

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503

URGENT
WR-Testimony

July 29, 1994

LEGISLATIVE REFERRAL MEMORANDUM

LRM #I-3472

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SUBJECT: HHS Proposed Testimony RE: HR 4605, Work and
Responsibility Act of 1994

DEADLINE: 11:00 AM August 1, 1994

COMMENTS: The Secretary's testimony will be given before the
House Education and Labor Committee on Tuesday, August 2nd.

OMB requests the views of your agency on the above subject before
advising on its relationship to the program of the President, in
accordance with OMB Circular A-19.

Please advise us if this item will affect direct spending or
receipts for purposes of the the "Pay-As-You-Go" provisions of
Title XIII of the Omnibus Budget Reconciliation Act of 1990.

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STATEMENT BY

DONNA SHALALA

SECRETARY

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

BEFORE THE

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

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AUGUST 2, 1994

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STATEMENT BY

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AUGUST 2, 1994

Thank you Mr. Chairman and members of the Committee for the invitation to appear before you today. I am very pleased that the Education and Labor Committee is holding a hearing on the Work and Responsibility Act of 1994 so soon after its introduction.

I am joined here today by two of the key architects of this legislation, Dr. Mary Jo Bane, HHS Assistant Secretary for Children and Families, and Dr. David Ellwood, HHS Assistant Secretary for Planning and Evaluation. Together with Bruce Reed, Deputy Assistant to the President for Domestic Policy, Drs. Bane and Ellwood have co-chaired a task force appointed by the President that sought the advice of several hundred experts, welfare recipients, and service providers in the design of this visionary plan.

Welfare as we know it has become a national tragedy. More than 14 million Americans depend on monthly AFDC checks that now

cost taxpayers more than 923 billion dollars each year. In the last five years alone, well over 3 million recipients have been added to the AFDC rolls. Almost 10 percent of all births are to unmarried mothers. And nearly one in four children currently lives in poverty. Too many children grow up in households where none of the adults are working.

President Clinton, and many of us -- both inside and outside of his Administration -- have worked long and hard to put together this legