost. Indeed, with the possible exception of publicly guaranteed jobs, the nation has so little experience with any of them that it would be a trial-and-error proposition to even put them into effect. Further, the nation is in the unfortunate position of devising social policy during an era of immense government deficits. It follows that the feasibility of enacting huge untested social programs approaches zero.

For both these reasons, we propose a two-part strategy. First, we have six modest proposals -- giving states more money to conduct their employment and training programs for welfare mothers, broadening federal waiver authority in more than 70 social welfare programs, modifying the Earned Income Tax Credit, increasing the AFDC asset limit, requiring welfare parents to obtain immunizations and health care for their children and supervise their school attendance, and requiring the Department of Health and Human Services to write a report on the consequences of teen sexual activity and pregnancy and the effectiveness of programs designed to reduce them -- that will cost around \$5 billion over the next five years. But more important, we propose that the federal government work closely with several adventuresome states and implement large-scale social initiatives to see what will happen when the major welfare reform ideas outlined above are put into practice on a broad scale. In the process, we will learn a great deal about implementation that will prove useful if one or more of these policies move toward national implementation.

We will consider the policies to be successful if we can create a system of subsidies in which welfare mothers who work have incomes of around \$15,000 per year plus day care and health benefits and if a substantial percentage of mothers accept the responsibility of leaving welfare for work at these rates.

We also propose several additional policies for careful study through state demonstrations, all aimed at facilitating the financial integrity of families headed by poor and low-income adults. These include lowering the implicit tax rates on welfare benefits for those who work, establishing federal Enterprise Zones and similar investment strategies, improving implementation of the program that now helps welfare mothers prepare for and find jobs, reducing the financial disincentive for welfare mothers to marry, creating and expanding programs designed to help welfare mothers participate in family planning, and exploring ways to promote work by unemployed fathers who owe child support.

Acknowledgements

✓ We received very useful comments on earlier drafts of this paper from a number of people who are experts in welfare reform. These included Richard Bavier, Doug Besharov, Vee Burke, Tom Gabe, Peter Germanis, Larry Mead, Mark Menchik, Jan Peskin, Carmen Solomon, and John Topogna. They added greatly to the quality of the paper, though they are innocent of its mistakes. We also had superb help preparing the text, tables, and figures from Jennifer Spreng, Karen Humbel, and Nancy Runge.

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Introduction

America is afflicted by the poverty and distress of poor, single-parent families. On average, families headed by mothers are at a significant disadvantage: they are nearly six times more likely to live in poverty than two-parent families; at an average of \$14,000, their income is about one-third the \$41,000 income of married-couple families. Even worse, as compared with children from two-parent families, children in single-parent families are at risk for a series of long-term deficits including lower educational achievement, lower rates of high-school graduation, lower rates of college attendance, higher rates of mental health problems, higher rates of delinquency, and higher rates of divorce themselves. To paraphrase an earlier report on American schools, if a foreign enemy wreaked this kind of havoc on our young people, we would immediately declare war.

But as American Enterprise Institute scholar Doug Besharov has noted, not all single-parent families are created equal. Single-parent families come primarily from two sources. As shown in Table 1, the biggest source is divorce. The divorce rate is now about 5 per 1,000 population, up dramatically from only 2 per 1,000 in 1960, but declining slightly over the last decade. More than 1 million children are relegated to single-parent families each year by divorce; perhaps half that number are removed by remarriage.

The second source of single-parent families is out-of-wedlock births. Like divorce, out-of-wedlock births have been rising for several decades; unlike divorce, they are still increasing rapidly both as a percentage of all births and in absolute numbers. Around 1 million kids join single-parent families yearly by being born to unmarried parents, more than double the number in 1970. Although studies show that all children from female-headed families are at some risk for the difficulties outlined above, it is poor, single-parent families, especially those on welfare, that we are especially worried about.

There are two broad policy responses to the problem of single-parent families. The first policy aims to control or to reduce their rate of growth. The second provides benefits or services to mitigate the effect of living in one of these families. Sending clear and consistent messages about critical values is one approach to reducing the growth of female-headed families. As a society, we are failing to educate young adults about the consequences of intimacy outside marriage. It is our duty as community leaders, educators, legislators, and parents to tell young women and young men that children should not be conceived outside marriage and that parenthood necessarily brings a life-long commitment.

Some have claimed that another way we can get to the heart of the problem is by changing state divorce laws. According to this view, the liberalization of divorce laws beginning in the 1970s has made divorce too easy. The result is that parents who would have solved or adapted to their problems and stayed together in previous decades now just get a divorce. Changes in customs and mores, in other words, are induced by changes in law, or at least there is interplay between social and legal change.

This all sounds good, of course, and may be at least partially correct. But, there is little evidence beyond the possible coincidence of social and legal changes taking place simultaneously. So we are skeptical about the efficacy of legal solutions. We are also reluctant to wait on either state legislatures or whatever changes in social behavior might follow action by state legislatures. If such changes have an impact on the divorce rate, we will be in the front row applauding. As far as we know, no one has yet thought of a law that would reduce illegitimate births.

Table 1: Divorces, Out-of Wedlock Births, and Female Headed Families, 1960-88

	Year				
	1960	1970	1980	1985	1988
Divorces:					
Number (thousands)	393	708	1,189	1,190	1,183
Rate	2.2	3.5	5.2	4.9	4.8
Children involved (thousands)	-	870	1,174	1,091	1,038
Out-of-Wedlock Births:					
Number (thousands):					
Whites	-	175	320	433	540
Blacks	-	215	326	366	427
All	-	399	666	828	1,005
Rates**					
White	-	5.7	11.0	14.5	17.7
Black	-	37.6	55.2	60.1	63.5
Female-Headed Families:					
Number (thousands)	-	2,858	5,445	6,006	6,273
As a Percent of All Families	-	9.9	17.6	19.3	19.7
* per 1,000 population.					
** as percentage of births within racial groups.					
Sources: U. S. Bureau of the Census. <i>Statistical Abstract of the United States, 1990</i> (110th Ed.). Washington, D. C.: U. S. Government Printing Office, 1990, Tables 67, 90, 126, 133. National Center for Health Statistics. <i>Monthly Vital Statistics Report, 1990, August 16, 39(4)</i> , Supplement, whole issue.					

Thus, with the exception of some proposals on family planning and reducing the marriage penalty in the Aid to Families with Dependent Children program, we focus our attention on the second policy approach to female-headed families -- mitigating the effects of single parenting.

Two general types of programs have been tried. The first, and most widely attacked, is welfare. Congress has created a host of programs to meet the basic needs of poor and low-income citizens, most of which are used disproportionately by female-headed families. The most notable are Aid to Families with Dependent Children (AFDC), Food Stamps, Medicaid, child nutrition, and housing. Here and there the programs have some requirements about what clients must do to get the benefits, but on the whole all one must do is be poor or nearly poor. Where the programs require beneficiaries to do something in exchange for the benefits, such as work or prepare for work, the requirement is often observed in the breach.

The widely heralded slashes in these programs reported to have occurred in the 1980s are somewhat exaggerated. Defining the safety net as composed of AFDC, Food Stamps, child nutrition, Medicaid, and housing, Table 2 shows that constant-dollar aggregate spending on these programs increased from \$54.9 billion to \$79.4 billion or 45 percent between 1981 and 1991. Nor is this rise in spending explained simply by an increase in the number of poor people. Between 1981 and 1990, spending per person in poverty in these five programs increased from around \$1,700 to nearly \$2,100 (though not all the money was spent on poor people in either year). Although total spending on AFDC grew during this period, the value of the AFDC benefit for individual families declined sharply. But increases in Medicaid and automatic increases in Food Stamp payments while AFDC declined means that the cash value of the typical benefit package held roughly constant. In fact,

Table 2: Increases in Federal Spending on Major Safety Net Programs Between 1981 and 1989, 1990 and 1991 in Billions of Constant 1990 Dollars

Program	Year				% Change, 1981-		
	1981	1989	1990	1991	1989	1990	1991
AFDC	\$10.9	\$11.1	\$11.5	\$12.8	1.8	5.5	17.4
Food Stamps	15.8	14.4	16.6	19.1	-8.9	4.4	20.9
Child Nutrition	6.8	7.3	7.7	8.4	7.4	13.2	23.5
Medicaid	10.2	13.5	16.5	20.1	32.4	61.8	97.1
Housing	11.2	18.0	18.3	19.0	60.7	63.4	69.6
Total	54.9	64.3	70.5	79.4	17.1	28.4	44.6
Per Person	1,725	2,039	2,099	—			

Note. There is substantial state spending on AFDC and Medicaid; none of this spending is included.

Sources. Poverty data from Census Bureau; spending data from Congressional Budget Office, Congressional Research Service, or Budget of the United States Government, 1992.

* Figures are for mothers and children only; they do not include spending on the elderly.

Robert Moffitt of Brown University has shown that during the years after 1970 as the value of the AFDC benefit declined by around 40% because of inflation, federal spending on Food Stamps and federal and state spending on Medicaid nearly made up for the AFDC reductions.

Despite these substantial increases in federal spending, most families on welfare are not in better financial condition now than a decade ago. Kathryn Edin and Christopher Jencks of Northwestern University found that virtually every mother in their study of 50 Chicago welfare families had to do something to supplement her income and that at least some of this something involved illegal activity. Only around 60% of these mothers' income was from AFDC and Food Stamps. Around 5% was from legitimate work, a little over 3% from absent fathers, and about 15% from boyfriends, relatives, friends, or resident fathers. Nearly 14% was from prostitution, drug sales, or other criminal activities or from off-the-book jobs.

Combining all these sources of income, the mothers were able to cobble together around \$900 per month (\$10,800 per year). Did they waste this princely sum? Consider the 28 mothers who lived in unsubsidized housing (only about 25% of AFDC families in the nation live in subsidized housing). These mothers paid an average of \$364 a month for rent, gas, and electricity; their AFDC checks averaged \$327. Thus, just to pay for their housing and utilities, they needed \$37 more than they got from AFDC. Nor would their food stamp income help make up this deficit. The mothers spent about \$18 per person per week on food; their Food Stamp benefits averaged \$14 per person per week -- another deficit, this time about \$50 per month for a 3-person family. As Edin and Jencks remark, "welfare mothers are not miracle workers. Like everyone else, they must pay for clothing, laundry, cleaning supplies, school supplies, transportation, furniture, appliances, and so on." In short, without the money they got from family, boyfriends, absent fathers, off-the-book-jobs, and, in some cases, even vice, they and their families could not have survived. Figures based on only 50 mothers from one city must be treated with caution, but these income figures are disturbing nonetheless.

In addition to the standard welfare programs, Congress has also created anti-poverty programs designed to help families get out of poverty. Unlike the mere provision of a benefit, these programs encourage, reward, or require participants to earn money or to prepare for earning money and

thereby reduce their level of dependency. The justification for these programs is that teaching people to fish, or rewarding them for doing so, is wiser than giving them the catch. Programs in this category include the Earned Income Tax Credit, the JOBS welfare-to-work program, transition child care and health insurance for families leaving welfare, day care programs including Head Start, education programs, job-training programs, and child support enforcement.

In the current environment of negativism in the nation's Capital, and amid the sometimes wild rhetoric on welfare, we are reluctant to appear positive and therefore naive. Nonetheless, we think it reasonable to claim that Congress and the Reagan-Bush Administrations have shown vision, albeit somewhat groping and hesitant, in moving the nation toward a set of benefits that, taken together, promise welfare mothers who will work at low-wage jobs more financial security than they could achieve on welfare or in low-wage jobs unsupported by work-related benefits. And here we arrive at the critical point in Republican thinking about the purpose of government programs for the poor:

- most welfare programs and most of the dollars spent on welfare are based on the goal of making life in poverty and on welfare as comfortable as possible;
- the major goal of Republican welfare policy is to insure that families willing to work will be better off financially once they leave welfare and to achieve this goal, not by cutting welfare benefits, but by subsidizing work.

Our purpose in this paper is to propose reforms that move the nation toward a system in which families, especially female-headed families, can achieve greater economic security through work -- even at low-wages -- than by collecting welfare.

Many mothers leaving welfare are school dropouts, have never been married or had their first child outside marriage, have not worked for several years, and have few or no work skills. They will begin work at jobs that pay around \$5.00 per hour or \$10,000 per year. In many states, joining the mainstream economy for \$10,000 per year does not present an attractive alternative to the modest security of welfare. Because we are convinced that most welfare mothers joining the labor force will be able to command only low-wage jobs, we are therefore led to the view that public subsidies for working mothers are an absolute necessity. The federal government has been moving smartly in this direction over the past decade; we want to move further.

But doing so necessarily means that critics will charge that we are encouraging illegitimacy. We have already shown that 65% of black children and nearly a quarter of all American children are born out of wedlock each year. A majority, perhaps a substantial majority, of the mothers we are trying to help leave welfare have one or more illegitimate children. It follows that our single-minded attempt to provide public subsidies for working families that substantially exceed those for welfare families means that, if successful, we will improve the life prospects for all working, single-parent families, including those with mothers who had illegitimate children. Some think an unintended effect of our approach is to encourage illegitimacy.

Our answer to this charge is threefold. First, as we shall see, the evidence that increasing the income of female-headed families will increase the number of illegitimate births or divorce is weak. Particularly notable here is that over the last 20 years while the value of the cash AFDC grant declined nearly 40%, the rate of illegitimacy doubled. If welfare causes increased illegitimacy, how can cash welfare declines also cause increased illegitimacy? At the very least, illegitimacy must be influenced by additional factors.

Second, that we might purchase economic security for low-income working families and move hundreds of thousands of families off welfare at the price of increasing the incidence of the very problem we seek to rectify is a risk worth taking -- especially since our plan is to incur these risks in incremental steps while carefully studying whether unintended consequences, including increased illegitimacy, actually appear. Evidence that any of our proposals increase illegitimacy or

divorce will constitute a strong argument against full implementation of the program. Until such evidence is in, however, we remain convinced that making work pay is the most powerful direction for welfare policy.

Third, it is our impression that a way of life has grown up around welfare; some call it a "welfare culture." The problems associated with this way of life, regardless of what it is called, are dependency on public benefits, lack of initiative, lax child rearing, and lack of direction and planning in daily living. Serious work by mothers would reverse many of these addictive and self-perpetuating aspects of life on welfare. Yes, we prefer two-parent families. But, at least in the short run, we assert that a single-parent working culture is immensely preferable to a single-parent welfare culture.

Our major recommendation in this paper is that the federal government build toward a new system of substituting earnings for welfare by conducting large-scale experiments. In addition, we recommend several more limited reforms for immediate action. We arrive at these recommendations after examining the current system of promoting work as the antidote to welfare. Following a brief overview of the financial balance sheet of a typical welfare family, we plunge into detailed analysis of the government programs that shape a welfare mother's decision of whether to join the labor force. The critical considerations in this analysis are:

- the work disincentives inherent in cash, Food Stamps, and housing welfare benefits;
- the AFDC employment and training program enacted by Congress in 1988 to help welfare mothers prepare for work;
- the federal income subsidy program, operated through the tax code and substantially expanded in 1990, for low-income working families;
- the array of federal programs that help low-income parents pay for child care;
- the programs that provide low-income families with health insurance; and
- the federal-state program designed to collect child support from noncustodial parents.

This overview of the current welfare system leads to the conclusion that the nation has a flawed, but not completely hopeless, system for helping welfare participants convert themselves into productive, tax-paying citizens. To move further in the direction of breaking welfare dependency will require substantial changes in the current system; we propose several such changes. The reforms we propose are moderate, but we have a good idea of what additional reforms will be required to shock the welfare system into more rapid and fundamental change.

Unfortunately, these major reforms would require lots of money. In the current budget context, no one thinks the nation can afford big new social programs. But even if the Federal purse were flush, we could not recommend adopting any of these major reforms. We simply do not know enough about whether they would work or even how they should be implemented. Thus, we recommend that the nation immediately launch a series of large-scale demonstrations to explore the impact of: limiting AFDC to 4 years for each adult participant, providing government jobs in lieu of or as a condition of receiving welfare, and establishing a government guarantee of a minimum child support payment to custodial parents.

The total cost of our recommendations is around \$9 billion over the next five years.

*Bringing AFDC Mothers
Into the Mainstream*

Welfare versus Work: An Example

The goal of encouraging mothers to leave welfare is so straightforward, yet the details are so difficult. We can sort through some of the complexities by beginning with an example. Table 3 presents a financial balance sheet for a welfare mother with two children living in Illinois. The first column of figures in the top panel shows that as long as she stays on welfare and avoids work, she has around \$625 in cash and benefits; the bottom panel shows that out of this amount she must pay \$101 for her public housing, leaving her with net income (counting the value of Food Stamps and child support) of \$524.

If the mother now accepts a job for \$5.50 per hour, she will have monthly wages of \$953 as shown in the middle column of figures in the top panel. Because she is working at low wages and has a child, taxpayers will subsidize her income through the Earned Income Tax Credit (EITC) by providing her with \$101 each month. In addition, she will continue to receive Food Stamps worth \$85 and her \$50 in child support for a total of \$1,189. Because earnings have lifted her family out of welfare, she and her family are entitled to one year of Medicaid and one year of subsidized day care. However, as shown in the middle column of the bottom panel, she will have new expenses that must be paid out of the \$1,189. She must pay 7.65% (\$73) of her earnings in social security. In a few states she will also begin paying state income taxes even with income only modestly greater than the minimum wage. In addition, her housing payment -- if she is fortunate enough to live in public housing -- will increase, she will have transportation expenses, and she may have day care expenses. Our estimate is that a typical Illinois welfare mother who goes to work will have \$371 in expenses.

After a year of work, the mother's situation changes somewhat. The two major changes are that she loses her full Medicaid coverage and she is no longer guaranteed day care. These are, of course, potential problems. Nonetheless, as we shall see, there are a variety of federal and state programs that most mothers will be able to use to compensate for these losses. In this example, we assume the mother winds up paying for her own day care, something which a minority of working AFDC mothers now do. The average monthly payment by these mothers, according to research by Lorelei Brush of the Analysis, Research and Training Corporation, is \$50. The increase in day care costs causes a compensating increase in the Food Stamp benefit and a reduction in housing costs. The mother's income from all sources increases to \$1,204, but her expenses also increase to \$456. Her net income is therefore somewhat reduced to \$748 from \$818. Even so, she still has well over \$200 more than she had when she was on welfare.

In this example, a mother leaving welfare is giving up a net income of \$524 and Medicaid coverage in exchange for full-time work, net income of around \$220, and one year of Medicaid and day care. So for a net gain of about \$250 in disposable monthly income, the mother gives up the security of welfare, such as it is, the permanent guarantee of health coverage for herself and her children, and lots of leisure.

Behind this brief accounting lies a host of details, most with behavioral dimensions that are poorly understood. The focus of our welfare story must be on the thinking in which welfare mothers engage while deciding whether to leave the security of public benefits for the uncertainties of life in a market economy. To understand this thinking, we must examine the welfare and associated programs that, taken together, form the context of the welfare mother's work decision.

Table 3: Work or Welfare? The Monthly Balance Sheet for a Mom and Two Children

Income/Spending Category	On Welfare	Working at \$5 per hour	
		First Year	After 1 Year
<i>Income</i>			
Earnings	\$0	\$953	\$953
EITC	0	101	101
AFDC	367	0	0
Food Stamps	208	85	100
Child Support	50	50	50
Medicaid	yes	yes	partial**
Total	\$625	\$1,189	\$1,204
<i>Expenses</i>			
Social Security	\$0	\$73	\$73
State income tax	0	21	21
Housing	101	227	262***
Day Care	0	0	50
Transportation	0	50	50
Total	\$101	\$371	\$456
Net	\$524	\$818	\$748
<p><u>Source.</u> Computations done by Carmen Solomon and Vee Burke of the Congressional Research Service.</p> <p>* Child support maximum is \$50 while on AFDC; once off AFDC, the mother receives all the child support paid by the father.</p> <p>** Children under age 6 remain eligible for Medicaid because the family's money income is below 133% of the poverty line for a family of 3; this age will expand by 1 year each year until it reaches age 18.</p> <p>*** The \$50 child care expenditure is based on a study by Brush, 1987; Brush's day care figures were inflated from 1985 to 1992 dollars using the Gross Domestic Product deflator.</p>			

Anatomy of Welfare from the Perspective of Work

Welfare and Work Disincentives

Our intention is to develop a welfare-to-work system that is effective even for never-married, poorly educated mothers who have little or no experience in the labor force. This is the group of mothers that has difficulty leaving AFDC and as a result is likely to have long welfare spells. Of the 4.8 million families on AFDC, around 2 million are headed by adults who have not finished high school, have never been married, or have not worked in two years or more. Many mothers have more than one of these disadvantages. These numbers lead us to conclude that a system based on the assumption that AFDC mothers will find jobs paying high starting wages is bound to

fail. Rather mothers can earn the level of wages portrayed in Table 3, which can then be combined with public subsidies to yield disposable income considerably higher than welfare benefits.

We believe that every American should have a shot at making lots of money -- and millions of Americans improve their earnings every year, primarily through education, hard work, or innovative performance. But there is a large and, if not permanent, at least settled, group of Americans at the bottom who do not even join the fray. For reasons no one seems to understand very well, the forces that shape the development of most Americans -- family, neighborhood, church, and school -- have not enabled these citizens to achieve economic independence. Our mission is to bring these citizens into the mainstream.

But it won't be easy, not least because of wages. We fervently wish we could invent a sophisticated program that would help welfare mothers complete education and training and then take their place in the American economy at jobs paying \$10 per hour plus good health care and retirement benefits. Our wishes, however, run into two significant realities. First, there is little evidence that any employment and training program can provide a significant fraction of welfare mothers with the skills and experience that would allow them to attract high wages from employers. In fact, the strongest evidence on successful training programs suggests that systematic attempts to help mothers find and interview for jobs hold the most promise for increasing the income of mothers and the rates of leaving welfare. Large-scale studies conducted in the 1980s, especially the San Diego Saturation Work Initiative Model, showed that welfare-to-work programs emphasizing work experience and job search can help both welfare families and taxpayers. More recently, a study of six California counties that had conducted large-scale employment and training programs found that participating welfare mothers earned more money and used less welfare after one year than mothers who did not participate (see Riccio & Freidlander, 1992). This result is especially remarkable because many of the mothers were in education activities that had not yet ended when the data were collected after one year. Not surprisingly, the county that focused its efforts on getting mothers quickly into the labor force produced the most impressive results.

We are not arguing that education and training are necessarily useless for welfare mothers. We are arguing that no study has shown that it is possible to immerse welfare mothers in education and training programs and then to help them secure high-paying jobs. In designing a welfare-to-work system, we place our bets on the evidence, summarized by Larry Mead in The New Politics of Poverty, that the impact of our programs will be to increase hours of work, not wages.

The second significant problem for our wish that welfare mothers could take high-paying jobs is the body of studies showing that most uneducated and unskilled workers take low-paying jobs, that the pay for these jobs has not kept pace with pay for skilled jobs, and that workers who accept these low-skill jobs are worse off than unskilled workers who took similar jobs in previous decades. The position of the unskilled, in other words, is deteriorating.

Good information on wage changes for workers has been assembled and analyzed by Gary Burtless of the Brookings Institution. Burtless studied changes in annual earnings for male and female workers at selected points in the earnings distribution. He then compared average changes during the 1967-79 period with those for the 1979-87 period. As shown in Figure 1, male earnings increased for every income group between 1967 and 1979. By contrast, between 1979 and 1987, average annual wages for the bottom two groups declined by about 2% and 1% respectively per year, wages for the middle group held more or less constant, and wages for the top two groups increased by a little over .5% per year. Problems at the bottom of the earnings distribution for males are quite apparent.

Wage growth for women was much better and more equitable. Not only did wages at the bottom increase by between 2% and 3% per year during both periods, but the gap between the bottom and top quintiles actually closed a little. Amidst the overall dismal picture of wages at the bottom of the income distribution, we think the growth of female wages is a hopeful sign, and adds credibility to our strategy of replacing welfare with work. Nonetheless, primarily because of poor

male wages and the decline of male-headed families, females became increasingly less likely to live in families with solid earnings over this same period.

To make matters worse, even women who graduated from high school and had no children out of wedlock were more likely to live in poor or low-income families in the 1980s than in earlier years. Longitudinal research by Greg Duncan at the University of Michigan paints a less optimistic picture of female income than that portrayed by the Burtless wage data. Consider three groups of young women reaching the age of 25: those who did so between 1967 and 1972, between 1973 and 1979, and between 1980 and 1985. Now divide each of these three age cohorts into two groups: those who followed societal rules by completing high school and not having a baby out of wedlock and those who either dropped out of school or had an illegitimate child. Following these two elemental rules allowed young females to be quite successful in avoiding poverty during all three time periods. For white females in all three cohorts only around 3% of those who followed the rules were poor at age 25; for black females the figure was higher, around 13%, but still far below the average poverty figures for all black females in each time period.

Now consider what happens to women who did not follow the rules. For those who quit school or had an illegitimate birth as a teenager, the consequences were severe and increased dramatically over the period. For white females, poverty increased from 6% in the earliest period to 22% in the five years ending in 1985; for black females, the increase was equally astounding -- from 25% to 48%.

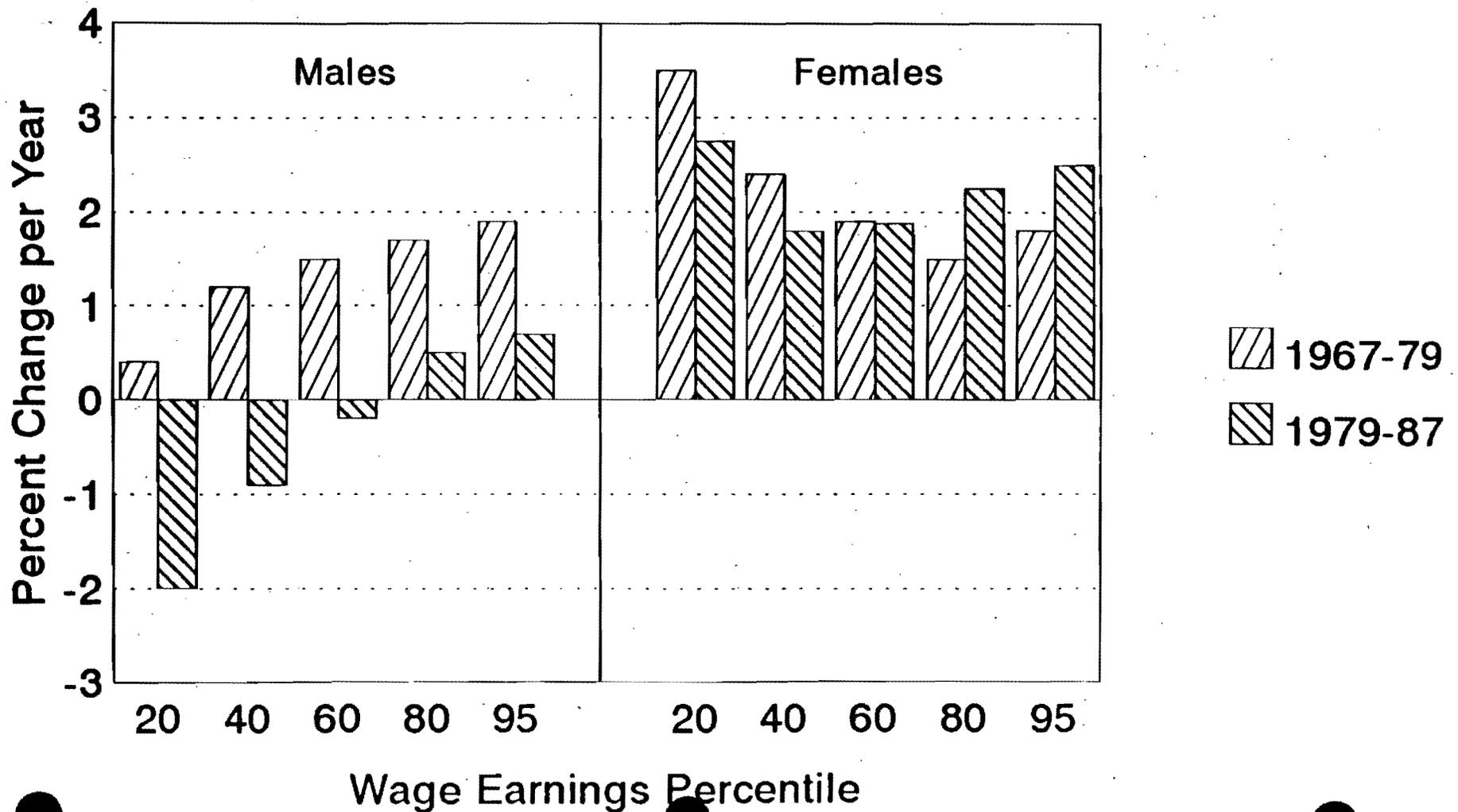
We are greatly concerned about the dramatic increase in poverty among young adults who quit school or have babies out of wedlock, but many Americans would probably hasten to point out that the result is not altogether unexpected. However, even critics who emphasize the justice of rewarding those who follow rules and letting the consequences flow for those who don't are certain to be uncomfortable about additional information depicting the economic history of these cohorts of young women. We have seen that most of those who followed the rules during their teen years were able to avoid poverty, but several other economic measures show that the fortunes of these young adults declined substantially over the period. The data for black females are downright discouraging: in inflation-adjusted dollars, their average family incomes declined from over \$26,000 to under \$18,000, their probability of living in a family earning less than \$10,000 actually increased from 19% to 22%, and worst of all, their chances of joining the middle class by living in a family that earned over \$25,000 declined precipitously from 51% to 36%. Remember, these are young women who followed the rules.

Reconciling this depressing picture of family income with the more hopeful portrait of female wages leads us back to the demise of two-parent families. Women and children are worse off now than in the past in large part because fewer of them live in two-income or male-income families.

Studies such as these convince us that welfare mothers attempting to join the mainstream economy face serious problems. Ironically, however, the positions of working mothers who head families is actually improving somewhat, while the position of mothers in male-headed families in the bottom 40 percent or so of wage earners is declining. Even so, without help, most single mothers -- and their children, -- will be confined to a life of poverty or near poverty. Others may think it enough to get these American families off welfare dependency and into independent poverty. We do not. We aim to make the life outside welfare as attractive as possible, even for the unskilled.

One of the first obstacles we face in trying to build a welfare system that encourages work is that the very act of creating a welfare system creates disincentives to work. As Charles Murray and many others have argued, welfare systems allow people to live without working -- the more generous the system, the higher the proportion of people who will fall victim to nonwork. Nor is the work disincentive that results from giving people money and benefits an all-or-none phenomenon. Given the existence of welfare benefits, some parents may decide to combine welfare and work in order to achieve an income sufficient to sustain them and their dependents. We can

Figure 1
Changes in Annual Earnings of Males and Females
at Selected Points in the Earnings Distribution,
1967-79 and 1979-87



argue about the size of this effect, but it seems hard to deny that any welfare system, by the very act of giving something for nothing, reduces the propensity to work.

Reliable evidence on this point comes from the income maintenance experiments conducted during the 1970s. This series of four large-scale experiments tested the effect of providing low-income families with a guaranteed annual income. Various levels of cash benefits were studied, but some were as high as \$14,000 per year for a family of four (in 1992 dollars), approximately 40% above the current value of AFDC plus food stamps in the median state. According to labor economists Philip Robins and Richard West, a guaranteed income of this level reduced hours of work by about 9% for husbands, 20% for wives, and 25% for female heads of families. These estimated work reductions are conservative because they are based on comparisons between families receiving the relatively high guaranteed income offered in these experiments with families receiving AFDC benefits which, on average, were probably around half as much as the guaranteed income. If the comparison had been between families with the guaranteed income and families with zero welfare benefits, the estimated work reductions would have been much higher.

In addition to evidence from the Income Maintenance Experiments, a series of studies over the past 20 years of AFDC mothers demonstrates unequivocally that AFDC causes substantial reductions in work by mothers. In reviewing this evidence, Robert Moffitt of Brown University estimates that AFDC cash payments reduce work by an average of around 5 hours per week or about 30%.

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Part of the reason welfare reduces work is that, in addition to a benefit guarantee level, welfare systems have a benefit reduction rate for recipients with earnings. The benefit reduction rate stipulates how welfare benefits are reduced as earnings increase. For example, if a mother has a cash benefit of \$100 and then gets a job for \$100, her combined income would be \$200. But welfare rules might dictate that the mother's earnings of \$100 serve to reduce her benefit to, say, \$50. Her total income would then be \$150 rather than \$200. It seems reasonable to think of this reduction in total income as a 50% implicit tax rate on earnings. Our concern is that as welfare parents begin working or work more to increase earnings, their loss of benefits will be so rapid that -- because the implicit tax rate on income will be so high -- their motivation to work or work longer hours will be squashed.

On the other hand, we recognize that there are good reasons for decreasing welfare benefits as earnings increase. First, most Americans want welfare to help people who are destitute. Once earnings begin, benefits should phaseout quickly so that welfare will retain, at least to some degree, its basic function of supporting the destitute. Second, there are dramatic cost implications of continuing welfare benefits for families with earnings. Census data (Statistical Abstract, 1991, p. 456) show that there are about 3 million families with children that are not on welfare and yet earn less than \$13,000 per year. If all these families were on welfare at, say, half the national average benefit, welfare payments would jump by nearly \$7 billion. Third, the major objective of the reforms we are pursuing is to help people get off welfare. Rules that allow families to retain benefits as their earnings increase keep them on welfare longer than rules that terminate benefits more quickly.

The current AFDC system for balancing the work incentive of generous phaseout rules against the desire to contain spending and get families off welfare quickly is somewhat complicated. Here's how it works.

First, AFDC recipients who work must have gross income that is less than 185% of the need standard in their state. The AFDC need standard is defined by each state as a kind of minimum amount on which families of various sizes can live in that state. Need standards vary greatly across the states, from \$312 in Missouri to \$1,112 in Vermont in 1991 for families of three. The median state need standard for a family of three is about \$550. Thus, the 185% of need standard varies between \$577 and \$2,057, with a median of around \$1,020 (or annual income of about \$12,200).

Fortunately, because of differences in the relationship between need standards and AFDC payments across the states, there are only a few states in which AFDC payments are high enough, relative to the need standard, to bring the 185% rule into effect. In most situations in most states, AFDC benefits have phased out before earnings reach the 185% of need cliff.

Assuming our working AFDC mother survives the 185% rule, how are her earnings treated for purposes of calculating the AFDC benefit? AFDC rules have several provisions that allow working parents to disregard part of their earnings when benefits are calculated. The general effect of earnings disregards is to allow parents to keep more benefit money at a given level of earnings because some of their earnings are ignored in computing the actual benefit. AFDC has three types of disregards:

- a work disregard of \$120 (composed of a standard \$90 disregard and an additional \$30 for the first 12 months of work);
- 33% of remaining earnings (after the \$120 work disregard is subtracted from gross earnings);
- the actual amount of day care payments up to a maximum of \$175 for children age 3 or older and \$200 for children under age 3.

The first three columns in Table 4 show the impact of the three AFDC disregards on countable earnings. Ignoring some complexities, many states compute the AFDC benefit by subtracting countable earnings from a payment standard that is supposed to represent the cost of a kind of minimum living standard for that state (although several states have payment standards that are below the cost of living). Thus, as the disregards reduce countable earnings, there is a substantial increase in AFDC benefits.

Consider the \$400 earnings row in Table 4. After subtracting the \$120 standard work disregard, the 33% disregard, and the \$50 day care disregard, countable earnings are reduced to \$280, \$187, and \$138 respectively. In this example the disregards reduce countable earnings from \$400 to \$138. Because in most states the AFDC benefit is calculated by subtracting countable earnings from a payment standard, the reduction in countable earnings means that the family's AFDC benefit will be \$262 ($\$400 - \138) greater than it would have been without the disregards. Equally important, in a state with a \$500 payment standard, the work disregards reduce the implicit tax rate on earnings from 80% to 28%. Work disregards, then, have a major effect on benefit retention and implicit tax rates on earnings.

The rather substantial disregards illustrated in the first set of columns of Table 4, however, give way to a more restricted set within a year after the parent begins working. Because of legislation enacted in 1981, the 33% disregard disappears after only 4 months of work and the \$120 disregard is reduced to \$90. Using the \$400 earnings row again, the effect of these changes is to increase countable earnings from \$138 to \$260, thereby causing a benefit loss in many states of \$122 ($\$260 - \138) and, again using a \$500 payment standard, increasing the implicit tax rate from 26% to 52%. Although many policymakers believe the phasing out of disregards and the consequent reduction of benefits has the effect of reducing work incentive, research does not support this view (see Moffitt, 1988). Moreover, the authors of these phaseout rules reasoned that once parents start working they will be likely to continue, even though the loss of disregards might seem like an increased tax rate to them. And, of course, parents will be off welfare and beyond the moral hazard of dependency. Interestingly, there is actually fairly strong evidence to support this perspective (see Research Triangle Institute, 1983; Griffith & Usher, 1986).

How generous are the current disregard rules in allowing families to retain AFDC benefits once they begin work? The first two columns of Table 5 show the earnings level in dollars and as a percentage of the 1990 poverty line for a family of 3 at which families would see their AFDC benefit decline to zero during the first 4 months after accepting work. The second two columns show the same figures after the mother has been working 12 months. The major point of the table is

Table 4: Impact of Work Disregards on AFDC Monthly Countable Earnings

Monthly Earnings	During 1st 4 Months of Work			After 12 Months	
	\$120	33%	Day Care	\$90	Day Care
\$100	--	--	--	\$10	--
200	\$80	\$54	\$4	110	60
300	180	121	71	210	160
400	280	187	138	310	260
500	380	254	204	410	360
600	480	321	271	510	460
700	580	387	337	610	560

Note. We arbitrarily assume day care costs of \$50 per month.

Source. Ways and Means Minority staff computations.

captured by the median state figures presented at the bottom. Here we see that if an AFDC mother living in the state with median AFDC benefits takes a job, she will lose her benefits, and consequently some of her Medicaid benefits one year later, if she earns \$8,940 or about \$4.30 per hour. This level of earnings equals 87% of the poverty line.

Things get worse after the mother has been working for 4 months. The second set of columns in Table 5 shows the earnings in dollars and as a percentage of poverty that will zero out AFDC benefits after 12 months; if the mother works full time at \$2.92 per hour or \$6,078 per year, well below the minimum wage and at around 59% of the poverty line, she loses welfare and, one year later, part of her Medicaid coverage. These figures somewhat understate the case, for this low level of earnings does not really begin at 12 months. Rather, the bulk of the decline in welfare benefits occurs after 4 months, the point at which the 33% disregard disappears.

The current system of the 185% rule and the work disregard rules is a compromise between two views: that work incentive can be maintained by using work disregards to allow working welfare families to keep part of their benefits versus the view that work incentives don't have much impact on work and that it is much better to get working parents off welfare as quickly as possible by minimizing earnings disregards and defining a gross income line that results in automatic exit from welfare.

As compared with AFDC, the benefit reduction rules in the nation's housing programs favor the view that working families should be able to retain a substantial portion of welfare benefits. Assume that the rent on a given apartment is \$350 per month. An eligible family with no income would receive the entire rent payment of \$350. Assume now that the mother goes to work for \$500 per month. The housing benefit calculation rules allow her to subtract \$40 for each dependent plus actual child care costs. The family is expected to pay 30% of the remaining income toward the cost of the apartment. In this example, countable earnings would be \$500 minus the \$80 disregard for two children and, let us assume, \$50 for child care, leaving countable earnings of \$370. The family pays 30% times \$370 or \$111 in housing cost. The effective tax rate is \$111 divided by \$500 or a modest 22%, just above the federal income tax rate of 15% on low-income families and well below the maximum tax rate of 31%. Similar calculations reveal that the housing payment would be \$141 on earnings of \$600 (an effective tax rate of 24%), \$171 on earnings of \$700 (24%), and so forth. As long as the mother's income remains below 80% of the geographical area's median (around \$28,000 on average), the housing "tax" on additional earnings is quite moderate. Equally important, the mother will not encounter the same large marginal tax rates that she encounters on AFDC and the cliff defining the end of all housing benefits is set at around \$28,000 (varying regionally with

Table 5: Annual Income at Which AFDC Eligibility Ends by State, 1991

State	During First 4 Months of Work		After 12 Months	
	Income	% of Poverty	Income	% of Poverty
Alabama	\$3,672	35	\$2,568	25
Alaska	17,484	168	11,772	113
Arizona	6,720	64	4,596	44
Arkansas	5,112	49	3,528	34
California	13,932	134	9,408	90
Colorado	9,024	87	6,132	59
Connecticut	13,680	131	9,240	89
Delaware	7,524	72	5,136	49
Dist. of Colum.	9,144	88	6,216	60
Florida	6,732	65	4,608	44
Georgia	9,072	87	6,168	59
Hawaii	12,816	123	8,664	83
Idaho	7,152	69	4,884	47
Illinois	8,052	77	5,484	53
Indiana	6,624	64	4,536	44
Iowa	9,108	87	6,192	59
Kansas	8,808	85	5,988	57
Kentucky	10,908	105	7,392	71
Louisiana	4,860	47	3,360	32
Maine	13,176	126	8,904	85
Maryland	8,748	84	5,952	57
Massachusetts	11,148	107	7,548	72
Mi. (Wayne Co.)	10,896	105	7,380	71
Minnesota	11,016	106	7,464	72
Mississippi	8,064	77	5,496	53
Missouri	6,696	64	4,584	44
Montana	8,100	78	5,520	53
Nebraska	7,992	77	5,448	52
Nevada	7,380	71	5,040	48
New Hampshire	10,728	103	7,272	70
New Jersey	9,072	87	6,168	59
New Mexico	7,020	67	4,800	46
New York	11,832	114	8,004	77
North Carolina	6,336	61	4,344	42
North Dakota	8,664	83	5,892	57
Ohio	7,452	72	5,088	49
Oklahoma	7,584	73	5,172	50
Oregon	9,432	91	6,408	62
Pennsylvania	9,024	87	6,132	59
Rhode Island	11,412	110	7,728	74
South Carolina	9,360	90	6,360	61
South Dakota	8,376	80	5,700	55
Tennessee	8,856	85	6,024	58
Texas	4,752	46	3,288	32
Utah	11,112	107	7,524	72
Vermont	13,668	131	9,228	89
Virginia	7,812	75	5,328	51
Washington	11,004	106	7,452	72
West Virginia	5,928	57	4,068	39
Wisconsin	10,752	103	7,284	70
Wyoming	7,920	76	5,400	52
Median	\$8,940	87	\$6,078	59

Source: Committee on Ways and Means, Green Book, 1991.

the average cost of housing and the area median income).

Notice that housing is not an entitlement; i.e., a program like AFDC, Food Stamps, and Medicaid in which every person who meets the qualifications has a legal right to the benefits. If it were, it would cost several times more than it does now because millions of unserved people and families are eligible for housing subsidies. A wag might suggest that in establishing a welfare program you have a choice: either create generous eligibility and lenient treatment of earnings in a program with tightly capped spending or provide a universal entitlement but tightly control eligibility and quickly phase out benefits for clients with earnings.

Food Stamps is a partial exception to this generalization. The income eligibility rules for this entitlement are more generous than AFDC in two respects. First, the gross income rule (the equivalent of the 185% of need rule in AFDC) allows a 4-person family with monthly income of up to \$1,452 (in 1992) to be eligible for benefits. The roughly comparable figure for AFDC is \$1,025, although the AFDC figure varies across states. Second, the income disregard rules of \$122 plus 20% of earnings plus excess shelter costs are more generous than the AFDC \$120 plus 33% because the 33% disappears after only 4 months and is not applied to gross earnings (as is the 20% Food Stamp disregard). In addition, the AFDC \$120 disregard drops to \$90 after 12 months.

Another notable feature of the Food Stamp benefit is that the actual payment is computed by comparing the cost of food for a family of a given size with the amount of money a family "should" pay for food. The underlying concept on which the Food Stamp program is constructed is that even (or especially) poor families should only spend a certain proportion of their income on food. To put this concept into operation, two things are needed: an estimate of how much families of various sizes would have to spend to purchase food sufficient for a basic but healthy diet and the percentage of income typical families spend on food. The Department of Agriculture conducts research to estimate the first; research conducted in the 1950s showed that typical families spend about one-third of their income on food.

As it turns out, the Food Stamp benefit calculation rules are even more generous than the housing rules. In a family of 4 with day care costs of \$50, we find that the tax rate on earnings of \$500, \$600, and \$700 are 13.6%, 15.3%, and 16.6% respectively. Moreover, the gross income limit -- the equivalent of the 185% rule in AFDC -- is quite generous. Thus, a family of 4 can be eligible for Food Stamps with income of over \$17,000 per year.

Summary. This overview of work disincentives in the three major welfare programs leads us to conclude that AFDC work incentives could be a problem for our goal of getting mothers to work. Research shows unequivocally that welfare reduces work effort, but does not show that more generous work disregards would necessarily increase work. Nonetheless, if, as we propose below, welfare benefits were provided only for a limited time so that recipients knew they would eventually have to work, more generous AFDC disregards might encourage more work earlier in the recipients' welfare spells. Further, if we succeed in making the AFDC program time-limited, the issue of work disregards and tax rates on earnings will be a lot more important to clients than they are now. At the very least, as readers will readily agree after plodding through the previous 10 scintillating pages on work disincentives, the system is too complex for easy understanding. Changes are in order. ✓

Job Opportunities and Basic Skills Training Program (JOBS)

Enacted in 1988 as part of the Family Support Act, the JOBS program now provides states with up to \$1 billion to spend on employment and training programs for AFDC families as well as open-ended funds for day care and Medicaid. Every family on AFDC is potentially eligible for participation in JOBS, but in practice only about half of all families are required to participate. The major categories of exemption are mothers: with children under age 3, caring for an incapacitated family member, in the second or third trimester of pregnancy, or with a physical or mental disability.

The purpose of JOBS is to help families make the transition from welfare to work, from dependence on public funds to independence and self reliance on earned income. As such, JOBS represents by far the biggest federal program addressed to changing the behavior of the nation's 4.8 million families on AFDC. The underlying value is that self reliance through work is a critical part of life in America. As the Democratic leader of the New Jersey State Assembly recently told the Senate Finance Committee, the values promoted by welfare are antithetical to the values held by mainstream America; these antithetical values must therefore be attacked. JOBS is the major embodiment of this attack.

States begin their JOBS activities by assessing AFDC recipients to determine their skills, work experience, and need for support services. The state can then require the parent to enter an agreement specifying what the state will provide and what the adult must do to prepare for work. The activities in which parents can engage include basic education, skill training, work in a government or private-sector job, on-the-job training, and assistance in finding a job.

A landmark feature of the 1988 JOBS legislation is the requirement that states involve a specified percentage of their nonexempt caseload in some employment and training activity. Although for many years AFDC had a loose rule that 15% of the nonexempt caseload had to be involved in job preparation activities, the JOBS program contains the first strong requirement, backed up by real penalties, that states had to ensure that at least some of the families on welfare actually participate in activities designed to help them achieve independence. Although the percentage for mandatory participation begins small, at 7% of the nonexempt (around 3.5% of the entire) caseload, it rises to 20% of the nonexempt (10% of the entire) caseload in 1995. Required participation by one adult in the two-parent AFDC caseload is even higher -- 40% in 1994 rising to 75% in 1997.

Every state is now operating a JOBS program, a majority of them on a statewide basis. Unlike most federal social programs, JOBS was designed on the basis of research and experience. Extensive large-scale demonstrations, conducted by a variety of states under conditions virtually identical to those in which JOBS now operates, showed convincingly that AFDC mothers could increase their earnings and leave AFDC at modestly higher rates and that taxpayers could save money on these programs (see Gueron & Pauly). There is every reason to believe that if states develop serious and informed JOBS programs, especially ones emphasizing job search and work experience, modest but significant benefits can accrue to welfare families and to taxpayers. In the long run, JOBS can serve as the backbone of the effort to help families earn their way off welfare.

The Earned Income Tax Credit (EITC)

If the intent of the JOBS program is to help mothers leave welfare, the EITC is a program that can greatly increase their cash income once they leave. Originally enacted in 1975 and expanded several times since then, the EITC is a critical part of the welfare-to-work incentive picture. In what may turn out to be a milestone of American social policy, in 1990 President Bush and the Congress dramatically expanded the EITC. When the expansion is fully implemented in 1994, the EITC will provide working families with a cash supplement of up to \$2,436 and an additional \$500 to purchase health insurance. At that time, low-income working families will be eligible for a credit equal to 23% for one child and 25% for two or more children applied to a maximum income base of \$8,120. The credit remains at this maximum amount until income reaches \$12,790; it then begins to phase out at a rate of 16.43% for families with one child and 17.86% for families with two or more children. The credit reaches zero at around \$24,200.

In addition to the basic credits of 23% and 25% for one or for two or more children respectively, there are two supplementary credits. The first is an additional 5%, with a phaseout of 3.57%, if one of the children is under age 1. The second is an additional 6%, with a phaseout of 4.285%, for families that purchase health insurance covering their dependent. We estimate that by 1994, well over 14 million families will receive over \$15 billion in income and tax credits from the EITC; the maximum amount a family can receive will be nearly \$3,000.

It would be difficult to exaggerate the importance of the EITC to those interested in helping families leave welfare. Perhaps its greatest virtue is that it goes only to families that work. Hence, the credit is not welfare. One way to think of the credit is as a federal wage supplement, paid to working families with children by taxpayers as a kind of compensation for the fact that they are able to obtain only low-wage work.

Another virtue of the credit is that it is refundable, meaning that if families do not have federal income tax liability that can be reduced by the credit, cash is "refunded" to the family by the Internal Revenue Service. Nor does the family need to wait until after April 15 each year to receive the cash credit. If the worker fills out a W-5 form, the employer must provide advance payment in the worker's regular paycheck. In this way, low-income families receive the money on a regular basis.

Clearly, the EITC can play a vital role in our system of nonwelfare benefits designed to help low-income families escape AFDC and, in the long run, other means-tested programs. A typical AFDC mother with two children earning \$5 per hour will soon be able to count on a wage supplement of over \$2,000 -- \$2,500 if one of her children is under age 1 and \$3,000 if she purchases health insurance. Our enthusiasm about the EITC, however, is tempered by several factors. First, we suspect that AFDC caseworkers in the JOBS program do not adequately inform AFDC mothers about the credit and, as a result, that a large fraction of mothers leaving welfare do not get the credit. Experience suggests that systematic training of AFDC caseworkers in every state will be necessary. The EITC represents a promise by taxpayers to help low-income families supplement their incomes if they work. AFDC caseworkers should use the EITC as an integral part of their argument to persuade mothers that life outside welfare is financially possible and that surrendering AFDC benefits does not mean that no other benefits are available. They might even throw in the comment that the EITC is a pledge by American taxpayers to help families trying to make it on their own.

A recent study by the General Accounting Office prompts a second concern. The study shows that only 56,000 families of the 11.3 million that received the EITC in 1989 got the money in their paychecks. The rest waited until their tax return was filed after the first of the year. Reason suggests that low-income families, struggling from week to week to pay their bills, need to get the EITC in their regular paycheck. Will putting the money in weekly or monthly paychecks impose a burden on employers? If the money comes routinely during the year and the mother's income increases, will she be shocked at the end of the year when some of the EITC money has to be returned? We don't know the answer to these questions. Neither does anybody else. Clearly, we need to know a lot more about the EITC, especially about how low-income families would prefer to receive the money, about whether employers have problems with routine payments, and about whether JOBS staff members are doing a good job of informing mothers about the EITC and making sure they apply for and receive the benefit.

Finally, we are greatly concerned that the EITC reforms enacted in 1990 and reflected in the application forms used for tax year 1991 have added too much complexity to what used to be a simple application process. We are therefore introducing legislation to expand the cash benefits conferred by the 1990 EITC expansion while simultaneously simplifying the process by which low-income families apply for the benefit. The substance of our proposal is to end the health credit and to plow the savings back into an expansion of the regular credit.

Day Care

Besides education and training, help finding jobs, and income supplements through the tax code, mothers trying to leave welfare need child care. Many observers claim that good day care costs about \$5,000 per year. Clearly, if our welfare mother must pay for care at this price, our enterprise is sunk. No system that relies on \$5,000 per year day care (\$10,000 for two children) in order to

allow mothers to work at \$10,000 per year jobs is going to produce very impressive benefit-cost numbers. Nor when the mother is free of welfare will she enjoy very much financial security.

Fortunately, there are other options. One is Head Start. We now have about half a million children in Head Start at a cost of about \$2,500 per child. But this cost is not relevant to benefit-cost calculations for helping welfare mothers work because the justification for Head Start expenditures is that poor children benefit from quality preschool experiences. Hence, we should capitalize on the existence of this excellent program and do everything possible to be certain that welfare mothers trying to work have priority for Head Start positions. Using Head Start to allow mothers to work is not, however, without its problems. Most Head Start programs are only half day; there is not enough Head Start money to serve all eligible children; and only 3- and 4-year-olds are eligible for Head Start. Head Start is only part of the answer.

But there are lots of other day care possibilities. Often overlooked in media stories about the care used by America's working families with preschool children is the fact that about half the families use care by relatives. More specifically, according to Census Bureau statistics, for working mothers with children under 5 years of age, fathers provided care for about 15% of the children, grandparents about 14%, other relatives around 8%, and mothers while at work another 8%, bringing total relative care to 45%.

The widespread use of relative care has a major impact on costs. Largely because of ubiquitous media stories about expensive day care costing \$5,000 or \$6,000 or even \$7,000 per year, most Americans assume that day care is quite expensive. But surveys by the Census Bureau and others contain many surprises about day care costs. First, of the 18.5 million working mothers with children under age 15, only one-third actually make payments for day care. Even for mothers with preschool children, only about two-thirds pay for care.

For those who pay for care, the average cost is about \$50 per week or \$2,600 per year. But if we include all mothers who work and not just those making cash payments in computing average costs, we find that the average working mother pays only about \$25 per week or \$1,300 per year. This figure, of course, is much less than the \$5,000 to \$7,000 figure often encountered in the media.

Moreover, it appears that low-income mothers are likely to pay even lower rates than other mothers. According to the Census Bureau, families earning under \$15,000 per year paid only about 62% as much for care as families earning at least \$45,000. Low-income mothers, including both those who pay and those who don't, probably pay an average of \$800 per year for day care. Lorelei Brush, the researcher at Analysis, Research and Training mentioned above, arrived at a strikingly similar figure for day care payments by AFDC mothers. Based on the sample of working AFDC mothers in the Survey of Income and Programs Participation, Brush found that only about 40% of them actually paid for care and that the average payment, including those who did not pay, was about \$11 per week or less than \$600 per year.

Nor is there a shortage of day care options available for mothers leaving welfare. Recent national survey work by Sandra Hofferth and her colleagues at the Urban Institute shows that the supply of both center and family day care has been growing rapidly in recent decades. Moreover, there is little evidence of shortages of either type of care. During this period of rapid expansion and ample supply, prices have remained stable.

Remarkably, both the Census Bureau and the Hofferth research were done before the federal government enacted two new day care programs designed specifically to help low-income families pay for day care. Signed into law by President Bush in November of 1990, one of the new programs is the At-Risk child care grant, which now makes \$300 million per year available to states to help parents at risk of falling into welfare pay for day care; the other was the Child Care Development Block Grant which provides states with \$800 million per year to help working, low-income parents pay for care.

Given that the supply of day care at a reasonable price does not seem to be a serious problem, a key objective of federal policy should be to insure that mothers trying to leave welfare have money available to pay for care. The new programs enacted in 1990 are by no means the only federal programs that subsidize day care for children from low-income families. As shown in Table 6, in 1992 the federal government expects to spend around \$8.15 billion on eight major day care programs.

The spending estimates presented in Table 6 are somewhat conservative because both of the AFDC funding sources are open-ended, meaning that as long as states put up their share of the match (between 18% and 50%, inversely proportional to per capita income in the state), there are no restrictions on the amount of federal money that can be spent on day care for mothers in the JOBS program. Further, there is a total of \$300 million available under the At-Risk grant, but most states are not putting up enough match money to draw down all the federal dollars available.

There is little credible evidence that day care is a barrier to work by low-income mothers. Some even claim that to the extent that day care is a problem, it is probably because states impose restrictions on the kind of care that AFDC mothers can use. A recent article in Public Welfare, the journal of the American Public Welfare Association, presents evidence that day care has not been a barrier in the California welfare-to-work program, the nation's largest, primarily because California officials allow mothers to make whatever day care arrangements they prefer. By contrast, Ohio has tightly restricted the types of day care that mothers may use by requiring that care meet rigid state standards. Many AFDC mothers cannot find the kind of care for which the state will provide reimbursement. As a result, the mothers either do not enter training, education, or work programs, or they enter the programs and use free day care or pay the cost out of their own pockets.

Of all the problems that face welfare mothers attempting to enter the labor force, our review of the evidence leads us to conclude that day care is probably the least serious. Many low-income families prefer, have available, and use relative care; many more use informal neighborhood care; and a disproportionate number of low-income and minority children are in subsidized center care. Moreover, a wide array of federal programs provide financial and other types of support, and a majority of these programs focus exclusively on low-income families. All in all, the federal government and the states have done a good job of facilitating child care for low-income, working families. As a result, our expectation is that, except in states that rigidly control the type of care used by AFDC families, day care will not be a serious impediment to our plans for helping welfare mothers achieve self-sufficiency through work.

Health Insurance and Medicaid

Not so with health care. The inability of poor Americans to find affordable health insurance may be a significant barrier to leaving welfare. Though valid information on this point is puny to nonexistent, readers might ask themselves whether, if they were a single mother with two children, they would be willing to leave welfare with its guaranteed health coverage for a marginal job in an uncertain economy that includes no health care for your children. Though the answer seems to be obvious, we should bear in mind that 35 million Americans have no health insurance, and that around 8.4 million of them are children of working parents.

Many health analysts argue that the original sin of American health policy was the tight link between welfare programs (AFDC and Supplemental Security Income) and Medicaid. With very few exceptions, only people who met the qualifications for one of these two welfare programs could get Medicaid coverage. Since 1986, however, Congress and Republican Administrations have enacted several laws that have weakened the link between welfare and health care. Not so incidentally, these reforms have also greatly improved the prospects for health care coverage of mothers and children leaving welfare for work.

Federal law now requires states to provide Medicaid coverage to pregnant women and children under age 6 with incomes up to 133% of the poverty level. In addition, beginning in 1991, states were required to phase in coverage of children in families with incomes below 100% of the

Table 6: Overview of Spending on Major Federal Day Care Programs in 1992

Program	Description	Outlays (billions)
Head Start	Educational programs for poor 3 and 4 year olds; 80% federal financing	\$2.20
Title XX	Block grant for social programs; states elect to spend about 25% of the \$2.8 billion on child care; 100% federal financing	0.70
Dependent Care Tax Credit	Tax credit of between 20% and 30% on family day care expenditures up to \$2,400 on 1 child and \$4,800 on 2 or more children; 100% federal financing	2.76
Child Care Food Program	Cash reimbursement to day care facilities to pay for meals and snacks; 100% federal financing	1.20
At-Risk Grant	Entitlement money for states to pay for day care for families at risk of becoming eligible for welfare; federal match between 50% and 82%, inversely proportional to state per capita income	0.04
Child Care and Development Block Grant	Block grant for day care and day care quality improvement; families served must be under 75% of state median income	0.82
AFDC-Basic and Transition	Open-ended money for day care for AFDC moms in work-related activities and during 1 year of transition after leaving AFDC with increased earnings; federal match between 50% and 82% inversely proportional to state per capita income	0.43
Total		\$8.15

Source. Committee on Ways and Means, 1992, pp. 954, 969, 974, 977, 1696.

poverty level. Children under age 8 had to be covered beginning in 1991; each year thereafter the age of mandatory coverage for children in poor families increases one year. Thus, by 2002, children under age 19 in families with poverty incomes will be entitled to Medicaid coverage. In addition to this mandatory coverage, states have the option of providing Medicaid to pregnant women and infants under age 1 in families between 133% and 185% of the poverty level; by July, 1990, 24 states had done so and 19 of these were at the maximum of 185%.

The Family Support Act of 1988 created another important Medicaid expansion by requiring that families leaving welfare because of increased earnings or hours receive 12 months of Medicaid.

During the second six months of this coverage, states are permitted to charge a modest premium if the family's income exceeds the poverty level.

Despite these important expansions of federal health insurance for poor and low-income families, mothers leaving AFDC for work are at risk of having partial or even no health insurance after a year. Hard thinking about the welfare-to-work transition must confront this failure of America's health care system. In the past year or so, most participants and observers of the health policy scene in Washington have come to believe that within the next few years Congress will take action to control rising health care costs and broaden coverage.

Rather than waiting on Congress, however, many states have undertaken reforms which deserve attention. One approach we support, as outlined in a 1992 Wednesday Group paper, is to encourage states to experiment with health care programs designed to eliminate the gap between those who have Medicaid and those who have private insurance coverage. More specifically, we advocate that states willing to experiment with this type of reform be allowed to replace their current state Medicaid program with a health allowance program. A voucher could be used to purchase health insurance from either a state-approved plan or an employer-sponsored plan. The voucher would be based solely on income and not tied to the current Medicaid categorical eligibility requirements. For anyone interested in easing the transition from welfare to work, this approach has the desirable property of allowing parents to keep their health coverage when they begin working.

Child Support and Child Support Enforcement

Even with felicitous resolution of the day care and Medicaid problems, the Illinois mother depicted in Table 3 is only modestly better off than she was on welfare. In most states, a mother earning around \$5.00 per hour will have a little more disposable income than she did on AFDC, but she also has lots more hassle -- day care arrangements, transportation, sick child care, tight schedules. Plus, the mother and children are barely out of poverty and are one missed paycheck away from serious trouble -- and perhaps a return to welfare.

A potential source of substantial income for these families is child support payments by fathers. American family law is based on the notion that both parents have a responsibility to contribute to the costs of rearing their children. In the case of separated families, however, this responsibility, as well as the child support laws enacted in every state to uphold it, are often violated. Parents who do not live with their children, about 90% of whom are fathers, have a surprisingly poor record of paying child support. The earliest national data, collected by the Census Bureau in 1978, showed the following:

- of 7.1 million mothers seemingly eligible for child support because their children had a living but absent father, only 59% even had a child support award;
- of the mothers who had an award, only 72% actually received a payment;
- of the total amount of child support required by the 59% of cases that had an award, only 64% was actually paid.

Innumerable tales of financial difficulties experienced by single mothers and their children, plus the vision and political power of Senator Russell Long, who wanted to make fathers of children on welfare contribute to the support of their children, led Congress to pass child support legislation in 1974. More specifically, Congress required every state to establish a Child Support Enforcement program that would serve five major functions:

- 1) locate noncustodial parents if necessary;
- 2) establish paternity if necessary;
- 3) secure a valid child support award;
- 4) collect money from noncustodial parents;

5) distribute collections.

The legislation establishing the federal-state program was strengthened several times after 1974, especially in 1984 and 1988. The most important reforms have been to require all states to use guidelines in establishing child support awards and to use wage withholding in all child support cases by 1994. In addition, several incentives and penalties have been established to encourage paternity establishment, a crucial issue because at least half the mothers on welfare have children whose paternity has not been legally established.

Since 1975, the federal-state Child Support Enforcement program has grown into a large, expanding, and capable bureaucracy; there are now 230 federal and 38,000 state Child Support Enforcement officials. Elaborate computer facilities have been established in many states; all states have changed their laws to tighten child support enforcement; and all states have procedures by which paternities are established, with blood tests playing an increasingly important role. By 1990, states were spending \$1.6 billion conducting their enforcement programs.

A cursory overview of program data leads one to the conclusion that the child support program has been immensely successful. Figure 2 shows that several important measures of performance improved dramatically between 1976 and 1990: paternities established, support orders established, absent parents located, and total collections have all improved by factors ranging from 4 to nearly 27. Few social programs produce results as eye-catching as these.

Despite these very real accomplishments of the child support program, there is another side to the story. Actually, two more sides. Consider the striking difference in trajectory between the top four and the bottom lines in Figure 2. By contrast with the smartly increasing child support performance measures shown in the top four lines, the bottom line is flat -- and even declines slightly in some years. The bottom line depicts all child support payments in the United States, both those paid within the Child Support Enforcement program and those paid outside the system. Thus, whereas the top four lines show that performance of the Child Support Enforcement program is steadily improving, the bottom line shows that national collections (the total of those made inside and outside the child support system) remain stagnant. Put another way, even though the government Child Support Enforcement program, subsidized by tax dollars, is collecting more and more money, there has been virtually no change in the nation's aggregate child support payments in relation to the number of demographically eligible mothers. It's as if the government program is pulling cases out of the private sector, providing them with a public subsidy, but not improving overall collections.

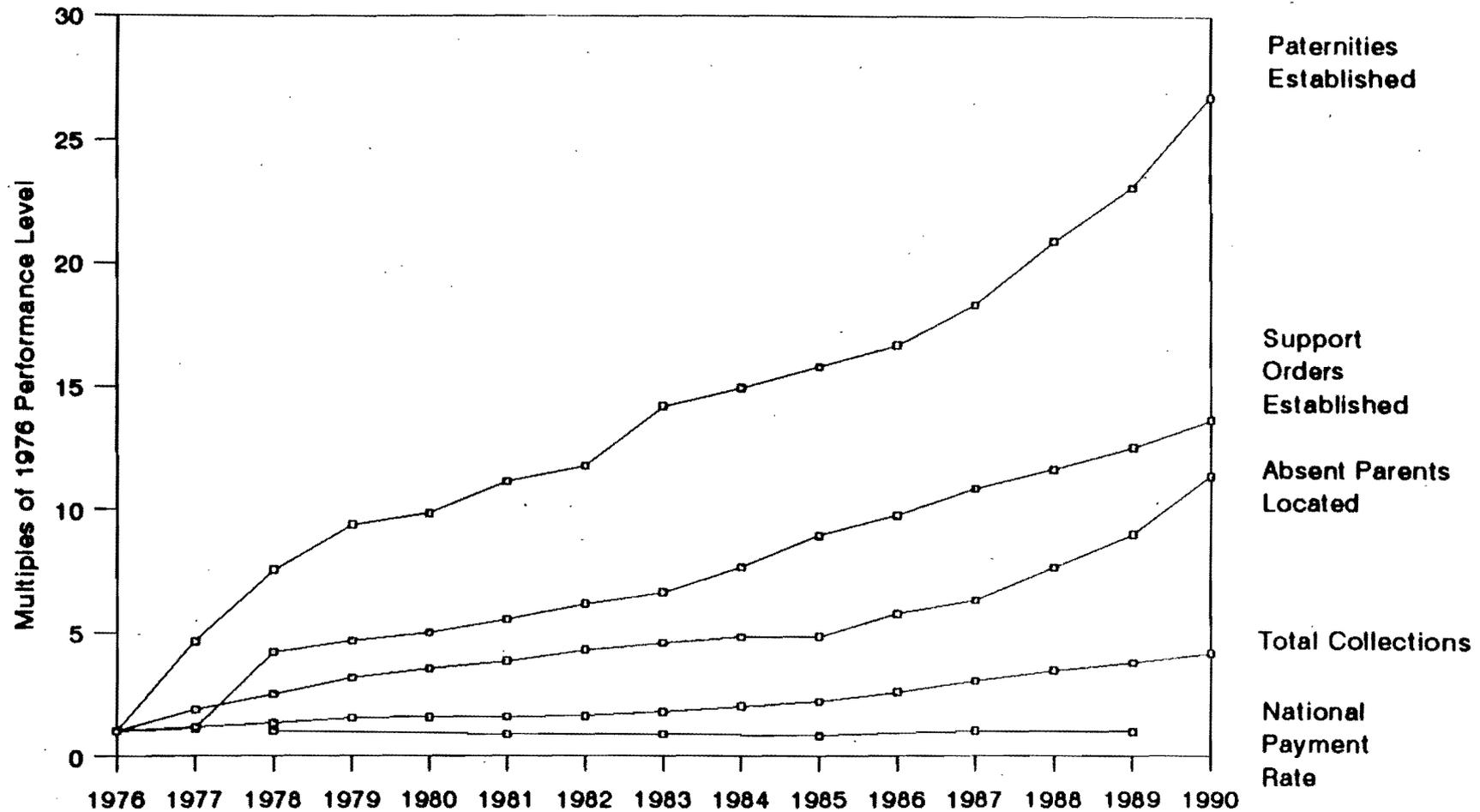
Now turn to the even more disconcerting data portrayed in Figure 3. The top line shows the constant dollar savings enjoyed by states in the child support program over the years. The federal government underwrites state child support programs through three types of payments: reimbursements of administrative expenses at the rate of 66 cents on the dollar; incentive payments for efficient performance; and shares of child support collections from the fathers of children on AFDC. Aggregate state savings reached \$400 million in 1979 and have hovered around this figure every year. Plainly stated, thanks primarily to generous federal subsidies, states make a profit on their child support programs.

By contrast with state savings, as shown by the bottom line in Figure 3, the federal government has always lost money on the child support program; in fact, the losses have increased substantially over the years and reached the level of nearly \$600 million by 1991. Even worse, the net total of state savings and federal losses combined to produce an overall loss to taxpayers in 1989, 1990, and 1991. We now spend more on collecting child support than is saved through collections that offset the cost of AFDC cases. Given the methods of program financing, states still turn a profit while federal losses increase almost every year.

From a federal budget perspective, then, Child Support Enforcement is an expensive disappointment. To anyone interested in the economic security of female-headed families, this conclusion is especially unfortunate because of a key difference between child support payments and

Figure 2

Performance Measures of Child Support Enforcement Program 1976-1990

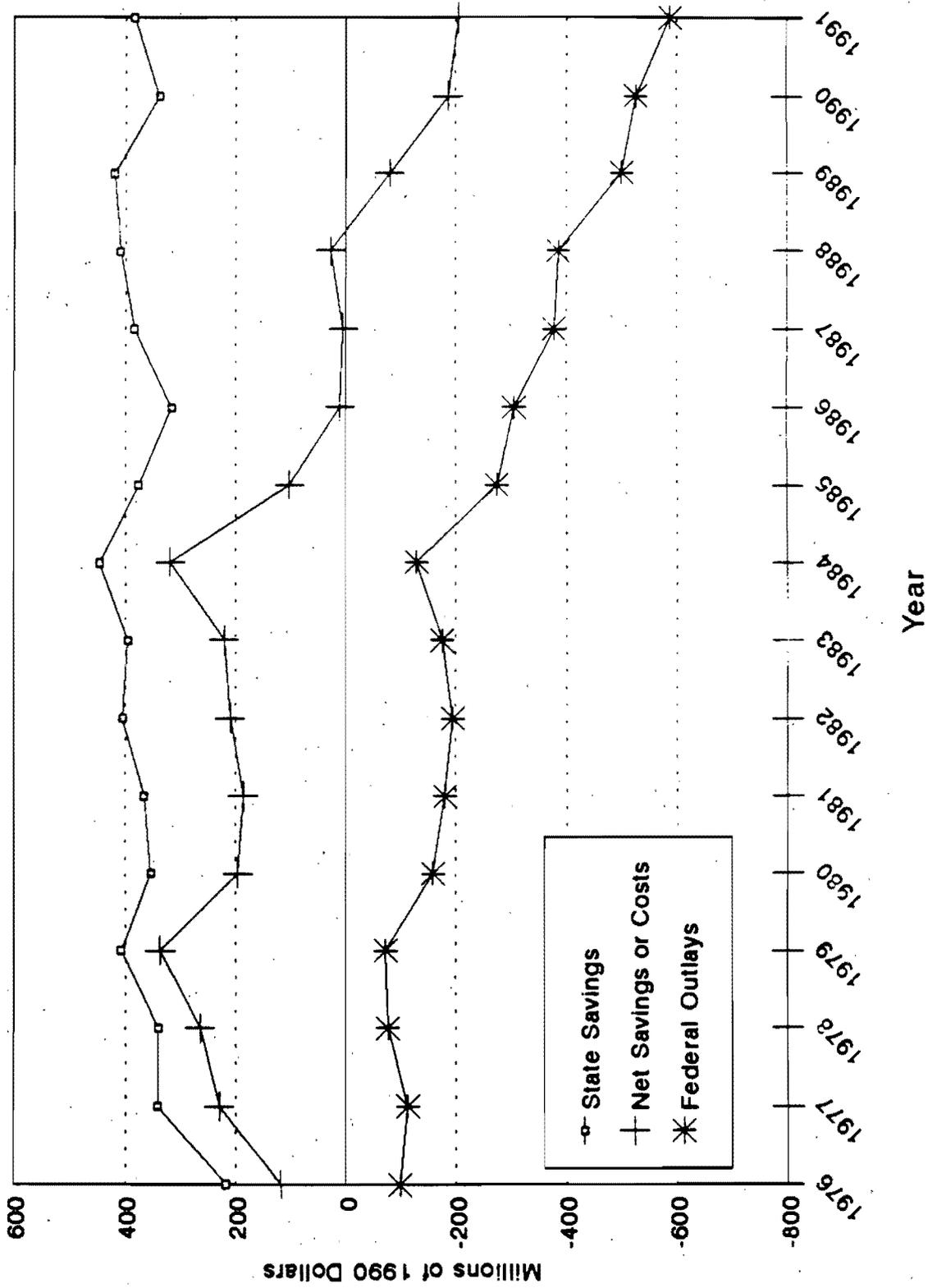


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Sources. Child Support Enforcement, Annual Reports to Congress for years 1976-1990, U.S. Department of Health and Human Services. Data for national payment rate are from the U.S. Bureau of the Census Child, Support and Alimony: 1989. Current Population Reports, Series P- 60, No. 173, 1991, Table F; the national payment rate is computed by dividing the aggregate collections by the number of women due child support each year.

Figure 3

States Save, Feds Lose on Child Support Enforcement



welfare benefits. All welfare benefits decline when mothers begin earning money. As we have seen, losing these benefits is not unlike paying a tax on earnings. We are, in this case, in the unhappy position of taxing something we want more of.

Minimizing work disincentive is the major reason child support is such a desirable form of income for single mothers and their children. If the mother is one of the few welfare mothers whose former boyfriend or spouse makes child support payments, she receives an additional \$50 in her monthly welfare check. However, if the father pays more than \$50 per month -- in 1990 the 10% of AFDC fathers who paid child support paid an average of about \$200 per month -- then the rest is kept by the state and federal child support agencies as an offset to welfare payments.

When the mother leaves welfare, however, all the child support money goes with her, regardless of her earnings. By contrast with welfare benefits, child support actually increases when mothers leave welfare; rather than a mere \$50 per month, the mother receives the entire payment, an average of \$2,500 per year for the 10% of welfare mothers who receive payments. Nor is this money subject to taxation on the mother; the father has already paid taxes on his earnings so the money is 100% available to the mother. This money could, when combined with full-time, low-wage work and the EITC, bring the mother to a combined income of over \$15,000. On the other hand, as Robert Moffitt shows, some research implies that the child support payment may, through what economists call an "income effect," cause mothers to work fewer hours.

Same
as
CSA

Wait a minute, some might say, aren't the fathers of most children on welfare out of the labor force, unemployed, or low-wage workers? Table 7 summarizes studies of the income of fathers whose children are on AFDC or were born out of wedlock. Although the studies show a substantial range of income, it seems clear that the average child on AFDC has a father who earns around \$15,000.

*

Even more impressive, the study by Meyer included long-term data on Wisconsin fathers' earnings after divorce or, in the case of the AFDC fathers, after a court determination of paternity. Here is the average income of these fathers with children on AFDC in the first, second, third, and so on through seventh years following paternity determination: \$12,088, \$13,060, \$14,536, \$15,531, \$16,336, \$17,019, and \$18,902. These estimates are based on data that have a few flaws, but the overall pattern suggests that as they get older and further away from a disruptive event (fathering an illegitimate child and experiencing the court determination of paternity), men earn more money.

Using the apparently conservative income figure of \$15,000, if fathers of children on AFDC contributed only 20% of their earnings to child support, the average mother-headed AFDC family would receive \$3,000 per year (\$50 per month or \$600 per year while on welfare) -- tax free. This amount is greater than the AFDC benefit itself in nine states, is nearly 70% of the nation's average AFDC benefit, and would provide a very important blanket of security for a mother trying to leave welfare no matter where she lives.

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The possibilities presented by a more effective Child Support Enforcement system are tantalizing, especially if the effects of child support payments on work incentive are contrasted with those of welfare payments. As we have seen, welfare benefits decline when AFDC mothers go to work; eventually they disappear altogether. By contrast, child support benefits are offset against welfare benefits, so mothers do not receive the full amount of child support until they leave welfare. So whereas welfare goes down when mothers work, child support goes up. All other things being equal, child support payments do not have the unfortunate work disincentive effects of welfare --quite the opposite.

Child support could play a critical role in a nonwelfare system aimed at helping single, working mothers achieve economic security. Even with the income supplement from the EITC, the majority of mothers leaving welfare for work will be earning only around \$11,000 or \$12,000 per year. Though the calculus of human motivation is impossible to quantify, it seems reasonable to claim that the modest certainty of a welfare package that includes AFDC, Food Stamps, and

Table 7: Estimates of Earnings of Low-Income Fathers Not Living With Their Children

Study	Type of Fathers	Earnings in 1991 Dollars
McDonald et al., 1990	Of children on AFDC in Wisconsin	\$17,841
Haskins et al., 1985	Of children on AFDC in North Carolina	8,995
Sonenstein & Calhoun, 1988	From Child Support Enforcement Caseload in Ohio and Florida	11,169
Lerman, 1990	Unwed fathers from national survey	14,900
Pirog-Good, 1991	Teen fathers in National Longitudinal Survey	13,786*
Meyer, 1992	From paternity cases in 21 Wisconsin counties	12,520**
Alfasso & Chakmakas, 1980	Of children on AFDC in New York	16,973
Maximus, 1980	Of children on AFDC in six states	20,203

* At age 25.
** At time of adjudication of paternity.

Medicaid provides substantial competition for low-income jobs. This is especially true for a young mother who is trying to support her children and understands that leaving welfare puts her children at some risk of even lower income and perhaps limited health coverage.

Summary. This overview of the current welfare-to-work system leads us to conclude that neither welfare nor low-wage jobs provide mothers with very much economic security. This is a simple fact that must be faced by anyone interested in helping welfare mothers help themselves and their children achieve economic security. Hence, American society has three choices: allow poor families the current choice of the marginal existence of welfare or the risky but slightly better life of low-wage work; provide more welfare; or figure out a system in which low-wage work provides a decent standard of living.

Hardly anyone likes the current system. As for increasing welfare benefits, the political feasibility of state legislatures acting to increase benefits, always low, now approaches zero. More than 40 states either reduced welfare benefits or held them below the rate of inflation last year. Nor is the antipathy of state legislatures to higher welfare benefits a result simply of the recession. Remember that, relative to inflation, AFDC benefits have been declining for more than 20 years. This decline over two decades provides a rough barometer of the political feasibility of convincing state legislatures to increase benefits. And the federal government, saddled by a \$400 billion deficit, seems even less likely to vote for big welfare increases.

If our assessment of the political feasibility of increasing welfare benefits is correct, those who argue against strong work requirements might want to reexamine their opposition. If, based on two decades of American social policy, our best prediction is that the current modest package of welfare benefits is the best that a welfare family can expect for the foreseeable future, does it not require a kind of perversity to oppose measures designed to help families escape this safe but marginal existence. There is no upward mobility in the welfare system.

And what of children reared in such circumstances? Can it be seriously maintained that it is good for children to live for a decade or more in a household with no working adults and with no prospects for material or social advancement? What we have here are two strikes against normal child development: parent behavior that violates one of the most basic values of American life; economic circumstances that not only are correlated with marginal, sometimes even deficit, levels of basic necessities such as health care, but also limit perspective and experience at every turn.

In short, we implore those who think that more welfare is the answer to poverty among female-headed families to think some more. As Republican support of the Family Support Act of 1988 and the EITC expansion of 1990 make clear, we are willing to spend money. The adults and children in these families are American citizens and therefore have every right to public help if they are willing to complement public help with self help. We are not asserting in this proposal that the poor lack motivation or any other quality that helps the majority of Americans seek and find economic success. Indeed, our explicit assumption is that the current system must bear a great deal of the blame. ✓ **

And we are willing to try reforms that raise certain opposition from our colleagues on the right. In particular, we think one of the most interesting nonwelfare reforms on the horizon, along with time-limited AFDC and mandatory work, is the child support assured benefit. Although we also have serious reservations about its entitlement nature and the possibility that it may provide incentive for the formation of female-headed families, we are willing to spend some money to find out what its effects would be if it were actually implemented.

The elements of a new nonwelfare system of economic security for poor families are partly in place. What we need now is a mandatory system that will help AFDC mothers join the workforce and an income supplement that, when combined with the EITC, will bring a mother working at a low-wage job to an income of around \$15,000 per year. Child support assurance may be the missing piece of this puzzle.

*A Strategy for Creating a More
Rational Welfare-to-Work System*

Now we come to the point. There is general agreement that welfare is bad for able-bodied people because it erodes the individual initiative that is perhaps the most fundamental American value. A decent government provides a decent provision for unfortunate citizens, but a decent government that is wise does not provide rest stops for life. Rather, we want a government system that balances welfare against the moral hazards of dependency. Our intent here is to define the system that, given reason and the evidence at hand, will best encourage self-reliance among both families now on welfare and families that would be attracted to welfare if the current system continued.

We have been tempted, particularly in light of the Los Angeles riot, to recommend sweeping changes in welfare policy. But our assessment of the evidence is that no policy or set of policies has been shown to produce decisive results. At this time, the major ideas drawing attention in the media -- time-limited AFDC, child support assurance, mandatory work programs, changes in AFDC work incentives, enterprise zones and other investment strategies, higher welfare benefits -- have only one thing in their favor: constituencies. Some of these ideas for radical change may work, but they are untested.

The nation does not need a frenetic new war on poverty. What we need are some changes in law that we have good reason to expect will produce modest improvements and, more important, a reasoned, broad, and coordinated series of large-scale tests of the big welfare reform ideas. In fact, if we undertake this new battle correctly, we can chart a middle course between small social science experiments and national implementation of untested ideas.

Part I: Six Reforms of Current Law

Here is our strategy. First, we think the following six proposals are so compelling and of such moderate cost that we recommend immediate enactment by Congress.

Increased JOBS Funding and Match

Our most expensive proposal is to make more money available for states to spend in their JOBS programs. States now have \$1 billion in entitlement money to spend on JOBS each year. Due primarily to the fiscal crisis many states are now experiencing, they are spending only 60% of this money. Witnesses appearing before the Ways and Means Committee this year argued that Congress could help states spend more of the federal money by reducing the required state match.

We want to be careful about increasing the JOBS match rate. Due to the complexity of the current matching formulas, we fear that some observers may not understand just how generous the current federal matching is. We estimate that the average state matching rate on the various streams of federal dollars that comprise the JOBS program is not more than 35%; for some states it is probably as low as 20%.

There are two reasons to be careful about making these matching rates much lower. First, experience shows that states are not as cautious with federal dollars as they are with state dollars. Less state money in a program implies lower state commitment to ensuring the efficiency and effectiveness of the program. Second, raising the match rate simply buys out state dollars with

federal dollars, thereby reducing the overall amount of money available for the program. Our intent is to increase the number of dollars devoted to JOBS, not just to replace state dollars with federal dollars.

Despite these reservations, we are persuaded by the current budget crunch in many states, combined with the fact that states are now spending only about 60% of the JOBS money available to them, that states should receive additional money at an increased federal match rate. Thus, we propose to provide an additional \$1.0 billion per year matched at a state rate of 30% rather than 40%. However, in order to receive the additional funds at 30%, states must spend their share of the original 1988 allotment of \$1 billion matched at the 40% rate.

States must meet one further requirement to qualify for these additional funds. Under the current JOBS program, states require most custodial parents under age 20 who have not completed high school to participate in education. Our reading of the evidence is that teen parents are at greatly elevated risk of long-term problems in both the job market and in parenting. Thus, we want to require that these young adults be compelled to participate in parenting programs on at least a half-time basis once their baby reaches 6 months of age. States can develop their parenting programs in conjunction with the public schools or with extant employment programs such as those supported under the Job Training Partnership Act. In addition, states may combine their parenting programs with job training, education, or other job preparation activities, in which case they have the option of requiring participation on a full-time basis.

As state budgets begin to recover from the recession, and as evaluations continue to show good results from the JOBS program, we believe state legislatures will be more willing to spend money on JOBS. This is especially true because several good studies show that JOBS programs can produce savings in excess of their costs. When states are ready to spend more money, we want to be sure that sufficient federal funds are available.

Broadened Waiver Authority

The second change in law we propose is to broaden Administration waiver authority in a host of welfare programs. Recent history shows that state demonstrations can yield exceedingly valuable information on effective welfare reform. The nation is now in the midst of an explosion of welfare innovation at the state level. Major reform experiments are well underway in Wisconsin, Minnesota, Washington, and New York; HHS has now received or will soon receive waiver applications from at least 10 other states. States need waiver authority to test ideas on increasing work, increasing education among children on welfare, reducing the marriage disincentive of losing welfare benefits, increasing paternity establishment, conducting programs to help fathers of AFDC children work, and a host of other ideas.

There are approximately 70 Federal programs that provide benefits to low-income families (see Appendix B). These programs were established by scores of federal laws and fall under the jurisdiction of 30 or more Congressional committees and subcommittees. Each program also has its own set of Federal regulations, which can usually be measured in pounds, and is administered by one of several dozen Federal agencies. In short, trying to change the way the programs are actually conducted at the local level or, most radical of all, trying to coordinate the benefits provided by two or more programs, is roughly akin to trying to align a roomful of snakes.

The Social Security Act, which authorizes several of our biggest welfare programs, contains language that allows states to request, and the Secretary of HHS to grant, waivers from the legal strictures of the Act. This waiver authority is the source of much of the research on welfare reform referred to in this paper. We think the same type of waiver flexibility should be built into all of the 70 or so social programs aimed at helping low-income citizens and should be granted to the Secretaries of Labor, Housing and Urban Development, Education, and Agriculture. The legislative language necessary to permit these waivers is the second part of our legislative package.

Modification of the Earned Income Tax Credit

The third part is modifying the EITC by converting the tax credit for health insurance into a cash provision. While it is true that millions of low-income families need health insurance, millions of low-income families already have health insurance and will therefore not receive any benefit from the health tax credit. By converting the credit to cash, however, we help all low-income families eligible for the EITC, including those who want to use some or all of their cash to purchase health insurance. A cash credit allows families to make their own choices of how best to spend the money and thereby maximize their own interests. Eliminating the health credit will also greatly simplify the IRS tax forms used to claim the EITC.

Increased AFDC Asset Limit

As part of our overall strategy of helping the poor achieve independence, we think the President's proposal to increase the asset limit for families on AFDC from \$1,000 to \$10,000 makes great sense. The current limit of \$1,000 is too restrictive. As AFDC families take jobs and prepare to leave welfare, they need to begin saving money to make major purchases such as cars and houses. Some families may also wish to save for education for themselves or their children. Still other families, as we will discuss in greater detail below, may want to accumulate income-producing assets such as tools as a means of achieving self-employment. For all these reasons, coupled with the relatively modest 5-year cost of \$70 million, we will push quick enactment of raising the assets limit to \$10,000.

Parental Responsibility Initiatives

Our theme is parental responsibility. The major focus is on financial independence, but other types of responsible parenting behaviors should also be expected. Health and education are two areas of parental responsibility that are crucial for children's development and the security of American society.

Recent years have seen disturbing indications that preschool children do not receive all their immunizations. A 1985 report from the American Public Welfare Association showed that around 25% of preschool children had not been vaccinated for measles, rubella, mumps, polio, or diphtheria. The APWA report also reviewed survey data showing that poor children in central cities were up to 20% less likely to have appropriate vaccinations than other children. Similar evidence indicates that poor children often do not receive the well-child examinations that are a key part of preventive health care.

The possible consequences of missed immunizations are illustrated in dramatic fashion by recent information from the Centers for Disease Control which shows that 60 children died from measles in 1990, the highest level in two decades. The National Vaccine Advisory Committee appointed by the Department of Health and Human Services found that up to 90 percent of unvaccinated preschool children were in federal social programs, including AFDC. In Milwaukee, for example, 86 percent of unvaccinated children were in the AFDC program.

Holding AFDC parents accountable for the physical well-being of their children seems reasonable, especially since taxpayers are spending an average of over \$10,000 per year per family for AFDC, Food Stamps, and Medicaid precisely so poor children will suffer as little as possible from their material circumstances. Parents are the agents of these societal investments. Moreover, immunizations are paid for by numerous federal and state programs, particularly the Public Health Service's Immunization Grants, the Maternal and Child Health Block Grant, and Medicaid. Although parents may have to make appointments and wait for long periods in public facilities when they take their children to be immunized and to receive checkups, this inconvenience seems a small price to pay for improving children's health.

We therefore propose that states be required to establish a program for ensuring that all AFDC children have up-to-date immunizations and periodic health checkups. The mechanism for monitoring fulfillment of these mandates could be a simple card, stamped by the authorized individual or agency providing the services, and sent by mail to the welfare agency. Our legislation permits states great flexibility in establishing their procedures for monitoring these health goals, but their system cannot require additional visits to the welfare office by recipients or their children. Penalties for failing to keep the immunizations and checkups current are reductions in the AFDC cash grant.

The second requirement of parental responsibility is to ensure school attendance by children. Like immunizations, education is of unchallenged significance to child development. Moreover, decades of research show unequivocally that education is causally related with economic and social success in modern economies. As demonstrated by papers in Gary Burtless's recent volume A Future of Lousy Jobs?, the relation between education and economic success has strengthened in recent years as good jobs have come to require more and more technical sophistication. There is simply no question that education is a major determinant of success, no matter how success is measured.

Requiring AFDC parents to ensure that their children attend school, then, seems eminently reasonable -- for the same reasons as requiring immunizations is reasonable. And for a crucial additional reason. Research conducted by Martha Hill and Michael Ponza of the University of Michigan shows that young women who grew up in families on AFDC were more than twice as likely to receive welfare when they had children as young women whose parents did not receive welfare. Similar research by Greg Duncan and his colleagues at Michigan shows an even greater impact of growing up in welfare families. Duncan found that the odds of being highly dependent on welfare were elevated by almost a factor of seven for children who grew up in families highly dependent on welfare as compared with children who grew up in families that received no welfare. While both studies show that lots of children reared on welfare do not receive welfare as adults, the intergenerational impact of welfare is undeniable. ✖

We grant that experts on welfare cannot explain with certainty what causes this intergenerational poverty and dependence. Even so, nearly all experts are in agreement that education plays an important role; the debate is largely over what causes low educational achievement and what other factors combine with low educational achievement to determine adult status.

Given the importance of educational deficits in determining low income, poverty, and welfare dependence, we conclude that requiring AFDC parents to ensure school attendance is a minimal standard to expect of adults receiving public support. Thus, our legislation requires states to establish a system for determining whether AFDC children attend school on a regular basis, and if they do not, for imposing a financial penalty on the family's AFDC grant.

We know that many child advocates and others with an interest in child welfare will oppose this provision, primarily because it places unreasonable expectations on parents -- especially parents of unruly adolescents -- and because the penalty of reducing the family's AFDC grant falls heavily on the very children we are trying to help. These are valid criticisms. Nonetheless, our view is that unless AFDC parents take control of their children and accept responsibility for ensuring that they receive services that are free and of undeniable importance for their growth and development, as well as of some importance to the future of American society, the types of intergenerational impacts documented above will continue unabated. The use of public authority we advocate is justified by the clarity and immediacy of the threat to individual and societal security.

Report on Reducing Teen Sexual Activity and Pregnancy

Many welfare families began with the birth of a baby to a teenager. Like premarital sex, the birthrate and the number of births to teens has been rising. Between 1986 and 1989, the last year for which data are available, the rate of births per 1,000 females aged 15-19 increased from 50.6 to 58.1, a 15% rise in just 3 years. ?

\$20 Bill

The public costs of teen childbearing are great. A recent report from the Center for Population Options estimates that the annual cost to the federal government for AFDC, Medicaid, and Food Stamp benefits provided for children born to teenagers was nearly \$20 billion. This estimate does not include the costs of increased incidence of sexually transmitted diseases such as AIDS, chlamydia, syphilis, pelvic inflammatory disease, herpes, and gonorrhea that afflict sexually active teenagers. Not only has the incidence of sexually transmitted diseases increased, but there has also been an alarming rise in the number of organisms that are known to cause these diseases. By 1991, research had uncovered more than 50 organisms that cause sexually transmitted diseases, and there were at least 3 million teenage victims with acute symptoms. Worse, according to medical researcher Thomas Elkins, research is beginning to show negative long-term consequences of these conditions, as well as of early sexual relations, particularly with multiple partners. These consequences include increased cervical cancer, chronic pelvic inflammatory disease, and sterility.

The misinformation about and politically motivated discussion of teen sexual activity and pregnancy make it difficult for nonspecialists to understand how much we know about the conditions that lead to early sexual activity and teen pregnancy, the short- and long-term consequences of sexual activity, pregnancy, and childbearing among teens, and the effectiveness of intervention programs that have attempted to reduce teen sexual activity and pregnancy.

Thus, we want the Department of Health and Human Services to undertake a comprehensive literature review of teen sexual activity and childbearing with particular emphasis on consequences and prevention. This report, which must be written within one year of enactment and made available to Congress and the public, should analyze the costs and benefits of policies Congress might adopt to reduce teen sexual activity and childbearing.

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Caldwell,
Elbers,
Riley

Part II: State Demonstration Programs

The Office of Welfare Reform Demonstrations

Taken together, these six legislative proposals will move the nation only marginally toward helping mothers achieve financial independence from welfare. Thus, we have a second set of proposals to establish large-scale state demonstration programs to test major ideas on helping mothers leave welfare for work.

To plan, coordinate, and help guide these state demonstration programs, we want the President to create an Office of Welfare Reform Demonstrations. The Office will have an Advisory Board composed of members of Congress, cabinet officers, and welfare experts. After the first year, the Office will have the authority to waive various aspects of federal welfare law and will have a budget of \$1 billion per year to test welfare reform ideas. Three major demonstrations are specified in our legislation, but others can be conducted at the discretion of the Office and its Advisory Board, particularly the five additional demonstrations discussed below.

Low
option

Major Demonstrations

Time-Limited AFDC. Our greatest concern is that young mothers become dependent on welfare and that an entire culture has grown up around life on AFDC, Food Stamps, Medicaid, and housing. For many years, policymakers and scholars have argued about whether most people use welfare as a temporary crutch to survive an emergency or as a long-term means of supporting their family. Liberals allow that although a few welfare families take advantage of the system, most families do not. The recent Rockefeller Commission report, for example, argues that "the average spell of AFDC enrollment is approximately two years" (p.108).

As Table 8 shows, the Rockefeller quotation is notable for what it omits. True, if we collect information on everybody who enrolls in welfare and follow them for a few years, we will find that half (48% in the first column of the table) are off the rolls within two years. But many of them return to the rolls later; the first figure in column three shows that if repeat spells are counted, only 30% of the families are on welfare for just two years.

But the more important omission from the Rockefeller quotation is that those who stay on the rolls for 3, 4, 5, 6, or more years build up on the rolls over time. As a result, if we examine all the families on welfare at a given moment, we find that the claim that the average spell is 2 years is very misleading. In fact, as shown in the bottom figure of the fourth row of Table 8, 65% of the people on the rolls at any given moment will eventually be on the rolls, counting repeat spells, during 8 years or more. At this writing, there are 4.8 million families on AFDC. If these families are like families on AFDC in the past, we now have 3 million American families who will be on welfare in 8 or more years. We call this serious and substantial dependency. Further, we hold that these figures make it exceedingly unwise for policymakers to minimize the depth and seriousness of dependency.

The very persistence of these families on AFDC convinces us that some families will need strong incentives to leave welfare. People who stay on welfare tend to have little education or job experience. Moreover, after several years out of the mainstream economy, many are intimidated by the prospect of trying to find and hold a real job and lack the requisite skills and experience to hold even low-income jobs. Professor David Ellwood of Harvard summarizes our case very well:

Unless we replace the welfare system, we will not solve the problem that there is little aid, incentive, or pressure for single parents to work. . . . Welfare will still be seen as the refuge for those who are not willing to work Many single mothers will remain isolated. There must be both help and pressure for women to achieve real independence through their own efforts. (p. 181)

For these reasons, we believe it will prove necessary to restrict every family's eligibility for welfare benefits to a particular length of time. Our intent is to send a clear message to welfare families from the first day they apply for benefits -- AFDC cash payments are never permanent but must be both contingent on behavior and limited in duration.

Here is a reasonable way for states to implement this policy. First, there must be some exemptions. These include: the disabled (as defined currently in AFDC), women in the second or third trimester of pregnancy or in the first few months after birth (this would be a one-time exemption), women with children under age 1 (although mothers with babies between 6 and 12 months of age should be offered instruction in parenting), and those providing full-time care to a

Table 8: Percentage of Families on Welfare for Various Lengths of Time

Expected Time	Single Spell Analysis		Multiple Spell Analysis	
	Beginning	On Welfare	Beginning	On Welfare
1 to 2 years	48	14	30	7
3 to 4 years	14	10	20	11
5 to 6 years	20	25	19	17
8 or more years	17	50	30	65

Source. Committee on Ways and Means. 1991 Green Book, p. 640.

Note. "Beginning" refers to all families that even begin a welfare spell; "on welfare" refers to all families on welfare at a given moment.

disabled dependent. Adults meeting any of these tests would not be subject to the requirements associated with time limitation.

Particularly over the first several years after the program is implemented, a major focus of program activity should be to gradually introduce people to the world of work while weaning them from the world of nonwork. We estimate, by projecting characteristics of the 1989 AFDC caseload onto the 1992 caseload, that well over 2 million families have been on AFDC for more than 2 years, about 1.3 million for more than 4 years, and 1.1 million for more than 5 years. These adults will face a tough transition to private sector work. We do not expect all of them to start working immediately.

Thus, we believe states should allow parents several years to prepare for and adapt to the world of work. To meet this goal, we propose a mandatory standard of a 25% time commitment to preparing for work. The JOBS program created by the Family Support Act of 1988 recognized several types of employment and training programs that states could use to help AFDC parents prepare for the labor force. These include:

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Everybody
does
something

- job search in which trained staff use any of several approaches to help parents locate potential jobs, prepare for interviews, and then interview;
- work supplementation in which the welfare check is used, in combination with money from employers, to subsidize jobs in the private sector that provide not only a paycheck but work experience and on-the-job training;
- community work experience in which parents work in government jobs to gain work experience and to establish work references for use when applying for private-sector jobs;
- education programs including English as a second language, high school or high school equivalency degrees, and business and math courses;
- training programs in which parents learn actual skills such as carpentry, bricklaying, and hospital technician.

All of these programs, and perhaps new ones that states develop as their experience with welfare mothers deepens, are available for states to use in helping mothers join the labor force.

All of us are well aware of the debate, sometimes contentious, that has surrounded state implementation of the participation standards in the JOBS bill. These standards now call for states to involve 11% of their nonexempt caseload in employment and training activities for 20 hours per week. Given that roughly half the AFDC caseload is exempt, the actual percentage of the caseload states must involve is 5.5%. When participation standards are fully operational in 1995, states must involve 10% of their caseload. Given that around 4.8 million families are now on AFDC, under current law states will need to include about 480,000 people each month for an average of 20 hours per week.

Under our approach, states will need to involve 100% of the nonexempt caseload, about 60% of the entire caseload, for 25% time or 10 hours per week. If the caseload is 4.8 million, states will need to conduct programs for an average of 2.9 million people (60% x 4.8 million) per week for 10 hours per week. Ignoring lots of complexity, the total program hours per week under current law are 480,000 x 20 hours or 9.6 million. Under our bill, states will need programs that cover 10 hours per week for 2.8 million people for a total of 28 million hours.

Thus, based on this admittedly crude accounting, states will need to triple their employment and training capacity. Achieving this substantial expansion will take at least two things: more time and more money. If time-limited AFDC is ever implemented on a national basis, we propose to

phase in the participation requirement over a 4-year period and to give states \$2 billion more per year for their JOBS programs.

Mandatory Work and Public Jobs. For the sake of simplicity, let us say that there are two categories of people who support time-limited AFDC: those who condition their support on guarantee of a government job for welfare parents who can't find work and those who would end cash welfare without a guaranteed job. Let's call them the government group and the market group respectively. The primary argument of the government group is that a good society provides for its neediest citizens; it would, in short, be un-American to throw families off welfare without some alternative public safety net. Besides, the government group argues, it is unfair to visit the sins of parents upon their children.

The market group points out that Food Stamps, Medicaid, housing, school lunch, and other benefits would be continued after the cash AFDC benefit ends. It is only the cash AFDC payment that is lost. Further, before AFDC benefits are discontinued, there is a 4-year period in which parents are offered training, education, job search, work experience, and similar services to prepare themselves to leave welfare.

But more to the point for our purposes, the market group argues that government guaranteed jobs are conceptually unsound for three reasons. First, the market is a far more efficient way to determine what jobs are needed in the economy. If the past is any guide, unions will not permit welfare families to be given priority in taking government jobs that already exist, so new slots will have to be created. Does the nation need more city beautification? More nature trails? More day care aides? In all these cases, and nearly any other that could be named, we already have publicly-funded programs. Are more public programs needed, or are we just inventing jobs so we can say people are not on welfare? And if we simply invent jobs, will they provide the kind of work experience that welfare families need to prepare for private sector work?

Second, government jobs are conceptually unsound because government must tax productive workers and businesses in order to obtain money to create the jobs. Because of the tax, the private sector will have fewer jobs. It is possible, then, that the economy could actually wind up with a net loss of jobs because productive resources were used by government to create artificial jobs.

Which leads to the third problem with government jobs. Government does not simply collect taxes and convert the proceeds directly to salaries. Rather, there is extraneous cost in creating, operating, and supervising the jobs. Let us take, for example, the procedure recommended in the legislation recently proposed by Senator Boren, Representative English, and others. Local governments and federal agencies like the National Park Service would apply for grant money administered by the Department of Labor. According to Senator Boren's press release, grantees would use the money in projects "such as infrastructure construction and maintenance, the creation or maintenance of parks, community work such as law enforcement assistance, delivering meals to people" and so forth. We suspect that some of these activities would meet with stiff resistance from labor unions. But aside from this detail, people on a government payroll will decide what the jobs are, will make the administrative arrangements to create the jobs, and will supervise workers. Moreover, if the past is any guide, these bureaucrats will need offices, computers, secretaries, and a host of other supports.

How much money do these administrative arrangements drain from the government money intended for job creation? A report from the General Accounting Office on the Emergency Jobs Act of 1983 may be informative in this regard. GAO examined the amount of federal money spent by local government in trying to put the unemployed to work during the 1982-83 recession. Calculations based on information presented in their report (see p. 26) suggest that to create each job at wages slightly above minimum wage required \$70,000 in federal outlays. We do not believe this study is definitive, but we do think these calculations suggest that, as with activities as diverse as providing meals, conducting research, and operating airports, government may be remarkably inefficient.

Despite our reservations about government-created jobs, we think the issues surrounding work as the antidote to welfare are so significant that we should find out more about exactly how these programs would operate and how much they would cost. Thus, our legislation requires long-term demonstrations on using government jobs to replace welfare. The demonstration programs should follow four guidelines:

1. States can establish the jobs in whatever manner seems appropriate, including methods consistent with the legislation recently introduced by Senator Boren, but states must provide detailed information about exactly how the jobs were established, who took part, how much time was spent and by whom to establish and supervise the jobs, and other pertinent information that will permit detailed analysis of how government jobs are created and how much they cost per job;

2. States can require recipients to work for the number of hours equal to the value of their AFDC (or AFDC plus Food Stamps) grant divided by the minimum wage. Welfare recipients would continue to receive their regular welfare check;

3. At least one demonstration must combine time-limitations on AFDC with mandatory work programs. Two approaches are possible here. States could require some participation by all welfare recipients and automatically assign recipients who are not in education or training to work programs for 20 or 30 hours per week. The second approach would be to allow education and training for a year or two while families draw welfare benefits, but then to end welfare benefits and provide paychecks only to those who work in government programs. If the government jobs paid minimum wage, parents would have considerable incentive to find higher paying jobs in the private sector. An obvious advantage of this incentive is that the number of government jobs, and therefore wasted tax dollars, would be held to a minimum;

4. A radical version of government jobs replacing welfare would be to end, not just the AFDC cash benefit, but Food Stamps and Medicaid as well. New Republic Senior Editor Mickey Kaus, in The End of Equality which will be published this summer, presents detailed arguments for a proposal of this type. Rather than making just the AFDC cash benefit contingent on work, a state could terminate AFDC, Food Stamps, and housing, and instead offer a minimum-wage government job to anyone who wants one (only 13 states now have a combined AFDC and Food Stamp benefit worth more than full-time work at minimum wage). Medicaid coverage could also be made contingent on full-time work in a state job. This approach would result in dramatic reductions in both AFDC and Food Stamp expenditures, but would have a much smaller effect on Medicaid.

No matter which version of government-sponsored work is used in the state demonstrations, at least three provisions of current law will need to be waived. The Davis-Bacon Act requires that workers in government jobs and jobs supported by federal dollars receive a wage equal to or greater than the "prevailing wage" in that area. According to the U.S. Department of Labor, in some areas this wage is as high as \$5.45. If all AFDC recipients participating in work were to receive a wage this high, program costs would be extremely high. Moreover, welfare recipients' motivation to find their own job would be greatly reduced because entry-level jobs would not pay salaries as high as government jobs, particularly if permanent Medicaid benefits were included with the government jobs. High wages would in all likelihood mean long-term reliance on government jobs by hundreds of thousands of welfare families.

In addition to the Davis-Bacon problem, the Family Support Act also contained two provisions that are barriers to implementation of large-scale work programs. These include a provision similar to Davis-Bacon and a provision that only newly-created jobs can be used with AFDC families.

Our legislation allows waivers from these provisions of current law for states participating in the work demonstrations. However, previous experience forces us to conclude that it will be difficult to enact legislation containing these waiver provisions.

Child Support Assurance. As a complement to time-limited AFDC, we propose to examine the effects of supplementing income by providing an assured child support benefit. The concept of an assured benefit is simple enough. Noncustodial parents now have a legal obligation to pay child support. Given the importance of child support to the economic security of single-parent families, it might make sense for government to assure at least a minimal payment -- perhaps \$3,000 for one child and \$3,500 for two or more children. An assured benefit would represent society's guarantee that children in single-parent families would have at least some income. If states failed to collect child support, or if they did not collect an amount at least equal to the assured benefit, government would make up the difference from general revenues.

Anticipating the concern of many of our colleagues about instituting this program, we want to specify in some detail what we have in mind.

L. Eligibility. Who will qualify for the assured benefit? Examine the numbers in Table 9. Based on Census Bureau data, in 1989 there were nearly 10 million mothers living with their children but not with the children's father. There are, of course, fathers living with their children but not the children's mother; according to the Census Bureau, about 1.8 million children live with their fathers (Statistical Abstract, 1991, p. 52). But for simplicity, we ignore children living with single or remarried fathers, noting only that under any reasonable system of child support assurance these children too would be eligible. Hence the costs presented below are underestimates.

The major issue here is whether all mothers demographically eligible for child support or only those with a support order should be eligible for the assured benefit. Analysts who argue that all 10 million demographically-eligible mothers should receive the assured benefit support their position with two arguments. First, they believe that all children with absent parents should be treated equally; it is not, after all, the children's fault that parents fail to obtain a support order. It would be inequitable to provide the benefit to children whose parents have seen fit to put a support order in place while denying the benefit to otherwise similar children whose parents have been irresponsible. Second, not only would it be unfair to exclude some children, it would also be unfair to exclude mothers. If fathers refuse to sign an order, leave the state, or otherwise drop out of sight, mothers and their children might need to wait for months or years before managing to get a child support order. In fact, the Census Bureau data showing that about 40 percent of mothers do

Table 9: Number of Mothers In Various Child Support Award Reciprocity Categories

Child Support Reciprocity Category	Number (Thousands)
Demographically Eligible for Child Support	9,955
With Child Support Awards	5,748
Supposed to Receive Payments	4,748
Received Payments:	3,725
Full Payment	2,546
Partial Payment	1,174

Source. U. S. Bureau of the Census, 1991.

Good Table

not now have orders suggest that many mothers may never get an order. These mothers, of course, would be prevented from receiving any benefits.

A major argument against providing the assured benefit to all demographically-eligible mothers is that taxpayers who pay the bill have a right to know that everything possible is being done to insure that noncustodial parents are meeting their financial responsibility to their children before taxpayers step in. If we create a system in which taxpayers automatically begin paying the assured benefit to children in single-parent families, we might create incentives for custodial parents to ignore the need to obtain money from the non-resident parent and simply claim the assured benefit. The fact that over 40 percent or 4 million custodial mothers have not obtained a support order under current laws, in which no assured benefit is in place, implies that providing a new benefit for mothers without orders might aggravate an already bad situation. Similarly, the existence of an assured benefit could reduce the motivation of noncustodial parents to pay child support because the kids are taken care of even if they don't pay.

There are also two practical reasons for requiring a support order as the price of admission to the assurance system. The first is that mandatory support orders will reduce costs, both by reducing the number of families that qualify for the assured benefit and by increasing the number of families with a support order which in turn will increase the probability of child support payments. Of course, having a support order in place does not guarantee payments, but over 75% of families with an order get at least some payment. The numbers in Table 9 show that confining the assured benefit to mothers with support awards would reduce the number of families receiving payments from around 10 million to under 6 million, a huge reduction of about 40%. Making the assured benefit contingent on a child support award will increase the percentage of mothers who have an award. This improvement will inevitably lead to increased collections.

The second practical reason for requiring a support order is that such a requirement will increase the political feasibility of enacting the assured benefit program. Given the horrendous federal deficit, any attempt to create a new entitlement program in the 1990s will be strongly opposed. Supporters of child support assurance must pursue a long-term, incremental strategy for gathering and nurturing political support. Numerous discussions with Republicans and conservative Democrats in Congress convince us that many politicians will support a system that includes an assured benefit only if they believe there is a good chance the system will also improve collections. We go further: the political feasibility of enacting an assured benefit is directly proportional to the potential for increasing collections and inversely proportional to the potential for creating an automatic system of welfare benefits that discourages child support payments.

In this regard, it is useful to recall our discussion about the performance of the child support enforcement program. Although collections within the federal-state program have increased nicely since the program began in 1976, overall national collections have not increased during the period. The numbers in Table 9 show further that only about 2.5 million of 10 million eligible mothers have a child support order and receive everything they owe. If we assume no impacts of the assured benefit program on payments, these data imply that taxpayers could, upon the day of enactment, begin paying benefits to nearly 7.5 million families (with around 14 million children). This cost-- which the Congressional Budget Office estimates could be as high as \$17 billion-- seems especially large in view of the fact that the child support program is already both a drain on the federal treasury and a net loss to taxpayers.

The answer to all these problems is more collections from people who would not pay without the child support program. The biggest, most obvious group of such people is the 90% of fathers with children on AFDC who do not pay. Unless a reasonable argument can be made that collections from such fathers will increase, taxpayers and their representatives in Washington are likely to remain dubious about child support assurance as a concept.

We go with feasibility. The system must limit eligibility to those who have child support orders.

Y25 ✓
*
CBO
\$17 Bil

Not very persuasive

2. Guarantee Level. For most Republicans and many Democrats, the crucial consideration in setting the assured guarantee level is the desire to avoid basing the assured benefit program on welfare principles. Simply put, any benefit paid for by tax dollars is welfare. By contrast, any benefit paid by family members is not welfare.

Consider the way the assured benefit works. Qualified families are assured cash that equals the amount of the assured benefit. If the father pays the amount of the benefit or more, no public money is provided to the mother. Welfare is thereby avoided. However, if the father makes no child support payments or makes payments that are less than the assured benefit, taxpayers make up the difference between the father's actual payment and the assured benefit. The difference is welfare.

The level of the assured benefit, then, has two major impacts on the feasibility of enactment. The most obvious is cost. As in any benefit program, the higher the guarantee, the greater the cost. But the assured benefit differs from welfare in that the benefit is supposed to be paid by the non-resident parent, not taxpayers. If child support payments equal or exceed the assured benefit, taxpayers are off the hook; if child support payments are less than assured benefit, taxpayers make up the difference. The unique feature of the assured benefit program is that in the former case, the cost to taxpayers is zero.

→ if father pays, why do we need system in 1st place?

Take an example. Let's say the assured benefit is set at \$3,000 with an additional \$500 for additional children. Regardless of the child support payment ordered by the court, a custodial mother with two children would have an assured benefit for \$3,500 from the child support assurance system. If the father is ordered to pay child support of \$3,500 or more and actually pays it, no taxpayer dollars are involved. The only government involvement is to insure that the payment actually gets from the father to the mother. By contrast, if the father does not pay anything, taxpayers are left holding the bag -- which, in this case, is a bill of \$3,500. If the father pays \$1,000, taxpayers are held responsible for \$2,500 (\$3,500 - \$1,000). Clearly, the lower the assured benefit, the lower the cost of the assured benefit program to taxpayers -- and the less the program is based on welfare principles.

Lower costs are not the only advantage of a low assured benefit level. The data summarized in Table 7 above suggest that perhaps 80 percent of fathers with children on AFDC had earnings and that these earnings average around \$15,000 per year. If we adopt a rough estimate that most states would require a father with two children to pay 25% of his income or, using the \$15,000 mean income of welfare fathers, about \$3,750, we can see that most fathers with children on welfare would be able to make the entire assured benefit payment of between \$3,000 and \$3,500. The point is that many, perhaps even a majority, of children now on welfare could be kept completely out of the assured benefit system if we had a competent child support enforcement program. Presumably, children eligible for the benefit from families not on welfare would be even more likely to be kept entirely out of the assured benefit system by the size of the father's child support payment. So a low assured benefit translates not just to lower taxpayer costs, but a smaller welfare system as well.

3. Tax Treatment. We begin our thinking about tax treatment of the assured benefit by using two tax principles as criteria for decisions: all nonwelfare income should be treated the same for tax purposes and income should be taxed only once. Ordinary child support payments are now paid out of after-tax income by noncustodial parents. Thus, the mother does not pay taxes on child support. However, money mothers receive from taxpayers in the form of an assured benefit has not yet been taxed. Thus, it should be subject to federal income taxes. This decision, of course, has the effect of reducing the amount of the assured benefit by 15%, 28%, or 31% depending on the mother's tax bracket. These income levels defining these tax brackets would be higher for remarried mothers filing joint returns with their new husbands.

Although these tax rates meet the criterion of vertical equity between relatively low- and high-income mothers, they violate the horizontal equity criterion between mothers getting their child

support from fathers and those getting their child support from the assured benefit. Even so, maintaining the incentive for both parents to cooperate with the Child Support Enforcement system is a worthwhile trade-off for this unfortunate increase in horizontal inequity, especially since the new assured benefit policy will make all mothers receiving the assured benefit better off than they are now.

Another important tax issue is how the assured benefit should be treated for purposes of computing the Earned Income Tax Credit. Under current law, child support payments are ignored in computing the mother's EITC. If child support were treated as earned income, mothers with earnings less than the beginning of the phaseout range (\$11,250 in 1991) would actually enjoy a windfall because the amount of the EITC is based on earnings. If, for example, a mother earned \$9,000 and received a child support payment of \$2,000, treating the \$2,000 as earned income for purposes of computing the EITC would increase the mother's EITC by \$346 (17.3% x \$2,000).

For mothers in the EITC phaseout range of \$11,250 to \$21,242 in 1991, the calculations are more complicated. If the mother earned \$15,000, for example, her EITC would equal the maximum of \$1,235 minus the phaseout amount of 12.36% x (\$15,000 - 11,250) or a net of \$772. Treating the child support payment as earnings in this case would reduce the mother's EITC payment by 12.36% x \$2,000 or \$247. Thus, her supplement from the EITC would fall to \$525 from \$772. Nonetheless, since she now receives an assured benefit payment of \$2,000, she is still \$2,000 - \$247 or \$1,753 better off. Obviously, mothers above the EITC phaseout range will not be affected by treatment of the assured benefit for EITC purposes.

In 1989, the mean income of the nation's 7.4 million female-headed families with children was \$17,600 (U.S. Bureau of the Census, 1989, p. 38); the income of the nearly 5 million mothers owed child support was \$15,600 (Child Support & Alimony, 1991, p. 16). It would be necessary to construct complex tables that divided these two groups of mothers into subgroups by number of children, family size, and age of children to understand exactly who would be helped and who would be hurt by treating child support payments as earnings for purposes of computing the EITC. Even so, the calculations above show that the line of demarcation between mothers who are helped and those who are hurt by treating the assured benefit as income for purposes of computing the EITC is near the top of the phaseout range, probably around \$19,000, depending on the number and ages of children. Clearly, low-income mothers are helped; high-income mothers are hurt. Such a trade-off meets the vertical equity criteria. But changing current law bothers us, as does the concept of basing increased EITC payments on unearned income.

In the end, we would rather maintain the concept that EITC payments should be based on earned income than violate this principle and allow low-income mothers to receive more money. The assured benefit should be ignored in computing the EITC.

4. State Financial Contribution. At the moment, state treasuries are in desperate financial condition; a recent witness told the Ways and Means Committee that some 40 states had reduced spending or increased taxes in the past year. Further, for the past several years the National Governor's Association has pleaded with Congress to stop expanding the mandatory Medicaid coverage that places such a substantial burden on state budgets.

The condition of state budgets, in short, assures that proposals for mandatory spending from Washington will be greeted by howls of protest. Nonetheless, requiring states to pay some fraction of the assured benefit serves two important functions.

First, as shown in Figure 3 above, states are making a profit on the Child Support Enforcement program while the Federal government loses money. Even casual study of the enforcement system shows that nearly every state makes a profit, including states conducting programs that are mediocre or worse. The current financing arrangements provide few incentives for states to conduct high quality programs, and plenty of incentive to allow weak programs to continue. However, if states had their own money in the assured benefit, and if their money could

be recaptured only by efficient collections from fathers, the assured benefit program could provide the needed incentive to move the nation's child support system toward greater efficiency.

The second reason for requiring states to pay part of the assured benefit is that efficient child support collections offset the costs of the program to a substantial degree. In fact, many proponents of the assured benefit have argued that establishing the program will provide government with great financial incentive to improve child support collections; after all, for every case in which there is no collection or in which collections are low, government must pay all or part of the assured benefit.

The problem, of course, is that if the federal government pays the entire assured benefit, and if state government is primarily responsible for child support collections, the incentive to increase collections is nonexistent because states don't have their own money in the assured benefit. It would be the height of folly to create a new multi-billion dollar entitlement program with costs that could be substantially offset -- but only by agencies with no financial investment in the program. Such an arrangement would be akin to expecting athletes to be highly motivated when their points are credited to another team.

We conclude that states must bear some portion of the costs of the assured benefit. A major purpose of state demonstrations is to investigate whether increased collections under the new system will allow states to break even or make a higher profit than under the current system.

more cost to states

5. Relationship with AFDC. The primary consideration here as elsewhere in designing our welfare-to-work system is to minimize welfare as part of the former welfare family's life. The best way to promote independence is to help as many welfare families as possible escape welfare. This consideration, of course, pushes us in the direction of offsetting welfare benefits dollar-for-dollar against child support assurance benefits.

This procedure would have the added advantage of saving money. Cost simulations conducted by Irv Garfinkel of Columbia and by Robert Lerman of American University seem to show that reducing the AFDC benefit by \$1 for every \$1 in child support assurance benefits saves several billion dollars. The certain conclusion is that offsetting the assured benefit against AFDC will save money; how much will be saved is speculative without further information.

Dollar-for-dollar offset also increases the political feasibility of the assured benefit program. Many policymakers, such as those on the Rockefeller Commission who recommended offsetting the assured benefit by reducing the AFDC grant by only \$.50 on the dollar, would undoubtedly favor allowing AFDC families to keep as much money as possible. But the entitlement nature of the assured benefit program and the incentive effects of providing the assured benefit only to single-parent families are causing most conservatives to oppose the very idea of an assured benefit. Dollar-for-dollar offset makes the program much more attractive to traditional conservatives -- and presumably to taxpayers and many other reformers. Liberals should be satisfied by the prospect of a new entitlement. We conclude that the assured benefit must be fully offset against the AFDC benefit.

6. Means Testing. Proponents of the assured benefit do not favor means testing; i.e., providing the assured benefit only to single-parent families below some minimum income. The primary argument against means testing is that benefits that are not universal stigmatize recipients. Further, a number of proponents of the assured benefit compare the benefit with Social Security and regard the guarantee of child support as a reasonable extension of the concept of government support wherever undeserved financial vulnerability strikes. In the long run, no doubt, these proponents reason that if accepted on a universal, entitlement basis, the assured benefit will come to be regarded, like Social Security, as a fundamental right of American citizenship.

The two major arguments against a universal assured benefit are that wealthy single parents have little need for the payment and that a great deal of money can be saved by providing the benefit to fewer people.

Rather than marshal arguments for or against either of these positions, we simply direct the Office of Welfare Reform Demonstrations to fund at least one means-tested assured benefit program. Our interest in the assured benefit is prompted by its ability to bring additional financial security to low-income, working parents because, when combined with low-wage work and the EITC, the assured benefit will bring income near our goal of \$15,000. We will leave it to others to persuade Congress that the benefit should be universal. Although the Office should have the right to negotiate the specifics of means testing with states, our view is that the benefit should be gradually phased out above median family income of around \$32,000.

Other Demonstrations

Improving the Financial Incentives to Leave Welfare. As we have seen, research on the benefit reduction rules or implicit tax rates on earnings by welfare mothers fails to show that the tax rates have much of an impact on amount of work. Even so, we would draw attention to the nature of our enterprise: we want to dramatically reform welfare by making work an absolute necessity. Once time-limited AFDC convinces parents that their time on welfare is limited, as it cannot fail to do, they may be more responsive to work incentives that allow them to substantially increase their income through work during the period before leaving welfare. They could also use this time to build up their work experience, gain skills and knowledge through workforce participation, and make contacts that may lead to new and better jobs. Even if they consume more welfare dollars because of the liberalized benefit reduction rates, if we know that they must eventually leave welfare, these dollars seem like a reasonable price to pay for the skills, experience, and contacts they can gain.

We also find it useful to remind ourselves once again of the JOBS caseworker trying to convince a welfare mother that she can greatly increase her financial security through work. If the caseworker cannot show the mother that work will substantially augment her welfare income, we wonder how persuasive her admonitions will be. In the jargon of economics, low marginal tax rates would allow caseworkers to show mothers they will have more disposable money while working, even at a low-wage job, than on welfare (see Table 3 above). Further the benefit reduction rules across the various welfare programs are now so complex that we doubt caseworkers can understand them, let alone explain them to mothers.

In recent years, HHS has wisely approved several demonstrations designed to investigate the effects of revised benefit reduction rules. Since 1988, Wisconsin has been testing the effects of replacing the 4-month \$30 and 1/3rd rule with a 12-month \$30 and 1/6th rule. More recently, Wisconsin got permission to test a much more generous rule; namely, \$200 and 1/2. Welfare mothers under age 20 who marry will be able to disregard the first \$200 of family earnings, plus 1/2 of the remainder. This new program makes the Wisconsin disregards the most generous ever offered in AFDC.

The important work now going on in Wisconsin should be extended in at least two ways. First, as discussed in detail previously, AFDC, housing, and Food Stamps all have their own work disregard rules. As we move toward a system in which time on AFDC is limited, the transition to work will become more important. At this point, it will be useful to explain the work disregard system to AFDC recipients so they can understand how it is possible to combine earnings with welfare benefits during the transition period. Under the current system of three separate sets of rules, explaining work disregards might be somewhat difficult. Demonstration projects should have the authority to replace the AFDC, housing, and Food Stamp disregard rules with one set of rules and procedures about benefit reductions for working welfare families.

Second, the relationship between work disregards and the assured child support benefit needs to be investigated. Consider an average mother with one child leaving welfare under an assured benefit system of \$3,000. While on welfare, if she is like 90% of current welfare mothers, she receives no child support money. If she is among the 10% whose child's father pays child support,

she can receive no more than the maximum payment of \$50 per month or \$600 per year. Once she leaves welfare, she receives the assured benefit of \$3,000 -- and the benefit is guaranteed until the child reaches age 18. Clearly this substantial benefit greatly exceeds anything mothers receive under the current \$30 and 1/3rd; the \$3,000 would exceed even the more generous benefits under Wisconsin's experimental \$200 and 1/2 rule. Thus, it is possible that an assured benefit regime would obviate the need for generous disregards. If so, nonnegligible cost savings would accrue to taxpayers. Of course, in what economists call an "income effect," the additional income supplied by the assured benefit could reduce the mothers' work effort by lowering the amount of earnings needed to produce a given standard of living. Considerable research attests to the reality of this income effect.

Investment Strategies. Jack Kemp, Secretary of Housing and Urban Development, has been the leader of a perspective on poverty that may now be getting the attention it has long deserved. The key word in this strategy is "investment." The heart of Kemp's philosophy of poverty is that poor people do not adequately invest in their own future and that potential investors, for understandable reasons, are hesitant to sink their money into neighborhoods where poor people live. The combination of these two forces is lethal. Although ghettos are ghettos for many reasons, two major reasons are that new businesses are few and weak and that many individual residents are unskilled and uneducated.

Two solutions are worth careful attention. First, individuals should be given greater opportunity to invest in themselves and to control their investments. The ideas here range from home ownership and resident management in public housing to liberalization of the asset tests in welfare programs (as we have proposed above), thereby encouraging welfare families to save and allowing them to accumulate capital. Second, public action should be taken to improve the returns on investment in poverty areas, both urban and rural.

Encouraging individuals to develop their human capital and then start small businesses has been shown to hold promise as a way of helping families leave welfare. Bipartisan legislation introduced by Fred Grandy and Tony Hall in this Congress, as well as our proposal on the AFDC asset test presented above, are based on the premise that expanding the asset base is only part of what is needed. An equally important part of a program designed to help develop entrepreneurial activity in AFDC families is training in the various skills that are required of the self-employed. These skills include bookkeeping, money management, and marketing. A program that combines the two components of training in business skills and expanded asset limits has been in operation in Iowa for more than 4 years. Of 243 people who entered the program, 57 started businesses that have been in operation for at least one year. These businesses include video rentals, bookkeeping, day care, car detailing, carpentry, reptile wholesaling, and computer billing.

Similarly, the Youth Futures program in Minneapolis works with juvenile offenders by giving them direct experience in selling fast foods from street carts and in courier services. These practical experiences are supplemented by classroom work in business math, reading, and legal issues.

Although programs such as Youth Futures have been hailed as great successes, they have not been carefully evaluated to determine whether they improve the employment and income of young adults over an extended period. We should find out if they do. The Office of Welfare Reform Demonstrations should fund 5-year evaluations of several of these programs.

Perhaps the most debated of the investment strategies is Enterprise Zones. To date, research on Enterprise Zones has not shown them to be effective in generating new jobs. However, it seems reasonable to criticize this research on the grounds that the most important elements of Enterprise Zones have not been attempted.

Most people think of Enterprise Zones as inner-city areas in which potential employers receive tax breaks. But tax breaks of this type are only a part, and not even a necessary part, of the concept. Given that most new jobs are provided by small businesses, the proper aim of Enterprise

Zones is to encourage the growth of small businesses. This strategy is especially appropriate since small businesses usually need less skilled employees, precisely the type of potential employee we are most interested in helping. Moreover, most small businesses often barely manage to break even in the first several years; thus, tax breaks on profits are of minor help.

Rather, investment incentives and crime control are essential, both of which could be supplied through concerted efforts of Congress, political leaders, the police, investors, and inner-city entrepreneurs. We will surprise our readers by calling for the elimination of capital gains taxes on new investments in Enterprise Zones. More specifically, we want to establish four or five inner-city and rural areas in which investments are deductible from taxes and gains on these investments are not taxed.

We firmly believe that government social programs can be no more than a bandaid for economic and social problems. Economists agree that most new employment comes from small business growth and that small business growth requires risk capital. Even under the most favorable conditions, investment in small businesses is risky. Investment in businesses located in high-crime areas where the potential labor force is unskilled and education is mediocre at best is especially risky. Thus, if we think jobs are the key to ghetto revival, governments would be wise to make inner-city investments more attractive.

But our guess is that investment alone will not bring the economic revival to inner-cities that we know is possible. Rather, it will also be necessary for the good guys to control the streets. Simply put, legitimate business cannot flourish in the midst of drugs and crime. We would therefore require that applications to the Office of Welfare Reform Demonstrations be accompanied by plans to ensure the reestablishment of legal order in the areas proposed as Enterprise Zones. This investment and crime control strategy is, of course, the essence of the Administration's "weed and seed" policy. An especially enriched version of the concept would involve intensified social services as well as crime control and investment incentives.

JOBS Implementation. One of the justified criticisms of social programs is that pristine laws passed in Washington, D.C. are seldom implemented as intended in Peoria. Critics of education have sometimes called for "teacher proof" curriculum, as if any curriculum could be successful without good teaching. Similarly, no social welfare policy can be successful without good implementation by qualified, knowledgeable, and committed staff at the point of delivery.

Larry Mead, in his book Beyond Entitlement, presents evidence on a 1980s AFDC employment and training program called Work Incentive (WIN). Mead collected information on the intensity with which employment programs were implemented with AFDC families by over 20 New York welfare departments. He found that an important determinant of whether welfare mothers went to work was the degree of obligation conveyed to mothers by local staff. If WIN staff workers communicated the sense that they believed the work obligation for welfare mothers was fair and should be aggressively implemented, and if the local office involved a high percentage of the caseload, then high levels of job placement were achieved.

Impressive as the Mead results might be, we have learned a great deal since Mead's research was conducted in the early 1980s. Judith Gueron and Edward Pauly of the Manpower Demonstration Research Corporation have summarized many of the large-scale state employment demonstration programs conducted during the 1980s, most of which were successful in increasing the earnings of participants and in producing welfare savings. More recently, Gueron's colleagues Jim Riccio and Daniel Friedlander have published results of the large JOBS program in California. These results, too, show earnings gains and welfare savings. In fact, the job search program in Riverside county produced the biggest increases in earnings by welfare mothers ever reported in the literature on employment and training programs.

Despite this wealth of experience on employment and training, our discussions with researchers and program staff, as well as testimony before the Ways and Means Committee, lead us

to conclude that not enough is being done to ensure effective delivery of employment and training services at the local level. There is every reason to believe that the success of JOBS and similar programs rests squarely on the soundness of implementation at the local level. Thus, we want states to develop clearly specified plans for local implementation and then to study the effects of these plans on employment, earnings, and welfare reductions.

More specifically, the elements of a well-defined implementation plan will include information about:

- selection, qualifications, and training of staff;
- how program objectives, features, benefits, requirements, and sanctions are explained to welfare mothers;
- the sequence of events once parents join the program;
- the approach to achieving good staff-client relations;
- coordination with other state and federal programs, especially the Job Training Partnership Act;
- degree of contact and coordination with local businesses;
- program activities, including sequence of events, use of materials, group sizes, and length of client participation;
- methods of monitoring participation;
- frequency of and procedures for sanctioning nonparticipation;
- data collection and analysis of results;
- use of evaluation results in modifying the program.

We are especially interested in how staff explain the obligation to leave welfare to clients and whether and how clients are shown the nonwelfare benefits for which they are eligible. In fact, we believe demonstration programs should be specifically required to develop and test materials that effectively communicate program objectives, characteristics, and benefits to parents, especially graphic aids that show parents the benefits and cash they can receive once they begin full-time work.

As a topic of interest to the American public and much of the media, implementation is a soporific. Nonetheless, detailed knowledge about how to help welfare parents join the labor force is indispensable. Good demonstrations will show us the elements of effective implementation programs and how these can be adapted to use in a variety of settings. Banal though it might be, this information, and the skill to employ it effectively, are absolute prerequisites for successful welfare-to-work programs.

Reducing AFDC Marriage Disincentives. Everyone agrees that marriage is a potential key to removing millions of mothers and children from poverty. But the nation has done little to figure out ways to encourage marriage. As a result, we have little reliable knowledge about what welfare policies might promote marriage.

AFDC is widely believed to constitute a marriage disincentive because mothers must be single to qualify for benefits. This claim is at best only partially true. All states now operate an AFDC-Unemployed Parent program in which two-parent families with an unemployed bread winner

are potentially eligible for AFDC. In addition to the regular income and asset limitations, these families must meet the criteria of having been attached to the labor market and being needy because of unemployment. The definition of attachment to the labor market is minimal. Earnings of as little as \$50 in six of the previous 13 quarters allow a parent to meet the requirement. Further, participation in the JOBS program in a given quarter also qualifies, and, at state option, attending school or vocational education or participating in the Job Training Partnership Act also qualifies. An important limitation on the program is that parents who work 100 hours or more per month are not eligible for AFDC benefits.

The blanket claim that two-parent families cannot qualify for benefits is incorrect. Even so, steps could be taken to make AFDC more hospitable to marriage. Although the proposals outlined below have considerable face validity, we should keep in mind that research shows that the AFDC program is now only a mild disincentive to marriage and that there is little reason to believe that any of these proposals would actually have the intended effect.

To date, at least three kinds of state demonstrations on reducing the marriage disincentive or promoting marriage have been undertaken or proposed. New Jersey has a pending waiver proposal to allow welfare mothers to keep part of their benefit if they marry a man who is not the father of at least one of their children and if the couple has income of less than \$21,000 (150 percent of the poverty level). Demonstrations of this type, in which mothers are allowed to keep part of their AFDC benefit after marriage, should be encouraged by the federal government.

A second approach to supporting marriage is found in a recently-approved waiver proposal from Wisconsin. As we have seen, the welfare work disregards of \$120 per month and 33% of earnings are not very generous, especially because the 33% disregard is dropped following 4 months of work. Wisconsin intends to find out what happens when married couples under age 20 are allowed a standard disregard of \$200 rather than \$120 and a permanent 50% disregard rather than a 33% disregard of 4 months' duration. Taking into account Food Stamps, the Earned Income Tax Credit, federal taxes, and work expenses, in the earnings range of \$400 to \$1,000 dollars per month, these disregards will increase the couple's income by between \$82 and \$154 relative to current law after 4 months of work. This interesting proposal could promote both marriage and work effort.

⑦ Another way to encourage marriage might be to reduce or eliminate the 100 hour rule. This rule prevents married couples on AFDC from working more than 100 hours per month. The intent of the rule is to ensure that married couples with low earnings are not able to game the welfare system by claiming welfare benefits to supplement their income. As reasonable as this concern might be, the effect of the rule is to prohibit substantial work effort by adults in two-parent families who are on AFDC. Vermont and a few other states are now requesting the authority to modify the 100-hour rule as an inducement both to marriage and to additional work effort.

Given the magnitude of the single-parent problem, states should be encouraged to conduct all the demonstrations outlined above. They should also be encouraged to explore other means of promoting marriage such as one-time bonuses, additional work disregards, preference for housing benefits, and so forth.

✓ We would draw attention to a potentially serious problem with marriage incentives: they tend to be very expensive. For two reasons. First, lots of low-income, two-parent families would qualify for AFDC benefits if the work incentives and elimination of the 100-hour rule were allowed to apply to people outside welfare. In other words, these proposals could have the effect of substantially increasing the number of families eligible for welfare. Second, the single biggest cause of mothers leaving welfare is marriage; around 35% of welfare spells are ended by marriage. All of the proposals above could have the effect of allowing married people to remain on welfare longer, thus increasing welfare costs relative to current law. This concern leads us to recommend that the cost issue be carefully addressed in every marriage incentive demonstration.

Welfare and Family Planning. In recent months, several states have proposed various methods of helping mothers on welfare benefit from family planning. California, Wisconsin, and New Jersey are in various stages of obtaining waivers to eliminate additional AFDC payments for families that have additional children. The Wisconsin waiver has been approved by HHS and is now being implemented. In this demonstration, participating families that have an additional child while on welfare will receive only half the AFDC benefit increase enjoyed under the current benefit program. Beyond the first child born while the family is on welfare, there is no increase in benefits for additional children.

A different approach to family planning was taken this year by a Kansas legislator. His proposal involved a new drug called Norplant. Inserted in small capsules under the skin of a woman's arm, Norplant is a hormone that prevents ovulation. Researchers claim that the drug has few side effects and is more effective than even the birth control pill. The cost is around \$500 for the device and its surgical insertion. The bill brought before the Kansas legislature, and eventually defeated, would have created a program in which AFDC mothers were paid \$500 for accepting a Norplant insert and \$100 per year for retaining the insert.

We think it is wise public policy to be certain that all sexually active men and women, including mothers on welfare, have both working knowledge of effective means of family planning and, in the case of poor or low-income mothers, good information about the sources of public assistance to pay for it. The federal government already has many programs that pay for family planning services, including \$290 million in Medicaid, \$144 million in Title X, and \$48 million in Community Migrant Health Centers.

Public policy on family planning must balance the right of taxpayers to know that families using public benefits are not having unplanned children against the right of women on welfare to have children. Attempts by states and localities to inform welfare mothers of the availability of family planning, to inform them of the adverse consequences of early sexual activity and sexual activity with multiple partners, and to provide these services free using funds from Title X, Medicaid, or state or private programs seem consistent with the needs and rights of both taxpayers and mothers on welfare.

Moreover, we believe it is fully consistent with the rights and obligations of citizens to bear the consequences of their own decisions. If states elect to follow the course taken by New Jersey, Wisconsin, and California in denying additional AFDC benefits to welfare families that have additional children, we think this policy to be entirely reasonable.

The demographic context in which states would undertake demonstrations on family planning by welfare participants is surprisingly positive. Welfare families, like other American families, have become smaller in recent decades. The average size of AFDC families declined from 4.0 in 1969 to 2.9 in 1990. Similarly, the percentage of AFDC families with 4 or more children declined from 32% in 1969 to 10% in 1990. Thus, AFDC mothers are already following a broader social trend. Our hope is that states will undertake demonstrations to find effective ways to provide as much assistance as possible to AFDC mothers trying to avoid sexual activity or childbearing.

Work Programs for Fathers. One significant cause of the financial distress of female-headed families is that too few fathers pay child support, sometimes because they cannot find work. Demonstrations designed to help such fathers find work and improve their payment of child support are needed.

Interestingly, we find the same dichotomy in child support payments as we found in the economic and social distress of female-headed families: poor fathers, like poor female-headed families, have more problems. Census Bureau data show that of all custodial mothers living above the poverty level, about 65% have a child support order and 43% actually receive payments; by contrast, of all mothers below the poverty level, only 43% even have an order and less than 25% receive any money. Fathers of children on AFDC have an even worse record of paying child support

than all fathers of poor children. Only about 10% of AFDC fathers make any official child support payments at any given time.

The child support payment record of nonpoor, noncustodial fathers is fair, that of poor fathers is weak, and that of AFDC fathers is terrible. Recent research by Frank Frustenberg, Kay Sherwood, and Mercer Sullivan, sponsored by the Manpower Demonstration Research Corporation (MDRC), shows that noncustodial fathers cover a wide spectrum in their ability and desire to pay child support. Many fathers have good payment records when they are employed, support the mother and children informally even when they can't pay child support, and express deep regret and even shame that they cannot provide more reliable support for their children. At the other extreme, some fathers actively avoid child support, are wise to the ways of Child Support Enforcement agencies, and are bitter toward both their children's mother and child support agencies. As a rough rule of thumb, Gordon Berlin of MDRC says that one-third of fathers have good payment records, one-third want to pay but sometimes can't, and one-third actively avoid paying.

Berlin is now heading the Parents' Fair Share research project at MDRC which is designed to help fathers with poor payment records prepare for and enter employment and simultaneously improve their record of paying child support. Within two or three years, this project will provide the first solid evidence of whether fathers with poor child support payment records can be helped to enter employment and to improve their record of paying child support. It seems likely that something like Berlin's one-third rule will prevail: some fathers will be very successful in the program, some fathers will show modest improvement, and some none at all. The big questions are what percentage of fathers fall into each of the three groups and whether specialized programs can be developed to improve the success rate with fathers in the latter two groups.

Given the central role of child support in our system of improving the financial security of poor children, as well as the importance of improved child support payments in holding down the cost of an assured benefit program if one is ever implemented, we want to be certain that the MDRC work is continued and that the new questions that will inevitably arise from that work are pursued vigorously by the Office of Welfare Reform Demonstrations. Perhaps it is not too much to hope that improved employment and child support payments by noncustodial fathers will lead to better relations between parents living apart and between noncustodial parents and their children.

Getting Started Quickly

Creating the conditions in which these large-scale demonstrations could be conducted will be difficult. Few issues are more partisan than welfare. And yet, we believe there is widespread agreement that our current approach fails as often as it succeeds. Moreover, nearly everyone agrees that we need to know more to be effective in helping the poor. Even on new program ideas that would seem to be highly partisan, such as time-limiting AFDC, there is already a surprising degree of consensus.

The current disarray in social policy may be precisely the opportunity needed to try these new approaches. We detect a deep understanding in Congress and in the nation that all the current answers are at best partial. We need new approaches, and we need to find out how effective they are without spending a fortune. Perhaps the social policy inertia in Washington, combined with the research-oriented nature of our enterprise, will enable the process of selecting and conducting these demonstrations to rise above politics as usual. We make no assumptions about the interpretations Republicans and Democrats will place on the results of these demonstrations. Indeed, we fully expect the results to be used in future partisan debate, as they should be. Nonetheless, we believe it is possible to protect the process of selecting and conducting the demonstrations from partisan interference.

Here's how to do it. We want the President to create an Office of Welfare Reform Demonstrations. The sole responsibility of this office will be to oversee the conduct of state demonstrations and the dissemination of results. The demonstrations on AFDC time-limitation, child support assurance, and mandatory work must be underway within 12 months of passage of our bill. The additional experiments discussed above, as well as others the Office deems worthy of consideration, can be undertaken as time and resources permit.

The Director of the Office of Welfare Reform Demonstrations will be appointed to a 6-year term by the President without Congressional approval. The Congressional approval process is cumbersome, and would guarantee that the Office would get off to a slow start. Moreover, Congressional advice and consent can be ensured in far more effective ways than a one-shot, perfunctory examination of the director's qualification.

In this regard, we want the Office to have an Advisory Board composed of 13 members. The Chairman and Ranking member of the Ways and Means and Finance Committees will each have two appointments to the Board. One appointment must be an expert on research issues; the other must be a member of the respective committees. The Advisory Board would have no direct authority over the activities of the Office of Welfare Reform Experiments, but Congressional control over the Office's budget, combined with the direct involvement of four members of the Ways and Means and Finance committees, will ensure adequate attention to views presented by the Advisory Board. The Director of the Congressional Budget Office and the Office of Management and Budget and the Secretaries of Health and Human Services, the Department of Labor, the Department of Education, and the Department of Housing and Urban Development will also be members of the Advisory Board.

The Board will meet at least twice per year to provide the Office of Welfare Reform Demonstrations with advice on its research and demonstration programs. The Board would give special attention to the appropriateness and balance of the particular demonstrations selected by the Office, the scientific merit of its program, and the effectiveness of its dissemination strategies.

Given that the first year will be one of selecting the demonstrations, recruiting states to conduct them, and planning the demonstrations and evaluations, the Office budget can be modest, around \$5 million. However, we envision large-scale, in most cases state-wide, demonstrations. They will be expensive. Therefore, our funding package includes \$1 billion per year to cover the cost of the demonstrations, evaluations of the demonstrations' results, and dissemination.

Although the Office of Welfare Reform Demonstrations must have a great deal of flexibility to conduct its studies, our legislation nonetheless places certain constraints on the Office. More specifically, all demonstration studies must include a scientifically valid evaluation design, a cost-benefit study, and a report to Congress that includes specific policy recommendations consistent with the results of the demonstration.

The administrative structure and budget we propose will get us off to a quick start and will allow for the balance between direction and flexibility that is necessary to guide the welfare reform process in Congress. Meanwhile, significant changes will be taking place where they count the most -- in the cities, towns, and rural areas of the nation.

Appendix A

Outline of Legislative Proposal

Brief Overview
Shaw/Johnson/Grandy Welfare Reform Bill
June, 1992

Title I: Changes in Welfare Policy

1. \$1 billion for employment and training of welfare mothers (the JOBS program) at reduced state match
2. Broadened waiver authority encouraging state demonstrations in over 70 welfare programs
3. Modification of Earned Income Tax Credit to convert a health benefit to a cash benefit
4. Expansion of the asset test in the Aid to Families with Dependent Children (AFDC) programs from \$1,000 to \$10,000
5. Require states to establish systems to ensure that parents of AFDC children obtain immunizations and well child care for their children and oversee their children's school attendance
6. Report from Health and Human Services on the long-term consequences of teen sexual activity and childbearing and the effectiveness of programs designed to reduce them

Title II: Demonstrations

1. Establish Office of Welfare Reform Demonstrations with a budget of \$1 billion per year and the responsibility of planning and supervising state demonstration programs and ensuring the dissemination of results
2. Major Demonstrations -- the Office has great flexibility in working out the details of the demonstrations with states, although the following three demonstrations must be underway before other demonstrations can begin:
 - a) Time-limited AFDC
 - limits AFDC eligibility to 4 years
 - mandatory 25% involvement in education, parenting, employment, or training program while on AFDC

- at least annually, states must assure that all AFDC recipients achieve the 25% standard and show "substantial progress" toward achieving independence of welfare
- mandatory financial sanctions for each violation on annual accounting
- states can use all employment and training programs in JOBS and other programs approved by Secretary
- parents who are disabled, caring for disabled dependent, in last trimester of pregnancy or 2 months following birth are exempt from participation requirements

b) Mandatory Work and Public Jobs

- states can require work of all welfare recipients with children over age 1 (or another age at state option)
- states can end AFDC, Food Stamps, and Medicaid and replace them with government jobs paying a wage equal to AFDC plus Food Stamps and with health insurance benefits comparable to Medicaid
- states or localities must keep careful records that allow computation of how much it costs to create government jobs
- at least one demonstration must combine time-limited AFDC with public jobs to determine how many former welfare recipients use the jobs and how long they stay in the jobs

c) Child Support Assurance

- state-federal program of assuring a minimum child support benefit for single-parent families
- guarantee level of assured benefit must fall between \$1500 and \$3000 with no more than an extra \$500 for 1 or more additional children
- assured benefit does not count as income for purposes of calculating the Earned Income Tax Credit
- state must pay between 25% and 50% of assured benefit
- assured benefit must reduce AFDC benefit dollar-for-dollar

3. Other Demonstrations

a) Improving the Financial Incentives to Leave Welfare

- compare the effects of disregards ranging from the current \$30 and 33% to \$200 and 50%
- if possible, a demonstration on changes in work disregards should be done in a state demonstrating the child support assured benefit to determine whether the two programs influence each other

b) Enterprise zones & other investment programs, especially microenterprises

- c) **Comprehensive implementation strategies for the JOBS program including work incentives for staff, staff training, marketing to recipients, and assistance to recipients once they begin work**
- d) **Marriage incentives that allow AFDC mothers to retain part of their welfare benefit after they marry**
- e) **Informing AFDC mothers of the availability of free family planning services and reducing or eliminating additional AFDC benefits for additional children**
- f) **Helping fathers who must pay child support prepare for and find work or work in government jobs**

Appendix B: Overview of Means-Tested Programs

Programs	Federal Expenditures Fiscal Year 1980 (Millions)		State-Local Expenditures Fiscal Year 1980 (Millions)		Combined Expenditures Fiscal Year 1980 (Millions)		Recipients (Thousands)	Administered By State or Federal	Committees of Jurisdiction		Mandatory or Discretionary	
	Federal Expenditures Fiscal Year 1980 (Millions)	State-Local Expenditures Fiscal Year 1980 (Millions)	State-Local Expenditures Fiscal Year 1980 (Millions)	Combined Expenditures Fiscal Year 1980 (Millions)	HOUSE	SENATE						
HEALTH												
1. Medicaid	\$41,285	\$31,033	\$72,328	25,255	F (Vets Affairs)	E & C	Phenice	M				
2. Medical Care for Veterans w/o Service Connected Disability	\$6,466	\$0	\$6,466	565	F (DHHB)	Veterans	Veterans	D				
3. Indian Health Services	\$1,250	\$0	\$1,250	1,100	F (DHHB)	EA/Chancellor	Indian Affairs	D				
4. Maternal and Child Health Services Block Grant	\$654	\$363	\$1,017	807	N/A	EBC	Labor	D				
5. Community Health Centers	\$478	\$0	\$478	5,360	F (DHHB)	EBC	Labor	D				
6. Title X Family Planning Services	\$136	N/A	\$136	4,000	F (DHHB), B	EBC	Labor	D				
7. Medical Assistance to Refugees and Cuban/Mexican Entrants	\$65	\$0	\$65	N/A	B	Judiciary	Judiciary	D				
8. Migrant Health Centers	\$49	\$0	\$49	500	F (HHS)	EBC	Labor	D				
CASH												
9. AFDC	\$11,505	\$6,661	\$18,166	11,439	B	W & M	Finance	M				
10. SSI	\$13,608	\$3,628	\$17,236	4,913	F (SSA)	W & M	Finance	M				
11. ETIC	\$5,802	\$0	\$5,802	33,693	F (IRS)	W & M	Finance	M				
12. Payments for Needy Veterans, Dependents, and Survivors	\$3,954	\$0	\$3,954	1,000	F (Vets A)	Veterans	Veterans	M				
13. Foster Care Maintenance Payments	\$1,477	\$1,208	\$2,685	173	B	W & M	Finance	M				
14. Emergency Assistance to Needy Families w/Children	\$157	\$314	\$471	186	B	W & M	Finance	M				
15. Adoption Assistance	\$136	\$136	\$272	48	B	W & M	Finance	M				
16. Cash Assistance to Refugees and Cuban/Mexican Entrants	\$143	\$0	\$143	59	B	Judiciary	Judiciary	D				
17. Dependency/Independence/Death Compensation for Veterans Parents	\$52	\$0	\$52	44	F (Vets A)	Veterans	Veterans	M				
18. General Assistance to Indians	\$52	\$0	\$52	50	F (Bur Ind Affairs)	Interior	Indian Affairs	D				
FOOD												
19. Food Stamps	\$18,517	\$1,185	\$19,702	21,500	B	Agriculture	Agriculture	M				
20. School Lunch	\$3,250	N/A	\$3,250	11,600	B	EAL	Agriculture	M				
21. WIC	\$2,119	N/A	\$2,119	4,500	B	EAL	Labor	D				
22. Nutrition Program for the Elderly	\$617	N/A	\$617	3,548	B	EAL	Labor	D				
23. School Breakfast	\$546	N/A	\$546	3,640	B	EAL	Labor	D				
24. Child and Adult Care Food Program	\$447	N/A	\$447	500	B	EAL	Agriculture	M				
25. TEAF (The Emergency Food Assistance Program)	\$305	N/A	\$305	500	B	EAL	Agriculture	M				
26. Summer Food Service Program for Children	\$171	N/A	\$171	1,063	B	EAL	Agriculture	M				
27. Commodity Supplemental Food Program	\$88	N/A	\$88	274	Local	EAL	Agriculture	M				
28. Food Distribution Program on Indian Reservations	\$67	N/A	\$67	136	Local	Agriculture	Agriculture	D				
29. Special Milk Program	\$2	N/A	\$2	53	B	EAL	Agriculture	M				
HOUSING												
30. Section 8, Low Income Housing Assistance	\$10,577	N/A	\$10,577	2,500	Local Pub. H. Auth.	Banking	Banking	D				
31. Low Rent Public Housing	\$3,916	N/A	\$3,916	1,465	Local Pub. H. Auth.	Banking	Banking	D				
32. Rural Housing Loans	\$1,311	\$0	\$1,311	25	F	Banking	Banking	D				
33. Section 235, Interest Reduction Payments	\$630	\$0	\$630	531	F	Banking	Banking	D				
34. Rural Rental Housing Loans	\$572	\$0	\$572	16	F	Banking	Banking	D				
35. Rural Rental Assistance Payments	\$265	\$0	\$265	27	F	Banking	Banking	D				
36. Section 235, Homeownership Assistance for Low Income Families	\$99	\$0	\$99	130	F	Banking	Banking	D				
37. Section 101, Rent Supplements	\$49	\$0	\$49	20	F	Banking	Banking	D				
38. Rural Housing Repair Loans and Grants	\$24	\$0	\$24	6	F	Banking	Banking	D				
39. Farm Labor Housing Loans and Grants	\$22	\$0	\$22	1	F	Banking	Banking	D				
40. Indian Housing Improvement Grants	\$19	\$0	\$19	2	Local Indian H. Auth.	Banking	Banking	D				
41. Rural Housing Preservation Grants	\$19	\$0	\$19	5	F	Banking	Banking	D				
42. Rural Housing Self-Help Technical Assistance Grants and Rural Housing Site Loans	\$7	\$0	\$7	33	F	Banking	Banking	D				
EDUCATION												
43. Stafford Loans (GBL)	\$5,948	\$0	\$5,948	3,624	F	E & L	Labor	M				
44. Pell Grants	\$4,484	\$0	\$4,484	3,434	F	E & L	Labor	D				
45. Head Start	\$1,352	\$368	\$1,720	541	Local Grants	E & L	Labor	D				
46. College Work-Study	\$436	\$0	\$436	638	Instr. of Higher Educ.	E & L	Labor	D				
47. Supplemental Educational Opportunity Grants	\$168	\$168	\$336	633	Instr. of Higher Educ.	E & L	Labor	D				
48. Vocational Education, Disadvantaged Activities	\$272	\$0	\$272	N/A	States & Localities	E & L	Labor	D				
49. Chapter 1, Migrant Education	\$242	\$0	\$242	508	F	E & L	Labor	D				
50. TRIO Programs for Students from Disadvantaged Backgrounds	\$104	\$0	\$104	250	B	E & L	Labor	D				
51. Perkins Loans	\$72	\$0	\$72	628	B	E & L	Labor	D				
52. BILG, State Student Incentive Grant Program	\$47	\$0	\$47	4	B	E & L	Labor	D				
53. Fellowships for Graduate and Professional Study	\$6	\$0	\$6	3	B	E & L	Labor	D				
54. MEP, Migrant High School Equivalency Program	\$7	\$0	\$7	13	F	E & L	Labor	D				
55. Follow Through	\$7	\$0	\$7	21	F	E & L	Labor	D				
56. Health Professionals Student Loans and Scholarships	\$4	\$0	\$4	6	F	E & L	Labor	D				
57. Bracero Fellowships	\$2	\$0	\$2	0	F	E & L	Labor	D				
58. CAMP, College Assistance Migrant Program	\$1	\$0	\$1	0	Close-Up Foundation	E & L	Labor	D				
59. Child Development Associate Scholarship Program	\$1	\$0	\$1	4	Instr. of Higher Educ.	E & L	Labor	D				

Programs	Federal Expenditures Fiscal Year 1980 (Millions)	State-Local Expenditures Fiscal Year 1980 (Millions)	Combined Expenditures Fiscal Year 1980 (Millions)	Recipients (Thousands)	Administered By State or Federal	Committee of Jurisdiction HOUSE	Committee of Jurisdiction SENATE	Mandatory or Discretionary
JOBS and TRAINING								
60 Training for Disadvantaged Adults and Youth	\$1,745	0	\$1,745	416	S	E & L	Labor	D
61 Job Corps	\$603	0	\$603	40	F	E & L	Labor	D
62 Summer Youth Employment Program	\$700	0	\$700	625	S	E & L	Labor	D
63 JOBS	\$265	\$167	\$432	444	S	W & M/EAL	Finance	M
64 Senior Community Service Employment Program	\$367	\$41	\$408	65	S	E & L	Labor	D
65 Foster Grandparents	\$60	\$14	\$74	21	F	E & L	Labor	D
66 Senior Companions	\$27	\$7	\$34	10	F	E & L	Labor	D
ENERGY								
67 LIHEAP	\$1,519	\$122	\$1,641	5,900	S	Energy & Nat Res	E & C	D
68 Weatherization Assistance	\$161	N/A	\$161		S			D
DTMER								
69 Title IX, Social Services Block Grant	\$2,782	\$2,140	\$4,922	N/A	S	W & M	Finance	M
70 Community Services Block Grant	\$399	--	\$399	N/A	S	E & L	Labor	D
71 Legal Services	\$317	--	\$317	N/A	S	Judiciary	Labor	D
72 Emergency Food and Shelter Program	\$130	N/A	\$130	N/A	Local Grants	Banking	Gov't Affairs	D
73 Social Services for Refugees and Cuban/Haitian Entrants	\$53	0	\$53	256	S	Judiciary	Judiciary	D
74 Child Care and Development Block Grant	--	--	90	--	S	E & L	Labor	D
75 "At-Risk" Child Care	--	--	90	--	S	W & M	Finance	M
76 State Legalization Impact Assistance Grants	\$303	0	\$303	N/A	S	Judiciary	Judiciary	D

Source: CRS Report 91-741, EPW, "Cash and Non-Cash Benefits for Persons With Limited Income", Sept. 30, 1991.

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HANDOUTS FROM TODAY'S PRESS CONF.
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LOTT, GINGRICH, ENGLER, AND BRANSTAD

Fax Number: 456-5557

RGANews

A MONTHLY NEWS UPDATE BY THE REPUBLICAN GOVERNORS ASSOCIATION ★ JULY 1996

With the approach of the Republican National Convention in San Diego, the GOP is focusing more intently on issues we believe will carry us to victory in November. Based on the belief that government closest to the people is the most compassionate and effective, we need to highlight our belief that power should be returned to the states, especially when it comes to government entitlements such as welfare.

With regard to welfare, we keep getting conflicting signals from Washington. For example, South Carolina submitted a waiver to drug test welfare recipients but Washington's pre-conditions made the request completely ineffective. Two weeks later, President Clinton said he was for drug testing, which was exactly what Governor Beasley had submitted a waiver to accomplish.

The same thing happened in Ohio, where they set up a program to keep welfare recipients in school through incentives. Washington's response was to approve the program, but not for recipients who are in school, thereby contradicting the purpose of the program.

Despite his promise to our nation's governors nearly one year ago, President Clinton continues to delay real welfare reform and his actions continue to contradict his words.

It is time to give power back to the people so that we may continue the effort of welfare reform across the country, both among the states and on Capitol Hill.

GOVERNOR JOHN ENGLER (MI)
Chairman

GOVERNOR STEVE MERRILL (NH)
Vice Chairman

RGANews HEADS FOR SAN DIEGO

Building on the success of the June 13 Governors' Forum, hosted by Governor John Rowland in Stamford, Connecticut, the RGA now takes its show on the road.

The RGA is going full throttle for the Republican National Convention in San Diego this August. With the acquisition of the Sheraton Grande Torrey Pines Hotel as our official RGA hotel, Convention Week promises to be spectacular for RGA members. Following are some of our special activities.

SUNDAY, AUGUST 11	Private, RGA Members-Only Party, (hosted by Mr. & Mrs. Gordon Luce)
MONDAY, AUGUST 12	Convention in session all day
TUESDAY, AUGUST 13	RGANews "Sports Day" Governors' Cup Golf & Tennis Tournaments RGANews Fishing Expedition to the Pacific
WEDNESDAY, AUGUST 14	Republican Governors' "Salute to Newt Gingrich" Luncheon (Members of the U.S. House and Senate, as well as local elected officials from across the country, are also invited to attend.) Republican National Committee's Gala Dinner (RGANews Members are encouraged to attend.)
THURSDAY, AUGUST 15	"Melee for Haley" Party honoring RNC Chairman Haley Barbour (This will surely be one of the most memorable events of the entire convention!)

Thanks to the Connecticut Forum and other 1996 Governors' Forums, our fundraising is continuing on a record pace. Even better, we have more new RGA members than ever before, adding to the dynamic group that will launch Bob Dole from the convention to the White House. ★

CALENDAR OF EVENTS

National Governors Association Annual Meeting
Fajardo, Puerto Rico, July 13-16, 1996

Governors' Forum
Los Angeles, CA, August 9, 1996

Republican National Convention
San Diego, CA, August 12-15, 1996

Governors' Forum
Las Vegas, NV
Date to be determined

Annual Meeting
Grand Rapids, MI, November 23-26, 1996

REPUBLICAN GOVERNORS WELCOME EPA REPORT CARD ON STATE EMISSIONS

Thanks to voluntary initiatives, technological innovations and a growing number of state-business partnerships, states with Republican governors are benefiting from a decline in toxic chemical emissions.

According to a new report by the Environmental Protection Agency, businesses have once again reduced the amount of chemicals released to the environment—by more than 8.5% between 1993 and 1994 alone. Since 1988, releases have dropped more than 44%.

Pennsylvania, California, Tennessee, Texas, Virginia, and Kansas are among those that have made strides in reducing the release of chemicals through voluntary cooperative partnerships. Pennsylvania, for example, reduced its chemical emissions by 40% from 1990-1994.

"These reductions are good news for the American public and the people of my state," said Pennsylvania Governor Tom Ridge.

California's pollution control investments are achieving real-time results," said California Secretary for Environmental Protection James M. Strock. California shows a 68% reduction of total toxic releases from major sources during the past eight years.

"The continuing reduction of total emissions is very positive," said Kansas Governor Bill Graves. Under a program initiated several years ago, Kansas businesses have agreed to voluntarily reduce their emissions.

Justin P. Wilson, commissioner of the Tennessee Department of Environment and Conservation, said Tennessee has made a 32 million pound reduction this year. "These reductions have been made through the voluntary efforts of Tennessee businesses and citizens in the Tennessee 2000 Initiative private/public partnership," said Wilson.

Texas manufacturers reduced pollution 31% from 1987 to 1994 and have recorded seven years of pollution reductions. "Double-digit pollution reductions were achieved while manufacturing output also grew by double digits," said Barry McBee, chairman of the Texas Natural Resource Conservation Commission (TNRCC).

The EPA report indicates a downward trend of 64% for Virginia between 1987 and 1994. "Our approach to environmental improvement — reliance on states and businesses, confidence in technological improvements, and work toward voluntary solutions — continues to be successful," said Virginia Department of Environmental Quality Director Thomas L. Hopkins. ★

WELFARE REFORM
DATES TO REMEMBER

- OCTOBER 23, 1995:** Governor Bill Clinton declares that if elected president, he will "end welfare as we have come to know it."
- JANUARY 20, 1995 - JANUARY 4, 1995:** No action on welfare by Democrat president or Democrat Congress.
- JULY 31, 1995:** President Clinton tells the nation's governors that he will approve welfare waiver requests within 30 days.
- DECEMBER 6, 1995:** President Clinton vetoes welfare reform for the first time.
- JANUARY 9, 1996:** President Clinton vetoes welfare reform for the second time.
- MAY 18, 1996:** President Clinton embraces the Wisconsin Works (W-2) welfare reform plan.
- MAY 29, 1996:** Governor Thompson delivers W-2 waiver request to White House.
- JULY 10, 1996 - PRESENT:** 30 days after official submission, the Wisconsin Works (W-2) plan still awaits approval by President Clinton.

INCREASING OUR MAJORITY:
THE 1996 GUBERNATORIAL ELECTIONS

The RGA is in an enviable position this year. Several outstanding gubernatorial Republican candidates have already emerged from primaries across the country. With eleven governors' races, we have only four seats to defend and seven challenger races. Our four Republican seats are in solid shape. Of the seven Democrat seats, we have challenger candidates in four states: Indiana, Missouri, North Carolina and West Virginia. The other three — Delaware, Vermont and Washington — still await the closing of filing dates and/or primaries.

Our candidate in Indiana, Steve Goldsmith, mayor of Indianapolis, is ahead of his opponent in the current polls and is running a textbook campaign. Currently, Indiana is the only Great Lakes' state without a Republican governor — a situation that will soon be reversed.

Margaret Kelly, the Missouri state auditor, is the GOP nominee. Kelly has been elected to statewide office three times and has effectively exposed the record of her op-

ponent, Governor Mel Carnahan, who raised state taxes by \$310 million. Kelly has branded him 'The Tax Man, Carnahan,' and is gaining rapidly in the polls.

Robin Hayes, the majority whip in the North Carolina House of Representatives, seeks to unseat three-time Governor Jim Hunt. Hayes is a dynamic, charismatic campaigner who has assembled an outstanding campaign team of seasoned veterans. We expect Hayes to soon join Governor David Beasley (SC) in leading the Carolinas with conservative ideals.

Governor Cecil Underwood was elected in West Virginia in 1956 and now seeks to become both the youngest, and oldest, person to serve in the state's history. (He already holds one record.) At 72, Governor Underwood is running hard against former State Senator Charlotte Pritt, the ultra-liberal Democrat nominee.

All of these candidates represent the best of Republican government: lower taxes, smaller government closer to home, stronger communities and families. ☆

GOVERNORS ASK PRESIDENT CLINTON TO STOP PLAYING POLITICS WITH WELFARE REFORM



Governors David Beasley, SC (left) and John Engler, MI (right), joined Governor John Rowland, CT in Stamford, CT on June 13, 1995, to discuss national political issues, including the need for major welfare/medical reform. Under Governor Rowland's leadership, Connecticut recently imposed a 21-month limit on welfare benefits.

WELFARE REFORM:
GOVERNORS DELIVER BUT THE WAIT CONTINUES

It was only a year ago when, at the July 1995 Summer meeting of the National Governors' Association, President Clinton promised to sign welfare waivers within 30 days of their submission. On July 10, 1996, the 30-day deadline for the most famous waiver — the "Wisconsin Works" (W-2) welfare reform plan — quietly passed, with no presidential approval.

Governor John Engler has now requested approval for a set of waivers for the state of Michigan's welfare reform plan, which builds upon the principles established by the governor and the state legislature in 1992. The clock is now ticking for approval of Michigan's welfare waivers, which were introduced in Congress recently by Michigan Senator Spence Abraham and Congressman Dave Camp.

President Clinton gave a ringing endorsement for drug testing of AFDC recipients in May. Governor David Beasley was taken aback because Clinton had previously gutted a portion of South Carolina's waiver, which called for sanctioning recipients who test positive for

drug abuse. Based on the President's change-of-heart, South Carolina has now resubmitted that portion of the waiver for full approval.

President Clinton denied portions of waivers for the state of Ohio which called for real time limits for welfare recipients and also would have authorized the state to end medical assistance for individuals who engage in welfare fraud. Governor Voinovich and the state of Ohio have now resubmitted those portions in hope of presidential approval.

Republican Governors keep asking, "How long must we wait for federal approval of welfare reform plans which are supported by bipartisan majorities in our own legislatures?"

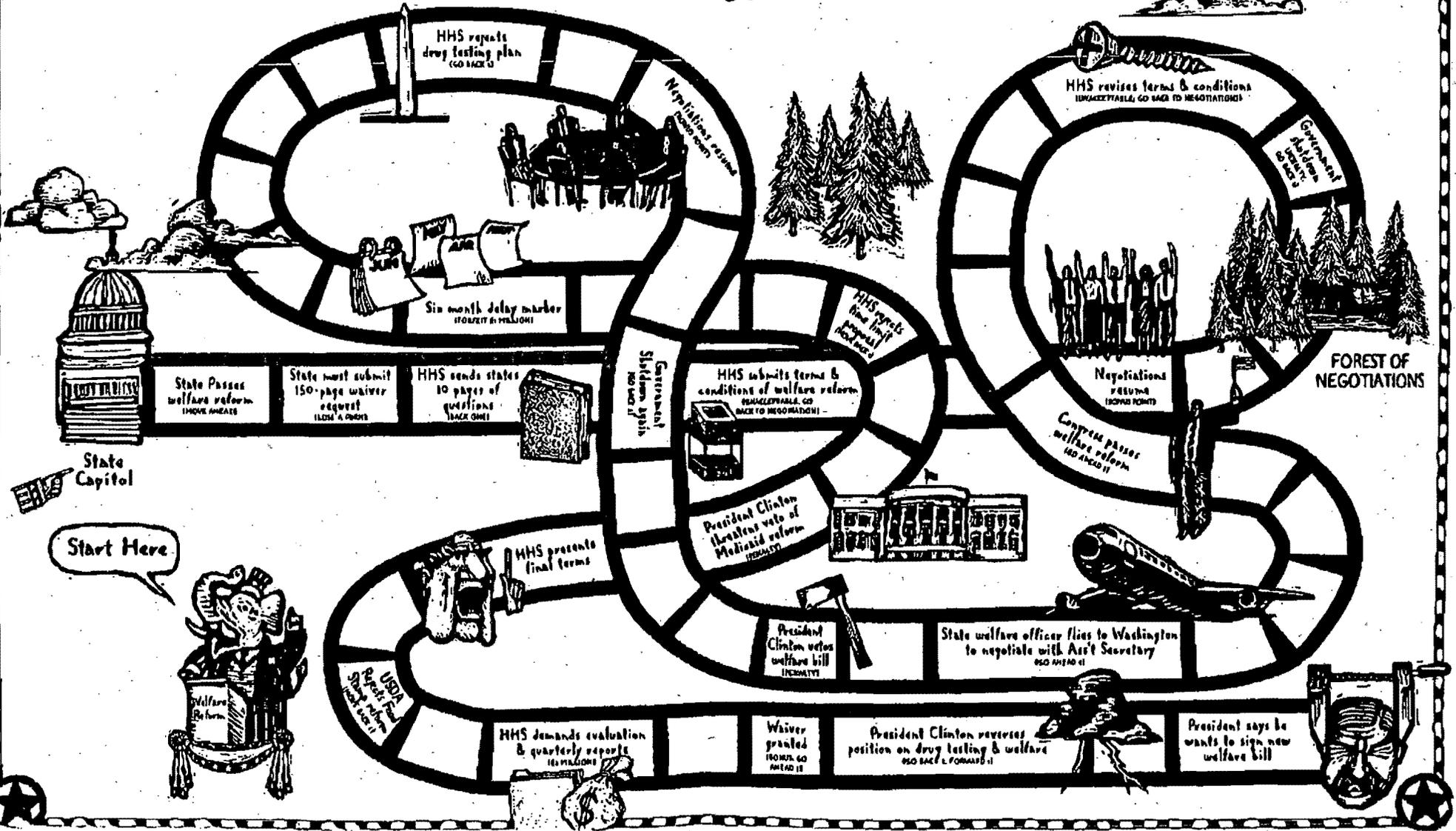
The people have spoken and are demanding welfare reform. The nation's governors have delivered. President Clinton cannot continue to say he supports a given waiver, and then fail to approve it. He cannot continue to say he's for welfare reform legislation — then veto it. The best answer is for the states to receive flexibility in the form of welfare reform legislation, so they can implement reform without having to beg Washington for waiver approval that is rarely forthcoming. ☆

REPUBLICAN GOVERNORS OF THE UNITED STATES
☆

- Bob Jones, Alabama
- File Syrington, Arizona
- Phil Wilson, California
- John Rowland, Connecticut
- Phil Batt, Idaho
- Jim Edgar, Illinois
- Tony E. Brantner, Iowa
- Bill Graves, Kansas
- Mike Foster, Louisiana
- William Weld, Massachusetts
- John Engler, Michigan
- Arne H. Carlson, Minnesota
- Kirk Fordice, Mississippi
- Matt Roemer, Montana
- Steve Merrill, New Hampshire
- Christine Todd Whitman, New Jersey
- Gary Johnson, New Mexico
- George Pataki, New York
- Ed Schauer, North Dakota
- George V. Voinovich, Ohio
- Frank Keating, Oklahoma
- Tom Ridge, Pennsylvania
- Lincoln Almond, Rhode Island
- David Beasley, South Carolina
- Bill Jordan, South Dakota
- Don Sundquist, Tennessee
- George W. Bush, Texas
- Mike Lamell, Utah
- George Allen, Virginia
- Tammy G. Thompson, Wisconsin
- Jin Gafney, Wyoming

and, as of July 13...
Mike Huckabee, Arkansas

Bill Clinton's Waiver Game



Republican Welfare Reform Meets the Clinton Administration

excerpt from

Republican Ideas in Action

Governors and

the Case for

Republican Government

Republican Welfare Reform Meets the Clinton Administration

Despite claims to the contrary, the Administration in Washington keeps slowing down welfare reform in the states

HERE IS WHAT BILL CLINTON'S "WELFARE WAIVER PROCESS" REALLY LOOKS LIKE

"In the last two years, our administration, for example, granted more waivers in the area of health care and welfare reform than in the previous 12 years combined. And we want to do more of that."

—President Clinton in remarks to the National Governors Association, January 30, 1995

"In terms of letting the states have more flexibility to make the money go further, to do different things with it, to expand coverage in different ways, we have been on the forefront of that."

—Remarks by President Clinton at a cabinet meeting, January 10, 1996

"For every improvement, the states have had to ask Washington's permission. Such requests often take half a year of wheeling and dealing more appropriate to a rug market than to government."

—William Weld, Governor of Massachusetts, writing in the New York Times

Few policy areas have received as much attention from President Clinton as state experimentation with welfare. Although it is hardly a new area — Republican presidents stretching back to Richard Nixon have advocated state flexibility on welfare — the current Administration has repeatedly made its approval of welfare "waivers" the primary evidence for its commitment to real welfare reform.

The experience of most Republican governors, however, demonstrates that the waiver process has fallen far short of the political rhetoric. Governor William Weld's observation about the "rug market" atmosphere of the waiver process is, sadly, a far more accurate description of the waiver process than what has been heard from the President. At a meeting of the National Governors' Association, the President even promised to sign welfare waiver requests within 30 days — a promise that has not been fulfilled.

Instead, Republican governors who have formulated innovative plans to promote respon-

sibility or simply reduce the size of the welfare roll confronted extraordinary bureaucratic obstacles when they sought approval from the federal Department of Health and Human Services (HHS), or the U.S. Department of Agriculture (which oversees the food stamp program). Many states have seen their proposal so altered by HHS requirements that its original purpose has been nullified. Other states have become so frustrated with the process that they simply withdrew their original reform plan altogether. The Clinton Administration bureaucracy proved too great a hurdle.

To be sure, many states have successfully achieved waivers for welfare and Medicaid reform proposals, and Republican states are leading the way *in spite of* the Administration's obstructions. But the real problem remains the process itself.

Despite the President's claim that he wants to encourage state innovation, his federal agencies continue to insist on rules and requirements that discourage or simply prohibit far-reaching reform. Given the amount of paperwork involved (some waiver requests are 300 pages long), the promised thirty-day approval process is, under the current system, a complete fantasy. Moreover, the Clinton Administration has taken no steps to expedite the process or establish a clearer, simpler set of rules. It continues to prevent states to determine how best to evaluate their proposals. It still insists on a cumbersome waiver process for programs already approved and at work in other states. And its insistence on rigid cost neutrality rules limit what a state can actually try.

Republican governors are committed to a process that would end most of these unnecessary federal waiver requirements. For all its talk about a commitment to state flexibility, the current national welfare system remains a form of federal micromanagement of local social programs.

"You are aware by now that this application was submitted on May 1, 1995. During July we received three different sets of questions, each subsequent set withdrawing the earlier. Many questions were irrelevant, and others embarrassingly uninformed. On August 15, we responded to the questions after many conversations and several conference calls. We were assured that a decision would be reached in 90 days."

- excerpt from letter from a Mississippi official to a HCFA official, nine months after submitting a waiver for a state program for mentally-ill children.

Clinton Wavers After Supporting Welfare Remedy

"WASHINGTON, June 14 - Four weeks after President Clinton endorsed Wisconsin's radical proposal to abolish welfare, citing it as an example of the 'quiet revolution' in social policy occurring across America, Administration officials say they now have doubts and concerns about some of its most important provisions."

—New York Times, June 15, 1996

Virtually every Republican-led state has appealed to Washington for a waiver of federal regulations so it could administer a welfare program that departs from the uniform national standard. Below are a handful of illustrations of what President Clinton's welfare waiver process really looks like.

ALABAMA— PAPER OUT PAPER IN

In July, 1995, the State of Alabama wanted to introduce flexibility into its state-administered Medicaid program. In order to comply with federal waiver requirements, it had to submit a Medicaid regulation waiver request that was 800 pages long. In response, the Department of Health and Human Services sent the state 250 pages of questions.

CALIFORNIA — DEMONSTRATING WHAT WORKS, OVER AND OVER AGAIN

In 1982, California first received a federal waiver for Medicaid provisions that allowed it to implement the Selective Provider Contracting Program Waiver. The waiver allows the state to contract selectively with hospitals to provide in-patient services to Medi-Cal beneficiaries, thereby letting the state act as a more efficient and cost-conscious administrator. Since 1982, the program is estimated to have saved approximately \$4 billion. Since its initial approval, the waiver has been resubmitted and approved every two years. Yet today, even when the merits of the program have been demonstrated for 14 years, the federal government still insists on making the state go through the bi-annual waiver approval process.

Under the Clinton Administration, California has submitted 13 separate welfare waiver requests (excluding Medicare). In many instances, the state has had to wait for a year or more to receive the waiver. That has been the case with California's Maximum Family Grant waiver, which would curb grant increases for women who have additional children while on public assistance. The proposal would provide a savings of \$32.6 million in the first year. California applied for a waiver to implement the plan in November 1994. The state has yet to receive federal approval.

"Most of the major waiver issues being requested by Kansas are already being adequately evaluated in other states. Little or no purpose would be served by duplicating these evaluations in Kansas. It certainly would not be an effective use of public funds. A conservative estimate of the total cost of an evaluation of the Kansas welfare reform waiver is \$3 million."

— Rochelle Chronister,
Kansas Secretary of Social and
Rehabilitation Services,
in a May 8 letter to
HHS Secretary Donna Shalala.

"The waiver process is clearly not designed to encourage states to be innovative. By its very construction, the level of detail required, the need for explicit federal approval at every step, and the requirement of expensive, research oriented evaluation, it is designed to discourage experimentation. It is a process designed to maintain the status quo, first by creating a process so cumbersome that the faint of heart surrender before they begin, and second, by so restricting the latitude of those with the temerity to undertake the process that the end result is much the same. The waiver process is not a negotiation between equals. It is a carefully constructed mechanism for states to plead their case before a federal entity that is holding all the cards. In the end, the feds make an offer and states take it or leave it."

— Remarks on the waiver process from a
South Carolina Department of
Social Services official.

CONNECTICUT – APPROVAL WITH FEDERAL ALTERATIONS

In 1995, the State of Connecticut sought and received waivers for changes it wanted to introduce to its AFDC program – but only after accepting changes required by Washington. For example, the state wanted to institute a 21-month time limit

with limited exceptions for welfare recipients. The federal government demanded that the state allow for continuous “good-faith” extensions of 6 months for certain categories of recipients. The federal government also insisted that Connecticut provide a full cash benefit to those on welfare who have started working but are not yet earning the equivalent of the welfare benefit; the state believed this change would open the system up to new abuses.

“Over the last four years, the emphasis of Clinton’s welfare policy has often changed, and his positions on specific proposals have been consistently unpredictable, confusing his friends and angering his foes.”

– New York Times, May 19, 1996

IDAHO – WELFARE REFORM, WITH WASHINGTON’S PERMISSION

In 1995, Governor Philip E. Batt created a citizen’s advisory committee to study and suggest reforms to Idaho’s welfare system, which eventually recommended 44 reform proposals. Of those 44, only 8 were able to be addressed by Idaho’s legislature. All but 12 of the remainder were dependent upon action by the federal government. As a result, the state had to begin work on drafting over 60 separate waiver requests.

ILLINOIS – TRYING TO STUDY REFORM BY WASHINGTON’S RULES

The State of Illinois spent months working on a welfare reform plan, including a research program to track its results. But officials in Washington insisted that the state evaluate its reforms under its far more costly and drawn-out evaluation methods, engaging the services of a third-party evaluator. The federal government insists that this exact same evaluation method be used in every state, regardless of the reform underway.

“It’s slow. It’s piecemeal. It will not change welfare as we know it and I think it’s somewhat of a put-down that governors have to come and beg to do something to take people off welfare, to improve the lives of people that are in poverty and we can do it so much better, more efficiently and effectively, at the state level.”

– Wisconsin Governor Tommy Thompson

KANSAS – LEARNING THE HIGH COST OF REFORM

In 1994, Kansas unveiled a far-reaching welfare reform package to promote responsibility, encourage employment, and increase the efficiency of the program. It required 37 requests for federal waivers. Yet on several fronts, federal obstacles made the final implementation of the plan virtually impossible. Most of the major welfare waiver requests were already being evaluated in other states, so

Kansas sensibly asked to be exempted from yet another evaluation process that would cost as much as \$2 million dollars.

The state also discovered that what worked with one federal agency might not work with another. Although the Department of Health and Human Services was prepared to negotiate with the state, the U.S. Department of Agriculture, which is responsible for the Food Stamp program, would not allow changes that would have let Kansas link child support requirements to the Food Stamp program.

MISSISSIPPI – OPPOSITION FROM WASHINGTON

In May 1995, the State of Mississippi submitted a waiver application to the federal Health Care Financing Administration (HCFA) to improve its services for mentally-ill children. In response, it received three different sets of questions, each subsequent set withdrawing the earlier ones. After many conversations, conference calls, and letters, Mississippi received assurance that a decision would be reached in 90 days. But then, HCFA, reversing its previous position, informed the state that it could not rely on a sole source contract for this reform – despite the fact that other states were doing just that. Although Mississippi complied with the request and sent out letters to all prospective contractors, by February 1996, the state had still not heard a decision on the application and the sole source issue had not yet been resolved. On February 9, the state withdrew its application. "It no longer matters whether this is because HCFA can't admit its error, or can't muster a modicum of competence to resolve this issue," wrote a state official to Washington, "I cannot ask my staff to endure anymore of this. The real losers are the mentally ill children of our state."

NEW HAMPSHIRE – 42 WAIVERS TO REFORM

In order to get its welfare reform plan established, the State of New Hampshire had to submit 42 waiver applications to the federal government before receiving approval.

MASSACHUSETTS – WASHINGTON MAKES THE FINAL DECISIONS

"We want to include educational activities for recipients through age 21, they want us to stop at 20. We want our AFDC workers in Health and Human Services to work in conjunction with the Department of Employment Security, so that AFDC recipients move from a check to a job. The federal government said 'no'."

– New Hampshire Governor Steve Merrill

In March 1995, the State of Massachusetts submitted a 182-page application to the federal government seeking waivers so it could implement its broad welfare reform package. Comparatively, the state's experience was extremely successful; it received approval for its plan six months later. But in the process, some alterations to the plan had to be made to meet federal agency requirements, which demonstrate the tight control the federal government retains on state innovation. For example, changes to the Food Stamp program were rejected by the U.S. Department of Agriculture and HHS insisted that the state broaden its exemptions when it placed a time-limit on welfare payments. In one case where the state

believed the best policy would require recipients of child care benefits to make a very small monthly co-payment toward the cost, HHS refused to grant a waiver altogether.

MICHIGAN – TRYING TO SATISFY THE FEDS

The State of Michigan is still waiting for approval of one of its welfare reform experiments known as the "Medicaid Buy-In for Person Who Work Their Way off Welfare," which would eliminate the disincentive in current welfare programs that prevents some working people from receiving Medicaid benefits. The initial limited waiver request was submitted to Washington by Michigan in March 1994. The Health Care Financing Administration turned it down. The following year, the state pursued it again. This time, HCFA said it was prepared to approve the waiver request, provided the state commit no less than \$4 million in state general funds - far more than the state had budgeted for. The state has revised the plan again, this time limiting it to five counties. By June 1996, HCFA had made verbal indications that it would likely be approved, but no final decision has been made.

"We would ask for money with no strings. They would send no money, all strings."

- Michigan Governor John Engler

OHIO – CATCH-22 IN WASHINGTON

For over five years, Ohio has operated the Learning, Earning and Parenting program known as LEAP. It has been a notable success. The President's administration and the Congress have suggested that all fifty states adopt a version of Ohio's program. Unfortunately, the program operated under a demonstration waiver that lasted for only five years. When Ohio requested an extension of the waiver, it learned that no such extension exists. The state was forced to modify its existing program simply in order to request a new waiver that would allow LEAP to continue. Ironically, even as other states were being urged to follow Ohio's lead, the waiver process prevented Ohio from continuing its own success story.

OKLAHOMA – STILL WAITING FOR AN ANSWER

In October 1995, Oklahoma submitted its waiver request for changes to the state AFDC program. The state is still waiting for approval. Meanwhile, its Medicaid waiver was approved, but HHS would not allow the state to establish a co-payment system in emergency rooms to curb abuse of expense emergency room care.

SOUTH CAROLINA –

LOCAL POLICY VERSUS WASHINGTON PREFERENCES

As part of its state welfare overhaul, the South Carolina legislature approved the governor's plan to introduce time limits, drug testing, work requirements, a family cap, child support requirements, and mandatory education into its public policies. In each case, the Clinton Administration forced the state to carve out new exemptions or scale back its program, significantly altering its original intent. These changes took place over an intensive 11-month period of negotiation. The federal government, for example, prevented the state from using a positive drug test as a reason to close a welfare case. (Ironically, President Clinton has recently endorsed the concept.) The federal government also opposed the state's proposal that welfare

recipients who refuse to attend job training classes immediately lose their welfare benefits. (The federal government's preference is a gradual reduction of payments while the state expends its energy convincing the recipient to attend classes.)

WISCONSIN - A VICTIM OF WASHINGTON'S "WAVER" GAME

On April 25, Governor Tommy Thompson signed landmark welfare reform legislation that would abolish cash assistance and replace it with a system of wage subsidies for single mothers who work. To the surprise of many, President Clinton praised the efforts in a May 18 national radio address calling the Wisconsin plan a "solid bold welfare reform plan." A White House aide in charge of coordinating welfare policy for the president was quoted in newspapers as saying, "They'll work out the details and it will be approved." Yet two months later, federal officials backed off their enthusiasm for the proposal. According to the *New York Times*, federal officials are now hesitant to approve parts of the Wisconsin plan that would effectively end the entitlement nature of some federal welfare programs and permit Wisconsin to steer welfare recipients to jobs.

SENT BY:

*John Shaw**Haskins chart*

RESPONSE TO DEMOCRATS CHARGE THAT WAIVERS PROVISION GUTS WORK REQUIREMENTS

1. The conference report makes an important clarification to the waivers' provision.

As the conference agreement states, "such waivers may only apply to the geographical areas of the state and to the specific program features for which the waiver was granted. All geographical areas of the state and program features of the state program not specifically covered by the waiver must conform to this part."

2. A majority of the waivers are only for specific counties and subdivisions or for specific provisions. The vast majority of state and localities in this nation will have to abide by the strict work requirements in this report. Those states who have trial work programs are already at the forefront of implementing exact type of strong work requirements that are included in this report.
3. Under this report 50% of welfare recipients will be required to work by 2002. It is our understanding that NO waivers waive participation rates meaning that ALL states will have to abide by these TOUGH standards.
4. Finally I want to add that a majority of those waivers in effect now will be expiring in the very near future under which case these work requirements will go into effect regardless of any extension of such waivers.

Stenholm

STATE WAIVERS PROTECT CHILDREN and MAKE WORK REQUIREMENTS REALISTIC

- * The only work requirements that are meaningful are work requirements that actually can be met. Previous Republican welfare reforms have failed to give states the resources necessary to put welfare recipients to work.
- * Rhetoric about being "tough on work" has led to work requirements that virtually no state can implement.
- * The additional flexibility that this bill gives to states in developing work programs will reduce the pressure on states to cut benefits or restrict eligibility for assistance in order to meet the work requirements of the bill.

The Congressional Budget Office has reported that states would be forced to "tighten eligibility for assistance to needy families or by reducing the size of benefits" in order to offset the unfunded mandate in the work programs.

Members concerned about the impact that welfare reform will have on children should strongly support giving states flexibility and reducing the unfunded mandates in the bill.

- * President Clinton has begun to implement aggressive welfare reform initiatives, approving waivers in 40 states for programs to move welfare recipients to work. These states deserve a chance to make their programs work.

Statement of Charles Stenholm
Welfare Reform Conference Report
July 31, 1996

While some of the comments I've heard this afternoon have tended towards the hyperbolic, it truly is the case that the importance of what we are doing today should not be minimized. When this welfare reform proposal is signed into law, the status quo will be fundamentally changed.

This kind of change does not happen by chance. More people than I can mention deserve credit, but in addition to the obvious leadership of President Clinton, Chairman Shaw, and other Members of the Leadership, I want to express my thanks for the bipartisan efforts of Mike Castle, John Tanner, John Chaffee, Sandy Levin, Nancy Johnson and others.

One of the major reasons I opposed previous welfare reform proposals, and specifically the bill that was most recently before the House, was because of the restrictions it would have placed on the state of Texas. Earlier this year I worked extensively with Governor Bush and the White House to obtain approval of the Texas welfare waiver which includes the best plans of our state for moving people from welfare to work.

President Clinton already has approved waivers allowing 41

states to implement innovative programs to move welfare recipients to work. The House's welfare reform bill would have restricted those state reform initiatives by imposing work mandates that are less flexible than states are implementing. Over 20 states would have been required to change their work programs to meet the mandates in that earlier House bill or face substantial penalties from the federal government.

The conference report now allows states that are implementing welfare waivers to go forward with those efforts. Specifically, the conference report allows those states to count individuals who are participating in state-authorized work programs in meeting the work participation rates in the bill, even work programs which otherwise do not meet the federal mandates in the bill.

~~I know~~ I know that some of my colleagues on my side of the aisle have been critical of the state waiver provisions included in this conference report. I must respectfully and forcefully disagree with that sentiment and say that in virtually all cases, I think that conversations with officials from their own states would lead them to supporting this waiver provision.

I am convinced that these various state plans are precisely the best experiments for determining how to put people to work. Frankly, I think the state plans generally are more realistic about the work

requirements and are more solidly grounded in the possible, rather than the hypothetical.

Some of us around here have gotten carried away with our rhetoric about being "tough on work" by getting into a bidding war over who can have work requirements that sound tougher. Our rhetoric about being tough on work has led us to impose work requirements in this bill that virtually no state can implement.

The only work requirements that are meaningful are the work requirements that actually can be met by states. When I have said that previous welfare reform bills were weak on work, I have meant that the bills would not give states the resources to put welfare recipients into work.

The mandates in the bill passed by the House would force states such as Texas to make changes in the plans passed by the state legislature or face severe penalties from the federal government.

The important state waiver change included in the conference report gives states necessary additional flexibility in implementing programs to move welfare recipients to work even if they don't meet the mandates in this bill.

The additional flexibility that this bill gives to states in developing work programs will reduce the pressure on states to cut benefits or restrict eligibility for assistance in order to meet the work

requirements of the bill. The Congressional Budget Office has reported that states would be forced to "tighten eligibility for assistance to needy families or by reducing the size of benefits" in order to offset the unfunded mandate in the work programs. **Members who are concerned about the impact that welfare reform will have on children should strongly support giving states this flexibility and reducing the unfunded mandates**

Despite some reservations I have about this conference report, I believe it is critical that welfare reform be enacted this year. Failure to do so will signal yet another wasted opportunity to make critically needed reforms. We should enact this conference report and fix the current system now, moving towards a system that better promotes work and individual responsibility.



DATE: 7/17/96

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

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OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
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REMARKS:

Please find attached CBO #'s for the work
and child care \$ shortfalls under the Senate
bill.

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07/17/96

03:41 PM

Child Care Funding Under the Senate Finance Reconciliation Bill Compared With Child Care Costs if States Met the Work Requirements of the Proposal and Current Spending on At-Risk and Transitional Child Care

Estimated using March 1996 Baseline
(by fiscal year, in millions)

	1997	1998	1999	2000	2001	2002	'97-'02
Child Care Funding Under the Proposal							
Federal Share							
BA	1987	2067	2167	2367	2567	2717	13852
State Share							
BA	1450	1521	1593	1736	1880	1988	10168
Total							
BA	3417	3588	3760	4103	4447	4705	24020

Child Care Costs if States Were to Meet the Work Requirements of the Proposal

Total							
BA	1580	1830	3070	3740	4460	5360	20040

Difference Between Child Care Funding and the Child Care Costs to Meet the Work Requirements

Total							
BA	1837	1758	690	363	-13	-655	3980
Federal Share							
BA	1070	1020	400	210	-10	-380	2310
State Share							
BA	770	740	290	150	-10	-260	1670

Current Law Spending on At-Risk and Transitional Child Care Spending (TCC)

Total							
BA	980	1030	1060	1090	1110	1140	6410

Difference Between Child Care Funding and the Child Care Costs to Meet the Work Requirements of the Proposal Plus Current Law Spending On At-Risk and TCC

Total							
BA	857	728	-370	-727	-1123	-1795	-2430
Federal Share							
BA	500	420	-210	-420	-650	-1040	-1410
State Share							
BA	360	310	-160	-310	-470	-750	-1020

To: Interested Parties
 From: Shesa Dacey, Justin Latus
 Date: July 17, 1996

Preliminary Estimate of Total Costs for States to Meet the Work Participation Requirements in Senate Finance Reconciliation Bill

(by fiscal year, outlays in millions of dollars)

	1997	1998	1999	2000	2001	2002
TOTAL COSTS						
Total Work Program Costs	1,730	1,950	3,230	3,985	4,740	5,595
Total Child Care Costs related to the Work Program	1,580	1,830	3,070	3,740	4,480	5,360
Total Costs	3,310	3,780	6,300	7,725	9,200	10,955
COSTS IN ADDITION TO 1994 LEVELS						
Additional Work Program Costs	370	590	1,870	2,625	3,390	4,235
Additional Child Care Costs related to the Work Program	630	880	2,120	2,780	3,510	4,410
Total	1,000	1,470	3,990	5,415	6,890	8,645

Estimate is based on March 1996 baseline projections.

Basis of Estimate

The amendment would require that in FY 1997 states have 25 percent of certain families receiving cash assistance in work activities. The required participation rate rises by 5 percentage points each year through FY 2002. The required participation rate is adjusted down one percentage point for each percentage point that caseload is below FY 1995 levels.

Families with no adult recipient or with a recipient experiencing a sanction for non-participation (for up to 3 months) are not included in the calculation. Families in which the youngest child is less than one year old are exempt for up to one year at the option of the state. Participants in work activities would include an individual who is participating in a subsidized job or workfare position, engaging in job search or job readiness activities (for up to 4 weeks), attending vocational education training (for up to 12 months), maintaining satisfactory attendance at school (for a single head of household under age 20), or working in an unsubsidized job. Not more than 20 percent of required participants can meet the requirement through vocational education. Participants would be required to work 20 hours a week through FY 1998, 25 hours in FY 1999, 30 hours in FY 2000-2001, and 35 hours in FY 2002 and thereafter. A participant with a child under age six would be required to work 20 hours a week in each fiscal year.

This estimate does not effect CBO's estimate of federal costs, because the bill limits the federal contribution for welfare spending. Also, this estimate addresses only the work participation rate requirements that apply to the entire public assistance caseload. It does not address the bill's additional work requirements that apply to two parent families or to all recipients who receive assistance for more than two years.

The costs shown are based on the following three assumptions:

1. States would comply with the work requirements. CBO's federal cost estimates have assumed that it would be more likely that states would absorb penalties rather than meet the requirements.
2. States would maintain a level of quality in their programs similar to the level that exists today.
3. States would not "game" the work requirements by transferring a large share of their current AFDC caseload to state-funded general assistance programs.

Additional work program costs shown are in addition to 1994 total (federal and state) spending for the JOBS program of \$1.4 billion. Additional child care costs are in addition to 1994 total (federal and state) spending for AFDC work-related child care of \$1 billion.



Committee On Finance

William V. Roth, Jr., Chairman

NEWS RELEASE

FOR IMMEDIATE RELEASE
December 8, 1995

Press Release #104-146
Contact: Ginny Koops
202/224-4288

ROTH CONCERNED THAT CLINTON WALKING AWAY FROM PROMISE TO REFORM WELFARE

Roth: President Cannot Afford to Break Another Promise

WASHINGTON - "Americans are tired of empty rhetoric from politicians," Senate Finance Committee Chairman William V. Roth, Jr. (R-DE) stated Friday as he expressed alarm that President Clinton is wavering on his promise to reform welfare. Saying, "It would be regrettable if the President walks away from all of these things which he so recently pledged," Roth cited Clinton's four principles for reforming welfare, and pointed out that the welfare conference report meets Clinton's stated welfare reform criteria. Roth's statement follows:

"There are alarming signals coming from the White House that President Clinton may veto welfare reform. Instead of ending welfare as we know it, the Administration apparently intends to continue politics as usual.

"From the early days of his administration, President Clinton promised welfare reform to the American people. On February 2, 1993, he told the nation's governors that he would announce the formation of a welfare reform group within ten days to work with the governors to develop a welfare reform plan. At that meeting, the President outlined four principles which would guide his administration to reform welfare.

"The first principle as outlined by the President is that 'welfare should be a second chance, not a way of life.' In further defining what these means, the President stated that people should work within two years and that, 'there must be ... a time-certain beyond which people don't draw a check for doing nothing when they can do something.' On July 13, 1993, President Clinton went even further and told the National Association of County Officials that a two-year limit could be put on welfare. He said, 'you shouldn't be able to stay on welfare without working for more than a couple of years. After that, you should have to work and earn income just like everybody else.' He went on to say, 'And if you put the building blocks in, you can have a two-year limit on welfare as we know it. You would end the system as it

now exists.'

'Mr. President, that is a strong statement and a bold challenge. H.R. 4, the 'Personal Responsibility and Work Opportunity Act of 1995,' meets this first principle. We require people to work after two years and place a five-year limit on the receipt of federal benefits. Let me repeat this. We provide not a two-year limit on benefits, but a five-year limit. And, I might add, the Conference Report on H.R. 4 allows the states to exempt up to 15 percent of their caseload from this limit.

'The President's support for time limits, by the way, is one of the many ironies throughout the welfare reform debate. A good deal of attention has been focused on the analysis done by the Department of Health and Human Services on the impact the various welfare bills would have on families and children. The single greatest reason families would become ineligible for benefits is the five year limit. It is a bit inconsistent for the President to embrace a time limit but invite criticism of our proposal for a five-year limit on benefits.

'The second principle, as outlined by the President, is 'we need to make work pay.' The President indicated, that through the Earned Income Credit program, 'we ought to be able to lift people who work 40 hours a week, with kids in their home, out of poverty.'

'The Republican Balanced Budget Plan is consistent with this second principle outlined by the President. Under our plan, the EIC continues to grow. We are targeting the EIC program to those most in need.

'The Administration has criticized the Balanced Budget Act for its provisions on EIC. But I believe it is both fair and accurate to point out that in expanding the EIC, the Clinton Administration and the Democratic 103rd Congress went far beyond the President's stated goal as well as beyond the original goals of this program. For example, they expanded the credit to individuals who did not have children at home.

'We have found unacceptable levels of errors, abuse, and waste in this program. Spending for the EIC is quite simply out of control. We have proposed a responsible and reasonable reform of the EIC program separate from H.R. 4. Our welfare bill does not conflict with the President's principle on work.

'The third principle of welfare reform outlined by President Clinton some 34 months ago is that tougher child support enforcement is needed. H.R. 4 fully meets this principle. In an October 18, 1995 letter, the Director of O.M.B. informed the Majority Leader that 'the Administration strongly supports bipartisan provisions in both the House and Senate bills to streamline paternity establishment, require new hire reporting, establish State registries, make child support laws uniform across

State lines, and require States to use the threat of denying drivers' and professional licenses to parents who refuse to pay child support.' Clearly H.R. 4 meets the President's position on child support enforcement.

"The fourth principle outlined by the President was his commitment to encourage experimentation in the states. To his credit, his Administration has approved a number of waivers to allow the states the flexibility to experiment. But waivers are not enough as the President himself, as a former governor, realizes.

"When he spoke to the governors again this year on June 6 in Baltimore, the President told the governors, 'You could not design a program that would be too tough on work for me. You could not design a program that would give the States any more flexibility than I want to give them as long as we recognize that we ... have a responsibility to our children and to that in the end, our political and economic policies must reinforce the culture we are trying to create. They must be pro-family and pro-work.'

"At the same time, President Clinton also told the governors that, 'we can save some money and reduce the deficit in this welfare area.'

"Then, on July 20 this year, he told the National Conference of State Legislatures that 'what I want to do in the welfare reform debate is to give you the maximum amount of flexibility, consistent with some simple objectives. I do think the only place we need Federal rules and welfare reform ... is in the area of child support enforcement because so many of those cases cross State lines.'

"The President went on to say, 'so I am going to do my best to get you a welfare reform proposal which gives more flexibility to the states and doesn't have a lot of ideological proscriptions ... and just focuses on one or two big things that need to be done. I think that is the right way to do it.' We will provide the opportunity to make good on these words.

"The President has told the governors he wants to protect the states even when there is an economic downturn. We have done this with an \$800 million contingency fund and a \$1.7 billion loan fund. Clinton told them he wanted funding for child care. H.R. 4 provides \$17 billion for child care for welfare and low-income families. This is over \$700 million more than under current law. He told the governors the problem with a block grant was that states would cut their own funding and therefore he wanted requirements for states to maintain their own funding. H.R. 4 imposes such requirements. Furthermore, the conference agreement provides \$3.5 billion in more funding for the Block Grants to States for Temporary Assistance for Needy Families than the Senate bill which passed 87-12.

"The President indicated his interest in a performance bonus which forces the

bureaucracy and recipients to focus on work. Establishing performance standards is a subject which I have personally worked on for years. H.R. 4 includes work-based performance standards.

"It is clear we have responded positively to all of these concerns.

"The President also indicated he was willing to give the states more flexibility in child nutrition, adoption, and child protective services. H.R. 4 protects the current entitlements of foster care and adoption assistance maintenance payments. Between 1995 and 2002, funding for foster care will increase by nearly 80 percent. Funding for child nutrition will increase from less than \$8 billion in FY 1995 to over \$11 billion in 2002.

"These are the fundamental principles the President outlined to the governors and to the nation. Congress will shortly send a welfare reform bill which meets these principles. It would be regrettable if the President walks away from all of these things which he so recently pledged.

"The need to reform the welfare system is as critical today as it was nearly three years ago when the President took office. The number of children receiving AFDC increased nearly threefold between 1965 and 1993. By comparison, the total number of children in the United States aged 0 to 18 declined by 5.5 percent during this period.

"In 1965, the average monthly number of children receiving AFDC was 3.3 million; in 1970, it was 6.2 million; in 1980, it was 7.4 million; and in 1993, there were nearly 9.6 million children receiving AFDC benefits.

"The Department of Health and Human Services has estimated that 12 million children will receive AFDC benefits by the year 2005 under current law. If he vetoes welfare reform, President Clinton will be accepting the status quo in which another two and one-half million children will fall into the welfare system.

"If the President vetoes welfare reform, he will be preserving a system which costs and wastes billions of taxpayers dollars. The General Accounting Office has estimated, for example, that nearly \$1.8 billion in overpayments were made in the Food Stamp program in 1993 alone.

"A critical point of welfare reform is to give the states both the authority and the responsibility for efficiently and effectively administering these programs. As a former governor, the President surely knows well the duplication in the delivery of benefits. It costs over \$6 billion just to administer the AFDC and Food Stamp programs. When you include the cost of errors, fraud, and abuse in these two programs, another \$3 billion is wasted.

"We have therefore proposed an optional block grant for the Food Stamp program. At a town meeting this past June, the President told the people of New Hampshire that his Administration has given 29 states waivers to use Food Stamps and welfare checks to employers as a wage supplement. If it is good policy as a waiver, it is good policy to allow governors to accept an optional block grant.

"Another important area of reform is the Supplemental Security Income program. The SSI program was established 21 years ago principally to provide a welfare retirement program for aged and disabled adults who were unable to contribute enough into the Social Security system. With this purpose in mind, one would think that the cost of this program should at least be stable as the elderly SSI population has actually declined by more than one-third since 1974.

"Instead, SSI is the largest cash assistance program for the poor and one of the fastest growing entitlement programs. Program costs have grown 20 percent annually in the last 4 years.

"The SSI reforms in H.R. 4 are designed to slow the growth in the two populations which have seen tremendous increases in recent years, noncitizens and children. In 1982, noncitizens constituted three percent of all SSI recipients. In 1993, noncitizens constituted nearly 12 percent of the entire SSI caseload. From 1986 through 1993, the number of aged or disabled noncitizen recipients grew an average of 15 percent annually, reaching nearly 700,000 in 1993. Today, almost one out of every four elderly SSI recipients is a noncitizen. GAO calculates that noncitizens are actually more likely to receive SSI than citizens. The majority of these elderly noncitizens, 57 percent, have been in the United States less than five years.

"In total, our reforms directed at noncitizens will save the taxpayers more than \$20 billion. If President Clinton vetoes H.R. 4, these savings will be lost.

"According to the General Accounting Office, the growth in the number of disabled children receiving cash payments under SSI was moderate before 1990, averaging 3 percent annually between 1984 and 1990. Then, from the beginning of 1990 through 1994, the growth averaged 25 percent annually, and the number tripled to nearly 900,000. Their share of the disabled SSI population grew from about 12 percent before 1990 to 22 percent in 1994. The number of children who are disabled and receive benefits has increased by 166 percent just since 1990.

"I would remind my colleagues that the changes in the definition of childhood disability included in H.R. 4 was adopted on a bipartisan basis.

"The conference agreement maintains the commitment to children who are disabled. All children currently receiving SSI benefits will continue to receive the full cash benefit to which they are entitled through January 1, 1997.

"The conference report increases Federal spending on welfare programs. Expenditures for the programs under H.R. 4 totaled \$83.2 billion in 1995. Under H.R. 4, they will increase by one-third to total \$111.3 billion in 2002. Between 1995 and 2002, total expenditures for these programs will be \$753.7 billion.

"The conference report also provides support for other areas in which the President has indicated support. The President has called for action to prevent teen pregnancies. We provide \$75 million for abstinence education.

"The President has called for tough child support enforcement. Our welfare reform bill includes significant improvements in child support enforcement which will help families avoid and escape poverty.

"The failure of an absent parent to pay child support is a major reason the number of children living in poverty has increased. Between 1980 and 1992, the nationwide child support enforcement caseload grew 180 percent, from 5.4 million to 15.2 million cases. The sheer growth in the caseload has strained the system.

"There have been improvements in the child support enforcement system as collections have increased to \$10 billion per year, but we clearly need to do better. The House and Senate have include a number of child support enforcement reforms. These include expansion of the Federal Parent Locator Service, adoption of the Uniform Interstate Family Support Act (UIFSA), use of Social Security numbers for child support enforcement, improvements in administration of interstate cases, new hire reporting, and reporting arrearages to credit bureaus. Our conference report provides increased funding for child support data automation.

"As I have already mentioned, these provisions have been endorsed by the Administration. Let me also note that I recently received a letter from the American Bar Association in which the ABA states it 'strongly supports the child support provisions in the conference report.' The letter goes on to say, 'If these child support reforms are enacted, it will be an historic stride forward for children in our nation.' If the President vetoes welfare reform, he will forfeit this historic opportunity.

"On January 24, 1995 President Clinton declared at a joint session of Congress, 'Nothing has done more to undermine our sense of common responsibility than our failed welfare system.'

"Mr. President, vetoing welfare reform will seriously undermine the American people's confidence in our political system. The American people know the welfare system is a failure. They are tired of empty rhetoric from politicians. Words without deeds are meaningless. The time to enact welfare reform is now."

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COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6348

December 5, 1995

PHILLIP O. MOSELEY, CHIEF OF STAFF

JANICE MAYS, MINORITY CHIEF COUNSEL

The Honorable William Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

We have studied the October 26, 1995 letter from Health and Human Services Secretary Shalala outlining your Administration's position on most welfare reform issues. The letter lists, by our count, more than 80 specific issues on which the Administration has taken a position or suggested changes in the final conference agreement on welfare reform.

The enclosed material provides a detailed comparison of Administration positions with the provisions adopted in the final conference agreement. You cannot fail to be struck by how conferees have settled most of the issues entirely or in large measure along lines your Administration favors. We are including a chart that summarizes how conferees responded to each of your positions. By our count, the conference bill is in complete or substantial agreement with Administration positions on 85 percent of the issues raised in your letter.

We trust that this analysis will provide you, at the appropriate time, with good reason to seriously consider joining with us in completing these historic reforms of the nation's failed welfare system.

Sincerely,

E. Clay Shaw, Jr.
Chairman, Subcommittee on
Human Resources

Bill Archer
Chairman
Committee on Ways & Means

Comparison of Administration Positions on Welfare Issues Raised by IIIIS with
Final Bill Resulting from House-Senate Conference
December 5, 1995

What follows is a comparison of Administration recommendations on numerous welfare reform issues, as expressed in Secretary Shalala's letter of October 26, 1995 to House and Senate conferees. The analysis was performed by House Republican conferees. Page numbers refer to the page in Secretary Shalala's letter on which the Administration position was stated.

Also attached is a 2-page chart detailing whether specific provisions in the conference agreement are in complete, substantial, or no agreement with the detailed Administration positions. The summary at the close of the chart indicates that the conference agreement reflects conferees' complete or substantial agreement with Administration positions on 85 percent of all issues, and conferees' complete or substantial agreement with Administration positions on 100 percent of the major issues raised in the HHS letter.

MAJOR ISSUES

1. The safety net for vulnerable citizens must be retained. (page 1)

Republicans agree that the safety net must be maintained. On the other hand, government must avoid giving guaranteed, permanent benefits to people who do not work and who have children outside wedlock. The safety net cannot be allowed to become a hammock for millions of Americans. Thus, the Republican welfare reform bill, like the Senate amendment the Administration supports, would control the rate of growth of welfare spending. Under the conference agreement, programs affected by welfare reform (family support payments, child care, food stamps, supplemental security income, child nutrition, foster care and adoption, and social services block grant) will grow from \$83.2 billion in 1995 to \$111.5 billion in 2002. The rate of growth averages 4 percent per year as compared with an average rate of 5.8 percent under current law. The attached chart plots the growth of welfare spending under current law and under the Republican reform bill; detailed annual figures are provided in the attached table. The safety net remains intact, but grows at a more modest rate than under current law.

2. Child support enforcement must be strengthened. (page 11)

The child support provisions in the conference bill are in almost complete agreement with Administration positions. Both the House and Senate consulted with the Administration as their bills were being written and we have responded to a host of Administration comments during the conference. Nearly everyone who is involved in child support believes that the provisions in the conference bill are the toughest child support measures ever to pass Congress. There is every reason to believe that these measures will dramatically improve child support collections while improving efficiency. Equally important, they will provide mothers leaving welfare with a stream of income that will substantially increase the chances that they and their children will be able to remain off welfare.

Comparison of Administration Positions on Welfare Issues Raised by HHS with
Final Bill Resulting from House-Senate Conference

Major Issues	Complete Agreement	Substantial Agreement	No Agreement
1. Preserve safety net for vulnerable citizens		✓	
2. Child support enforcement must be strengthened	✓		
3. Ensure adequate resources for child care	✓		
4. States should not be rewarded for cutting families from rolls	✓		
5. State option on cash for unmarried teen parents	✓		
6. Teens must stay at home and in school for benefits	✓		
7. No mandatory family cap		✓	
8. Require State maintenance of effort		✓	
9. Create contingency grant fund	✓		
10. Noncitizens not indefinitely restricted from most benefits		✓	
11. Naturalized citizens treated like other citizens	✓		
12. Provide resources for job training and education		✓	
13. Keep current child protection programs and rules		✓	
14. SSI reforms in the original House bill go too far		✓	
<u>Other Issues</u>			
1. States get credit if families leaving rolls for work or sanctioned		✓	
2. Allow vocational education as a credited work activity	✓		
3. Exempt families with under 6 child from work sanctions	✓		
4. Exempt families with under 6 child from working 20+ hours	✓		
5. Exempt families with child under 1 from work	✓		
6. Maintain child care health and safety standards	✓		
7. Prohibit transfers out of the child care block grant	✓		
8. Appropriate all child care authorizations		✓	
9. Modify spending counted in maintenance of effort	✓		
10. States count only Title IV spending in maintenance of effort	✓		
11. Emergency assistance should count in maintenance of effort	✓		
12. States must maintain spending to receive contingency funds	✓		
13. Contingency fund should be increased, especially in recession.		✓	
14. Need added funds even if national unemployment is low		✓	
15. Contingency funds trigger on children receiving food stamps			✓
16. Exempt one parent of SSI child from work requirement		✓	
17. Performance bonus for States that succeed on work	✓		
18. Require personal responsibility contracts			✓
19. Preserve cash benefits and Medicaid for SSI kids	✓		
20. Current SSI kids should be exempted from eligibility changes		✓	
21. States may disregard SSI in setting cash welfare benefits			✓
22. Continue nutrition and Medicaid for kids despite 5-year limit		✓	
23. Allow exemptions from 5-year time limit		✓	
24. Exempt parents of disabled children from 5-year limit		✓	
25. Allow non-cash benefits for children despite 5-year time limit	✓		
26. Require teen parents to live in supervised setting for benefits	✓		
27. State option on "second chance" homes	✓		
28. Provide for streamlined paternity establishment	✓		
29. Provide for new hire reporting in child support	✓		
30. Provide for license revocation for failure to pay child support	✓		

Other Issues (continued)	Complete Agreement	Substantial Agreement	No Agreement
31. Provide for uniform interstate child support laws	✓		
32. Provide for computerized State child support collections	✓		
33. Do not require States to cut benefits if paternity not established	✓		
34. The \$50 pass-through should not be eliminated		✓	
35. "Children first" priority for all post-welfare child support		✓	
36. States meet performance levels for child support incentives		✓	
37. The illegitimacy bonus is unworkable and encourages abortion		✓	
38. Noncitizen deeming should be extended	✓		
39. Sponsors not have to show income above 200% of poverty	✓		
40. Disabled and over-75 excepted from noncitizen restrictions			✓
41. Don't restrict Title XX & discretionary programs to noncitizens		✓	
42. Refugees should be able to naturalize before any restrictions	✓		
43. Application of Medicaid restrictions on noncitizens		✓	
44. Sponsorship agreements should be legally binding	✓		
45. Any blanket ineligibility rule should be time limited	✓		
46. Blanket ineligibility provide excepted classes and programs	✓		
47. Blanket ineligibility should except current beneficiaries	✓		
48. Limit deeming to programs currently subject to deeming			✓
49. Except certain programs from deeming requirements	✓		
50. Deeming period should extend only to citizenship	✓		
51. The disabled should be excepted from deeming requirements			✓
52. Make sponsorship legally binding and apply to deeming period	✓		
53. Current deeming formulas should be retained			✓
54. Don't broaden number of programs that must verify legal status			✓
55. Change the definition of "lawfully present" in bill	✓		
56. States must provide certain benefits to legal noncitizens	✓		
57. States must provide benefits to certain classes of noncitizens	✓		
58. Do not require Federal agencies to report illegals to INS			✓
59. Provide funding for evaluation of State welfare reforms	✓		
60. Let Secretary fund evaluations of ongoing waiver projects	✓		
61. Support the national random-sample study of welfare families	✓		
62. Continue current staff levels at HHS and other Federal agencies			✓
63. Provide strong measures to ensure fiscal accountability	✓		
64. Let HHS control selected accountability measures	✓		
65. States should report extensive data on a disaggregated basis	✓		
66. Don't let counties operate separate cash welfare program	✓		
67. Retain current requirement that aged SSI is available at 65			✓
68. Provide more drug treatment funds through current block grant	✓		
69. Allow States to continue ongoing waiver projects	✓		
70. States must pay cost overruns from terminated waivers			✓
71. Retain the worker displacement provision in the Senate bill	✓		
72. Accountability by government and non-government agencies	✓		
73. Require consultation with local government and private groups	✓		
74. Don't require organizations getting Federal funds to disclose it			✓
Major Issue Breakdown	50%	50%	0%
Other Issues Breakdown	62%	20%	18%
Overall Breakdown	60%	25%	15%
--Complete and Substantial Agreement vs. No Agreement	85%	vs.	15%

3. Welfare reform must ensure adequate resources for child care. (page 1)

Conferees went beyond the position taken by the Administration. More specifically, the conference agreement provides \$17 billion in a single child care and development block grant (CCDBG), available to States under flexible conditions and without many of the mandates in current law. As shown in the table below, the Congressional Budget Office estimates that the conference agreement provides States with a total of \$17.0 billion over 7 years in budget authority to spend on child care. By contrast, the House bill provided \$14.7 billion, current law would provide \$15.8 billion, and the Senate amendment provided \$16.9 billion. The conference agreement also provides more mandatory spending than the other bills and fully \$0.8 billion more than current law. Thus, the conference agreement provides more budget authority and more mandatory spending than has been previously contemplated.

Child Care Spending in House Bill,
Senate Amendment, Current Law, and Conference Agreement

Source	Discretionary Spending	Mandatory Spending	Total
House Bill	\$14.7	0	\$14.7
Current Law	6.5	9.2	15.8
Senate Amendment	7.0	9.9	16.9
Conference Bill	7.0	10.0	17.0

Note. CBO estimates of budget authority in billions of dollars over the years 1995 through 2002

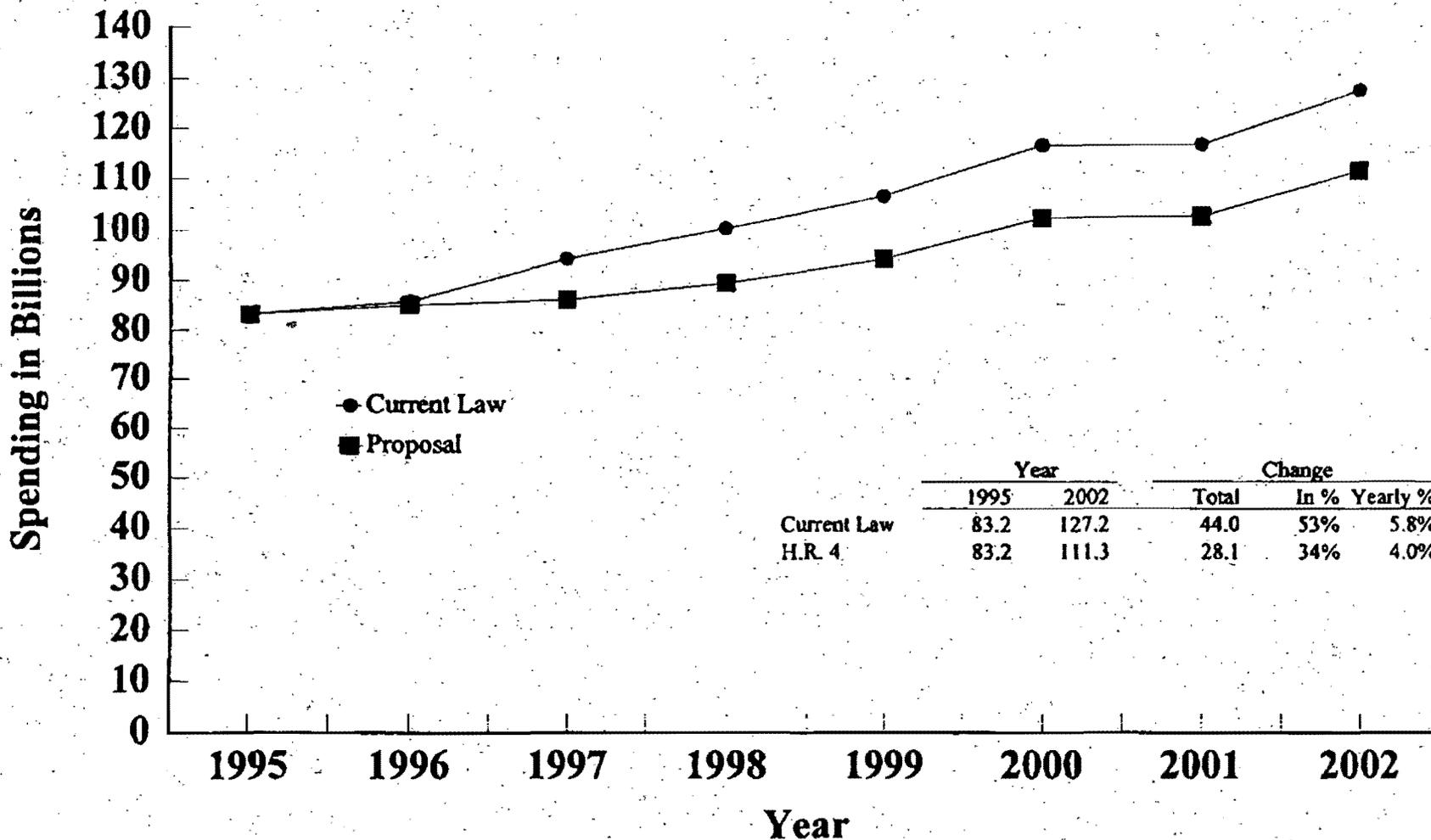
4. States should be rewarded for moving people from welfare to work, not for cutting them from the rolls. (page 1 and page 7)

Consistent with the Administration position, Conferees decided to follow the Senate amendment which prevents States from changing their eligibility criteria and then counting the resultant caseload reductions toward fulfillment of their required work participation rates.

5. States should not be prohibited from providing cash benefits to unmarried teen mothers. (page 10)

Conferees have reached a compromise on this issue that is consistent with the Administration position. The issue of cash for unwed teen parents has been one of the most controversial issues in the welfare debate. House Republicans continue to believe that the nation should stop cash subsidies for behavior that is clearly detrimental to the teens themselves as well as their children and communities. But in view of the strong opposition from the Administration and the Senate, we have agreed to drop our demand for a national prohibition on cash and to allow States to decide for themselves whether to continue cash payments for illegitimate births. We were convinced, in part, to adopt this position because many of the nation's governors have informed us of their intention to end cash payments. We are confident that, within several years, evaluation will show this policy to be effective in reducing the incidence

Comparison of Direct Spending Under Current Law and H. R. 4



Note: Programs included in this analysis are the temporary assistance for needy families block grant, child care, food stamps, supplemental security income, child nutrition, foster care, and the social services block grant. Figures are based on preliminary CBO budget estimates of H.R. 4.

**Comparison of Direct Spending Under
Current Law and Conference Agreement on H.R. 4, 1995-2002**

	Year								Total (or Average)
	1995	1996	1997	1998	1999	2000	2001	2002	
PROJECTED SPENDING UNDER CURRENT LAW									
Family Support Payments	18,223	17,449	17,843	18,279	18,827	19,433	20,059	20,705	150,818
Child Care	0	1,095	1,205	1,255	1,305	1,360	1,418	1,479	9,117
Food Stamp Program	26,245	26,935	28,620	30,164	31,706	33,406	35,035	36,603	248,714
Supplemental Security Income	24,322	24,497	29,894	32,967	36,058	42,612	39,287	46,511	276,148
Child Nutrition	7,985	8,499	9,065	9,665	10,291	10,922	11,576	12,256	80,259
Foster Care	3,540	4,146	4,508	4,930	5,356	5,809	6,297	6,836	41,422
Social Services Block Grant	2,920	3,190	3,100	2,945	2,840	2,805	2,800	2,800	23,400
Total	83,235	85,811	94,235	100,205	106,383	116,347	116,472	127,190	829,878
Percent Change from Previous Year	na	3.00%	8.94%	5.96%	5.81%	8.56%	0.11%	8.43%	5.83%
PROJECTED SPENDING UNDER H.R. 4									
Family Support Payments	18,223	17,816	17,775	18,095	18,223	18,075	18,692	18,770	145,669
Child Care	0	1,053	1,233	1,312	1,392	1,490	1,613	1,733	9,826
Food Stamp Program	26,245	26,017	25,287	26,100	27,330	28,778	29,984	31,159	220,900
Supplemental Security Income	24,322	24,363	26,423	28,011	30,588	36,269	33,598	39,971	243,545
Child Nutrition	7,985	8,389	8,502	8,890	9,363	9,921	10,471	11,036	74,557
Foster Care	3,540	4,232	4,244	4,581	4,963	5,385	5,839	6,344	39,128
Social Services Block Grant	2,920	3,190	2,596	2,385	2,280	2,245	2,240	2,240	20,096
Total	83,235	85,060	86,060	89,374	94,139	102,163	102,437	111,253	753,721
Percent Change from Previous Year	na	2.15%	1.16%	3.71%	5.06%	7.85%	0.27%	7.92%	4.02%

Note. The figures in this table are Ways and Means calculations based on figures supplied by the Congressional Budget Office. Estimates are in millions of dollars.

of illegitimacy.

6. Benefits for teen parents should be conditioned on their staying in school and living at home. (page 10)

The conference report follows the Administration position in every respect. Payments to teen parents must be conditioned on the teen parent staying at home or in another adult supervised setting and on staying in school.

7. States should not be required to place a "family cap" on benefits for families already on welfare. (page 10)

The conference agreement represents a compromise with the Administration position. Conferees decided to replace the absolute Federal prohibition on additional cash for additional births to families on welfare with a type of State option (known as an "opt-out") to avoid the prohibition. In accord with this policy, States electing to provide additional cash to families that have additional children when the family is already on welfare must enact legislation exempting themselves from the Federal requirement. In addition, both the House bill and Senate amendment, as well as the conference agreement, allow States to use State money to provide cash to these families and to provide families with noncash forms of assistance using Federal dollars.

8. Welfare reform must prevent a "race to the bottom" by ensuring that States maintain current spending levels. (page 2)

Conferees were aware of the fact that "the Administration strongly supports" the Senate's 80 percent State maintenance of effort requirement. In response to the position of the Senate and the Administration, House conferees agreed to require States to maintain 75 percent of their 1994 spending level, including child care spending. This was a significant concession on the part of the House, whose version of welfare reform included no maintenance of effort requirement.

9. Welfare reform must provide an adequate contingency grant fund. (page 4)

Conferees agreed with the Administration, which your letter states "prefers the Senate contingency fund provisions" over the House position because the House provided for only a loan fund. In fact, conferees decided to create both a cash contingency fund and a loan fund. Thus, conferees agreed on an \$800 million contingency grant fund to be distributed under the rules of the Senate amendment. Conferees also agreed to increase the loan fund from the House level of \$1 billion to the \$1.7 billion level favored by the Senate and the Administration.

10. Noncitizens should not be indefinitely ineligible for assistance from a wide range of means-tested programs. (page 12)

The conference agreement represents a compromise between the House bill, the Senate amendment, and the position favored by the Administration. Noncitizens (with certain

exceptions) would be ineligible for only SSI and food stamps until attaining citizenship (under the House bill, noncitizens would have been ineligible for SSI, food stamps, AFDC, Medicaid and Title XX services). Noncitizens arriving after the date of enactment would face a broader restriction on benefits, but only for their first 5 years in the U.S. After 5 years, SSI and food stamps would be the only programs for which most noncitizens would remain ineligible. For current resident noncitizens and for noncitizens arriving after the date of enactment, States would have the option of providing benefits once the noncitizen has resided in the U.S. for 5 years. Refugees, asylees, veterans and active duty military personnel, as well as persons who have worked at least 10 years in the U.S., would remain eligible for benefits under the conference bill. All noncitizens would be eligible to receive emergency medical services, disaster assistance, immunizations, and treatment for communicable diseases.

11. Welfare reform should not discriminate against U.S. citizens by denying benefits to legal immigrants after they have naturalized. (page 12)

The conference agreement is identical to the Administration position, that is, deeming and sponsorship are in effect until the noncitizen naturalizes, but not after.

12. Real work requirements must be backed up with resources for job placement, education, and training. (page 1)

Permitting States to use block grant funds to promote work has always been a purpose of this legislation, and States will have a completely free hand in doing so. What's more, the conference agreement follows the Senate amendment in explicitly permitting the use of block grant funds to operate an employment placement program. In addition, Congress will soon send the President separate legislation consolidating about 100 employment and training programs into 4 streamlined block grants that provide about \$5 billion per year for precisely this purpose. Combining funds from the \$16.3 billion per year basic block grant, the \$17 billion (over 7 years) child care block grant, and the \$5 billion annual employment and training block grant will provide States with a wide array of funding to operate their work programs.

13. Keep the current system of multiple categorical programs for protecting abused and neglected children. (page 8)

The position conferees adopted on child protection is a compromise between the House, the Senate, and the Administration. The House made a major concession by agreeing to the Administration's desire to retain the open-ended entitlement money for foster care and adoption maintenance payments. Thus, States will continue to have access to open-ended entitlement money to pay maintenance payments for poor children placed in foster care or adoption. Conferees also agreed to the child protection standards favored by the Senate and the Administration. The House provision on creating large block grants did prevail, however, for most of the remaining programs. Conferees created a large block grant for child protection, with entitlement funding rising from \$1.7 billion to \$2.6 billion over 7 years. States have complete flexibility in how the funds in this block grant are to be used. Conferees also created a second block grant that provides States with additional funds for services and the Secretary with funds for research, demonstration, and technical assistance.

14. Republican reforms of the SSI program go too far. (page 8)

The conference agreement follows the Administration position in support of providing cash benefits for every child who qualifies for the Supplemental Security Income program. In keeping with the findings of the Slattery Commission, the House and Senate bills, and various Democratic alternative reform bills, conferees believe the children's disability program is in need of significant changes. Accordingly, the conference agreement targets benefits to the most severely disabled children and refocuses eligibility criteria so that only children with serious impairments will be eligible for benefits. Even after these changes take effect, the Congressional Budget Office estimates that there will be twice as many children on SSI as there were only 5 years ago. Further, SSI spending on children will rise from \$4.7 billion in 1995 to \$5.5 billion in 2002, an increase of over 40 percent.

OTHER ISSUES**1. In calculating participation rates, States should receive credit for both families that have recently left welfare for work and for sanctioned individuals. (page 6)**

The conference agreement generally follows the Administration position. Net reductions in the welfare caseload attributable to work or marriage are counted, and sanctioned individuals are subtracted from the denominator in determining monthly rates. The bottom line for conferees is that participation rates should reflect the true number of people receiving welfare benefits who are working, not a watered-down reflection of that figure.

2. Vocational education should count toward meeting the work participation rates. (page 7)

The conference agreement follows the Administration position with regard to vocational education. More specifically, vocational education can be credited toward fulfilling a State's participation rate requirement for up to 20 percent of the work requirement.

3. There should be no penalties against families with a child under 6 that don't work because they can't find child care. (page 2)

The conference agreement follows the Administration position on allowing parents who cannot find child care to avoid work but adds the condition that the burden of proof that child care is unavailable rests on the parent.

4. States should be allowed to exempt parents with children under 6 from having to work more than 20 hours per week. (page 2)

The conference agreement follows the recommendation by the Administration.

5. States should be allowed to exempt families with a child under age 1 from having to work. (page 2)

The conference agreement follows the Administration's recommendation by allowing States to exempt families with a child under age 1 from having to work.

6. Current State efforts to ensure quality child care and set health and safety standards should be maintained. (page 2)

The conference agreement follows the Administration's recommendation.

7. States should be barred from transferring money out of the child care block grant. (page 2)

Conferees agreed to follow the Administration position by prohibiting transfers out of the child care and development block grant. The agreement also allows money to be transferred into the child care block grant. In addition, because the final cash welfare block grant is almost \$1 billion per year larger than in the House-passed bill, there is a greater chance that States will transfer funds into the child care block grant to expand child care services.

8. The full amount authorized for the Child Care and Development Block Grant should be appropriated. (page 2)

As described above, \$10 billion out of a total of \$17 billion in the child care block grant is mandatory spending -- a full \$2 billion above the amount guaranteed in the Senate amendment. Further, if Congress passes and the President signs into law a balanced budget plan, appropriators are likely to approve the remaining \$7 billion in future years.

9. The expenditures counted toward meeting State maintenance of effort requirements should be modified. (page 3)

Conferees agreed to a compromise provision on maintenance of effort. The State expenditures that count toward maintenance of effort are cash assistance, child care, education, administrative costs, and a few similar expenditures intended to help poor families. Explicitly disallowed are: spending based on Federal funds; spending on Medicaid; and spending used to meet the matching requirements of other Federal programs.

10. States should be permitted to include only expenditures allowable under parts A and F of Title IV in meeting maintenance of effort requirements. (page 3)

See #9 above.

11. Emergency assistance payments should be excluded from allowable expenditures counted in meeting State maintenance of effort requirements. (page 3)

Given that the block grant eliminates the Emergency Assistance program, this recommendation is impossible to implement.

12. States should maintain 100 percent of their former spending to be eligible to receive grants from the contingency fund. (page 4)

The conference agreement follows the Administration position; States are required to maintain 100 percent of former spending to qualify for the contingency fund.

13. The base funding level in the contingency fund should be increased (page 4); additional funds should be made available if the national economy were severely troubled. (page 5)

Conferees did not follow the Administration position on money for the contingency fund. We recognize the Administration's concerns about the adequacy of the \$800 million grant fund but believe that it makes sense to start with a basic fund, with the understanding that the fund can be replenished if necessary in times of severe economic distress. Congress regularly makes such decisions with regard to emergency unemployment benefits; Congress should act in a similar manner if demands for welfare benefits rise unexpectedly. Because the basic cash welfare block grant is almost \$5 billion greater than the House-passed bill, States should be able to reserve some of their own funds, thereby reducing pressure for greater up-front spending from the national contingency fund.

14. Added funding should be available to States that experience severe conditions even if the national unemployment rate does not exceed 6.5 percent. (page 6)

As described above, providing additional funds would be a proper decision for Congress to make as conditions warrant. It should be noted, however, that every attempt to make it easier for States to access Federal contingency funds reduces pressure on States to budget wisely and to reserve part of their own block grant for times of distress. We wish to avoid reestablishing the perverse incentives welfare reform is designed to overturn. For example, States that behave irresponsibly and do not conserve taxpayer funds would be rewarded over States that act prudently and truly replace the welfare culture with one of work and independence. Under the conference agreement, Congress would have the ability to make decisions about which States merit added funding.

15. A trigger based on the number of children receiving food stamps should be added to the contingency fund. (page 5)

Especially for States that opt to receive food stamp funding in the form of a block grant, it is easy to imagine how the number of children receiving benefits could vary widely given decisions in individual States to offer, for example, minimal food stamp benefits to many children or relatively larger food stamp benefits to fewer children. Such decisions would render the added trigger suggested by the Administration either meaningless or subject to State gaming. Thus, conferees adopted the Senate approach that ties eligibility for the contingency fund solely to a State's unemployment rate -- an objective standard that States would have little ability to manipulate.

16. At least one parent of a disabled child receiving Supplemental Security Income (SSI) payments should be exempt from the work requirements. (page 7)

The conference agreement permits States to exempt up to 15 percent of their caseload from the 5-year lifetime limit, a compromise specifically intended to benefit families in distress

such as those with disabled children. And families may receive Federal block grant benefits for up to 2 years without working. Conferees, however, want to create a clear connection between welfare and work: every family (unless excepted by States because they have a child under age 1) must eventually work in exchange for Federal welfare benefits. States may choose to use State dollars to pay cash welfare benefits to families with children on SSI.

17. Performance bonuses should be available for States that succeed in moving families into work. (page 7)

The conferees agree with both goals supported by the Administration. First, States that are the most successful and the most improved in moving families into work will be eligible to reduce their required level of State spending by up to 8 percentage points. States that excel in moving families off welfare and into work should be rewarded by being allowed to reduce their welfare spending, or by being allowed to reserve funds for later use during economic downturns. Second, the decision to reward States by allowing reduced State spending rather than by providing a cash bonus eliminates the need to reduce block grants, as is required in the Senate performance structure under which some States would lose Federal funds so that others could receive added funds.

18. Personal responsibility contracts will ensure that recipients are moving toward work and self-sufficiency. (page 7)

Personal responsibility contracts may prove useful in moving families toward independence from welfare. However, the decision to use them should be left to individual States. Given that States will receive fixed block grants and face stiff work requirements, States should be trusted to find the most efficient and cost-effective approaches possible.

19. Welfare reform should preserve cash benefits and categorical Medicaid coverage for SSI children. (page 8)

The conference agreement is a compromise that meets the Administration's goal of providing cash benefits for children who qualify for SSI. The most severely disabled children who require personal assistance to remain in the home will be eligible for full cash benefits; other children will receive 75 percent of the maximum benefit. In addition, the Medicaid provisions included in the Balanced Budget Act of 1995 guarantee Medicaid coverage to children on SSI.

20. Children now on SSI should be exempted from new eligibility rules. (page 9)

Children now on SSI under an individualized functional assessment (IFA), which would be eliminated under the House bill, the Senate amendment, and also the Democratic substitute in the House, would remain eligible for benefits until January 1, 1997. The Social Security Administration must conduct disability reviews on all children enrolled under an IFA, so that none will lose benefits if they meet the criteria used to determine SSI eligibility for children applying in the future. To allow a lower standard for children who happen to now be on the rolls would be unfair to children with the same degree of disability who would be denied benefits simply because they applied in the future.

21. States should be allowed to disregard SSI payments in determining cash welfare eligibility. (page 9)

The conference agreement would not permit States to disregard SSI payments in setting cash welfare eligibility. Conferees believe that any income (with the exception of child support payments) should be considered when States determine eligibility for cash welfare assistance. It would be unfair for States to ignore, for example, \$4,000 in SSI income that one family receives while counting \$4,000 in wages for another in setting cash welfare benefits. Cash welfare is designed to assist families in need, based on a true picture of the family's resources.

22. Despite time limits, children should continue to receive Medicaid and nutrition assistance. (page 9)

States would have the option of continuing Medicaid coverage and nutrition assistance for all children regardless of time limits affecting a family's eligibility for cash welfare.

23. States should be allowed to exempt up to 20 percent of their caseload from the 5-year time limit. (page 9)

Conferees compromised between the House's 10 percent and the Senate's 20 percent exemption, so that the conference agreement allows an exemption of up to 15 percent. Conferees are confident that this level will provide States with more than enough flexibility to provide for families in extreme need. Arguing for higher exemptions by applying assumptions based on current caseload figures -- when there are no limits on welfare receipt -- simply won't work. Reforms have proven that, once families know there will be limits on the receipt of welfare (especially if combined with real work requirements), many get off the rolls quickly or never enroll, viewing their welfare eligibility as "insurance" to preserve for only the direst circumstances. Moreover, neither the Administration nor any other source has good information on what percentage of the caseload is so afflicted with problems that they cannot attain independence through work or marriage. Thus, conferees compromised at 15 percent, with the realization that Congress may need to revisit this decision as States begin to implement welfare reform in earnest.

24. States should be allowed to exempt parents of disabled children on SSI from the 5-year time limit; these parents should not be counted against the State's general exemption limit. (page 9)

Conferees intend and expect the 15 percent exemption from the 5-year time limit to be used by States to assist families that include disabled children. A blanket Federal exemption would deny State discretion in helping only the most needy, and would also guarantee a special class of thousands of families receiving cash welfare (and SSI) indefinitely. This should not be the goal of real welfare reform.

25. States should be allowed to provide non-cash assistance to children who lose benefits due to the time limit. (page 9)

The conference agreement is consistent with the Administration position. States may use State funds to provide cash and non-cash benefits to families losing eligibility for Federal benefits as a result of the 5-year time limit. Further, States could continue providing Federal cash payments to 15 percent of their caseload after the 5-year limit.

26. Teen parents should be required to live in adult supervised settings. (page 10)

The conference agreement is in accord with the Administration position on living arrangements of teen parents.

27. "Second Chance" homes should be an option for teens in abusive situations. (page 10)

The conference agreement on "Second Chance" homes follows the Administration recommendation.

28. Welfare reform should provide for streamlined paternity establishment. (page 11)

The conference agreement follows the position the Administration supports.

29. Welfare reform should provide for new hire reporting. (page 11)

The conference agreement follows the position the Administration supports.

30. Welfare reform should provide for license revocation for parents who fail to pay child support. (page 11)

The conference agreement follows the position the Administration supports.

31. Welfare reform should provide for uniform interstate child support laws. (page 11)

The conference agreement follows the position the Administration supports.

32. Welfare reform should provide for computerized State collections. (page 11)

The conference agreement follows the position the Administration supports. Furthermore, we increased the \$260 million for this purpose originally favored by the Administration to \$400 million, the amount the Congressional Budget Office says will be required to create fully computerized systems in all States.

33. States should not be required to reduce payments to parents of children whose paternity is not established. (page 11)

The conference agreement modified the House position on this issue to be consistent with the Administration's position. More specifically, conferees removed the mandatory penalty of \$50 or 15 percent of benefits until paternity is established. Instead, conferees would give States the option of reducing benefits for families with a child whose paternity is not

established.

34. The \$50 pass-through should not be eliminated. (page 11)

After long debate, conferees decided to end the \$50 passthrough. A major principle we followed in designing our reforms was to make welfare less attractive than work. In the case of child support, we ended the \$50 passthrough that provides mothers with an additional \$50 as long as they stay on welfare. But we replaced the \$50 passthrough with a new system for distributing collections on child support arrearages once the mother leaves welfare. More specifically, we required States, which now keep most arrearage payments until State and Federal spending on cash welfare is repaid, to split arrearage payments with mothers. This action, of course, provides mothers who have left welfare with another stream of income that may make the difference between retaining independence and falling back into the welfare trap. In addition, we ended the \$50 passthrough both because it is an immense administrative burden on the States and because there is no evidence it entices mothers to cooperate in collecting child support from nonresident parents.

35. There should be a "children first" priority for all child support arrangements paid to the family after they have left welfare. (page 11)

As explained in #34 above, conferees decided to compromise on this issue by splitting the arrearage payments between mothers and the government. All collections on current support would go first to the resident parent and children. Collections on past-due support, which are now retained by the State and Federal governments, would be split between children and the government.

36. States should meet performance levels to be eligible for child support incentive payments. (page 11)

We agree with the Administration position on incentive payments. However, after careful study, we have concluded that we do not have enough information to create an effective incentive system. In creating such a system, it is especially important that we have good measures of performance that are widely accepted as central to the mission of child support and that can be measured with accuracy. It is our intent, stated in the Conference Report, to return to this issue early next year. In fact, we asked the Secretary to provide Congress, by June of next year, with the details of a new incentive system the Administration could support. We intend to work closely with the Administration in creating a new, cost-neutral incentive system that will actually contribute to improving child support performance.

37. The illegitimacy bonus is unworkable and encourages abortion. (page 11)

The conference agreement includes an illegitimacy bonus that combines elements from both the House and Senate bills. Especially given that House conferees compromised on both the family cap and the denial of cash for minor unmarried mothers (with both becoming State options), conferees feel strongly about having at least one national policy that encourages marriage and discourages out-of-wedlock births. The conference agreement makes clear that States with abortion rate increases are not eligible for any bonus for reducing illegitimacy, so

there is no way this policy could promote abortion. We have been consistently perplexed about the Administration's position on illegitimacy. The President has repeatedly stated that illegitimacy is a disaster for children and the nation, even stating on one occasion that fighting illegitimacy should be one of the central goals on the nation's domestic policy agenda. Yet the Administration consistently opposes any policy we devise to attack illegitimacy.

38. Deeming should be extended to hold sponsors responsible for noncitizens they have promised to support. (page 12)

Conferees completely agree. With limited exceptions, a sponsor's income would be deemed to the noncitizen until the sponsored individual becomes a citizen. Combined with other sponsorship provisions, this action ensures that sponsors are held to their commitment of supporting noncitizens which in turn ensures that taxpayers will not wind up supporting welfare payments for adults who come to America for opportunity.

39. Individuals should not have to demonstrate income of at least 200 percent of poverty in order to become a sponsor. (page 12)

This condition was dropped from the conference agreement, as the Administration proposed.

40. Immigrants who become disabled after entering the country and the aged over 75 should be eligible for benefits. (page 12)

Under the conference agreement, noncitizens who now reside in the U.S. will remain eligible for all benefits, except SSI and food stamps (States would have the option of restricting cash welfare, Medicaid and Title XX social services). As a result, noncitizens now in the country would be eligible to receive greater benefits, including Medicaid coverage, than under the House-passed bill. There would no longer be specific exceptions for individuals who become disabled or are over 75. However, it should be noted that, especially for those over 75, almost all entered the country under sponsorship agreements and with the understanding that for the noncitizen to become dependent on government assistance prior to citizenship would be a deportable offense. The conference agreement therefore enforces current law, with reasonable conditions and exceptions.

41. Benefit restrictions should not apply to discretionary programs and such mandatory programs as Title XX social services. (page 12)

For current residents, no such restrictions would apply (except if States choose to restrict eligibility for Title XX social services). For noncitizens arriving after the date of enactment, means-tested discretionary programs and, during the first 5 years of residence only, Title XX social services would be affected. However, not restricting benefits for those who arrive after the date of enactment would continue to ignore the letter and spirit of U.S. law and immigration policy as it has existed for generations.

42. Refugees should be given time to naturalize before being subject to restrictions. (page 12)

The conference agreement allows refugees and asylees 5 years during which they would be eligible for full benefits. Refugees and asylees arriving after the date of enactment would also be excepted from the broad restrictions that would apply to all noncitizens for their first 5 years in the U.S. Only after their fifth year would they become ineligible for SSI and food stamps. Federal cash welfare, Medicaid, and Title XX social services could be restricted after the fifth year at State option.

43. The Administration has serious reservations about the bill's application of noncitizen provisions to the Medicaid program. (page 12)

The conference agreement is a compromise between the Congressional bills and the Administration. Under the agreement, all noncitizens (including illegal immigrants) will be eligible for emergency medical assistance. For current residents, Medicaid would remain available at State option until the noncitizen naturalizes. For noncitizens arriving in the future, Medicaid would be restricted during their first 5 years in the U.S., and then would be available at State option until the noncitizen naturalizes. In addition, all residents, regardless of immigration status, are eligible for preventive health measures such as immunizations as well as treatment for communicable diseases. Again, all noncitizens enter the U.S. on the understanding that becoming dependent on government assistance prior to naturalizing is a deportable offense. This is a requirement of current law -- and has been for well over a century. The Administration's reservations about the conference agreement on this and related noncitizen issues is effectively a concern about the fact that Congress intends to enforce current law provisions that have gone unenforced for too long.

44. Sponsorship agreements should be legally binding. (page 12)

The conference report is identical to the Administration position.

45. If the conference agreement adopts a blanket ineligibility rule, it should be time limited. (page 12)

The conference agreement follows the Administration's recommendation. The blanket ineligibility rule adopted by the conference applies only to noncitizens arriving in the future and then only for 5 years. After the fifth year, only SSI and food stamps would remain restricted until citizenship is achieved.

46. Any blanket ineligibility rule should include exceptions for certain classes and programs. (page 12)

Again, conferees adopted a provision consistent with the Administration's recommendation. Under the conference agreement, refugees, asylees, those whose deportation has been withheld, and veterans and active duty military (including their spouses and dependents) would be excepted from restrictions affecting noncitizens arriving after enactment. For current residents, and with regard to SSI and food stamps, noncitizens who have worked in the U.S. for at least 10 years would be added to the above list of excepted classes. The conference agreement also makes exceptions so that noncitizens would continue to be eligible to receive emergency medical services, disaster relief, immunizations, school lunch and child

nutrition, foster care and adoption assistance, programs to protect life and safety, and education benefits including college student loans and grants.

47. Any broad ineligibility rule should not apply to legal immigrants now receiving benefits. (page 13)

The conference agreement follows the Administration recommendation by making the 5-year ban prospective only; i.e., applying its restriction only to noncitizens arriving in the U.S. after the date of enactment.

48. Limit deeming to only the programs that now require it: cash welfare, SSI and food stamps. (page 13)

Conferees do not agree to the Administration position on deeming. Conferees in both the House and Senate believe that sponsors should be held to their word of supporting noncitizens. For this reason, it makes sense to require the noncitizen to turn first to the sponsor's resources before demanding that benefits be paid by taxpayers. Failing to require deeming for a broad array of programs (with the exceptions described above) effectively absolves sponsors from the requirement they have agreed to uphold and forces higher spending and taxes on American citizens.

49. Do not broaden the scope of deeming. (page 13)

The conference agreement recognizes this Administration concern and specifically exempts from deeming programs that protect public health and safety such as immunizations, emergency medical services, and other programs specified by the Attorney General.

50. Deeming should not extend past the date of citizenship. (page 13)

The conference agreement follows the Administration recommendation that deeming extend only until citizenship.

51. The disabled should be exempted from deeming. (page 13)

Conferees opted not to except disabled noncitizens from the deeming requirement for the same reasons described above: sponsors should be held to their word of supporting noncitizens. Noncitizens should turn to the sponsor's resources first before receiving benefits paid by taxpayers. Again, failing to require deeming would effectively absolve sponsors from the requirement they have agreed to honor and force higher spending and taxes on other citizens.

52. Affidavits of support should be legally binding and apply to the full deeming period. (page 13)

The conference agreement follows the Administration recommendation, both on making affidavits legally binding and on barring sponsorship requirements after the sponsored noncitizens has naturalized.

53. Current deeming formulas should be retained. (page 14)

Conferees disagree with the Administration position on deeming formulas. Being a sponsor is a responsibility that potential sponsors should consider seriously. For too long, a basic principle of American immigration policy -- that noncitizens who cannot support themselves should not be permitted entry -- has been severely undermined by ineffective sponsorship conditions. The conference agreement does not retain current deeming formulas because the noncitizen should be considered an added family member to whose welfare the sponsor is completely devoted. To deem less than 100 percent of the sponsor's income would be to base policy on the principle that a sponsor is less than fully responsible for the immigrant's well-being. Continuing current law exceptions would blur the sponsor-immigrant link, require higher taxes and government spending, and work against the goal of strengthening sponsorship.

54. Do not broaden the number of programs that must verify legal status. (page 14)

The conference agreement does not follow the Administration's recommendation on verification. Conferees require the Attorney General to adopt regulations to verify the lawful presence of applicants for Federal benefits within 18 months. States would then have two additional years -- up to a full 42 months after enactment -- to establish verification systems. Conferees share the Administration's concern with regard to the cost of administering verification procedures. However, greater costs are incurred by taxpayers today when benefits are indiscriminately dispensed, including to illegal immigrants. Failing to determine immigration status creates an incentive to illegally enter the U.S., undermining our immigration policy, national security, and the interests of poor Americans who may compete with illegal immigrants for limited taxpayer benefits. Effective verification of legal status is an essential component of the conference agreement's policy of targeting most Federal welfare benefits to citizens and taxpayers.

55. Change the definition of "lawfully present" for purposes of benefit eligibility. (page 14)

Conferees followed the Administration recommendation and replaced the concept of "lawfully present" with a determination of whether noncitizens are "qualified" or "not qualified" for benefits.

56. States should provide certain welfare benefits to legal immigrants. (page 15)

The conference agreement follows the Administration's recommendation so that noncitizens continue to be eligible for basic benefits such as emergency medical care, disaster relief and other essential services.

57. States should not be allowed to bar certain classes of noncitizens from certain programs. (page 15)

Conferees adopted a policy consistent with the Administration's recommendation in that States are barred from limiting the eligibility of certain classes of noncitizens, including refugees and

veterans.

58. Do not require Federal agencies to report frequently to the Immigration and Naturalization Service. (page 15)

The conference agreement is inconsistent with the Administration position on agency reporting. Conferees believe it essential to the promotion of sound immigration policy that government agencies report information about known illegal immigrants to the Immigration and Naturalization Service. Especially when illegal immigrants are known to be receiving taxpayer-paid benefits, it makes no sense for government agencies to fail to share this information.

59. Provide funding for evaluation of State welfare reforms. (page 15)

The conference agreement follows the Administration suggestion by including \$15 million in entitlement money for evaluation.

60. The Secretary should have the authority to fund evaluations of ongoing waiver demonstration projects. (page 16)

Consistent both with the Administration recommendation and the text of both the House bill and Senate amendment, the Secretary will have the authority to help fund evaluations of ongoing State demonstration programs that she determines to be potentially informative. In fact, the Secretary has very broad discretion to fund, or partially fund, evaluations of ongoing projects or evaluations of any interesting reforms States might undertake in the future.

61. Support the national random-sample study of welfare families. (page 16)

In accord with the Administration position, and with the original text of both House and Senate provisions, the conference agreement retains \$10 million per year, and extends the funding through the full 7 years of the budget period, to provide the Census Bureau with funds for a national study of low-income families. By building this study on the highly regarded Survey of Income and Program Participation (SIPP), we will be able to trace the impact of welfare reform on poor and low-income families and children over an extended period. This study constitutes the broadest, and arguably the most reliable, evaluation of a major social reform ever undertaken. It is in many respects the anchor of the elaborate research, evaluation, and accountability mechanisms that Congress, in consultation and cooperation with the Administration, has built into the welfare reform legislation.

62. Continue the current staff levels at the Department of Health and Human Services and other Federal agencies. (page 16)

Conferees did not agree to the Administration recommendation to continue paying for a large bureaucracy at HHS and other agencies. Rather, because block grants are much easier to administer than the hoard of categorical programs that now beset the Federal government, it seems reasonable to reduce the number of Federal bureaucrats both in the nation's capital and in the regional offices. In view of the Administration's concern about this matter, however,

conferees did agree to spread the reductions out over a 2-year period.

63. The bill should contain strong general measures for ensuring fiscal accountability. (page 16)

Consistent with the Administration's concern, conferees have retained the fiscal accountability already found in both the House bill and Senate amendment. All the block grants would fall under the terms of the Single Audit Act and would therefore be subjected to periodic audits. We consulted widely with Administration officials and with State officials in selecting this approach to maintaining fiscal accountability. We also consulted with the General Accounting Office (GAO) about whether the Single Audit Act would provide the fiscal accountability we were seeking. Because GAO is the leading Congressional authority on budget and accountability issues, we accept their judgment that the Single Audit Act has a strong track record of assuring that States use Federal dollars in the manner in which Congress intended.

64. HHS should retain authority over selected measures of accountability. (page 16)

Again in accord with the Administration recommendation, we preserved the HHS Secretary's authority to enforce the bill's work standards. In addition, at Administration request, we have added language giving the Secretary authority to ensure that State data reporting meets high standards.

65. States should report extensive data on a disaggregated basis. (page 16)

Consistent with the Administration recommendations, we have developed a comprehensive plan of State data reporting. As officials at HHS will inform you, we consulted with them directly on several occasions since last January, including one formal meeting and numerous phone conversations and memos during the conference proceedings. We have also consulted with outside experts, experts at the Congressional Research Service, and professional staff of both the House and Senate. The result is a very extensive and detailed system of State reporting requirements about activities supported by all the major block grants (cash, child protection, and child care). If the Administration and Congress can work together to insure that States continue improving their data collection and reporting, we will be able to trace in detail the impact of our welfare reform provisions as States implement their programs over the next several years. As recommended by the Administration, we have also retained and even expanded the Senate requirement that States report substantial amounts of data on individual families (as opposed to aggregate data).

66. Remove the authority for counties to conduct a separate program under the Temporary Assistance for Needy Families block grant. (page 17)

Consistent with the Administration recommendation, conferees decided to drop the Senate provision that would have allowed selected counties to operate their own Temporary Assistance for Needy Families block grant program.

67. Retain the current requirement that the elderly become eligible for SSI benefits at age 65. (page 17)

We did not follow the Administration recommendation on retaining the age 65 eligibility for Supplemental Security Income. Our policy, of course, reflects an important difference in principle between Congressional Republicans (and many Democrats) and the Administration. Given changes in medical science and practice in recent decades, Americans are not only living longer but also are vigorous and autonomous well into their eighth decade. Thus, given the realities of financing the nation's numerous and effective programs for the elderly, we simply must begin defining "elderly" as an age beyond 65. It was our impression, based on previous legislation, that this principle had been accepted by both Washington and the American people. It is a shame to now begin protecting exceptions to proper, necessary, and settled Federal policy that enjoys wide support among the American people.

68. Provide additional funds for drug treatment and place the funds in the Substance Abuse Prevention and Treatment block grant. (page 18)

We agree with the Administration on both points. First, we retain the funding level for drug treatment in the House bill. Second, we place the funds in the Substance Abuse Prevention and Treatment block grant as was done in the Senate amendment. Direct funding was retained.

69. Allow but do not require States to continue ongoing waiver projects. (page 18)

In accord with the Administration position, we retained the Senate amendment's language permitting States with waivers either to continue operating or to terminate the waiver.

70. Require States to pay cost overruns that result from terminated waivers. (page 18)

Conferees did not agree to the Administration request to force States to absorb the costs of waivers that may have been recouped in later years. There is merit in both the Administration position and in the position adopted by the conferees. In the end, conferees felt that the best approach, given the substantial task States face in designing and implementing effective reform programs, is to resist the temptation to make States pay debts from the past. The Congressional Budget Office estimates that this decision will cost the Federal government a total of about \$50 million.

71. Retain the worker displacement provision in the Senate amendment. (page 18)

Conferees agreed to the Administration request to retain the displacement provisions in the Senate amendment. In accord with this provision, States will not be able to place adults in welfare-to-work programs in jobs that are vacant because of layoffs.

72. Include provisions that ensure accountability by both governmental and nongovernmental agencies. (page 18)

The Administration's recommendation here is somewhat abstract. We entirely agree that "a broad range of nongovernment organizations could be engaged in providing significant amounts of taxpayer-funded public assistance to the poor" and that vigilance will be required to insure that money is not wasted or spent improperly. We assume that abuses will be

caught by the audits and that poor performance by contractors will be implied by the data States must report to the Federal Government. Even so, additional measures may be necessary. Your letter, however, contains no specific recommendations. If you have some, let us know.

73. States should be required to consult with local government and private sector organizations. (page 19)

In accord with the Administration position, conferees included language in the conference agreement requiring States to consult with "local governments and private sector organizations" while developing their State plan. States must make the report available to these organizations and allow the organizations at least 60 days to submit comments on the plan.

74. Do not require organizations that receive Federal funds to disclose this fact in advertising designed to promote support or opposition to a Federal, State, or local policy. (page 19)

Conferees did not agree with the Administration request to drop the Senate provision requiring organizations that receive Federal funds to disclose such receipt in any advertising intended to promote public support for or opposition to any policy of a Federal, State, or local government. The Administration argument that other programs are not required to meet this provision might be interpreted as a reason for extending the requirement to these programs. On the merits, conferees believe in full disclosure. This principle pervades Congressional action this year, most notably in requiring that lobbyists provide a great deal of information about their activities to the public. Any organization that lobbies Congress should be obliged to disclose their financial interests to audiences that are the target of their message.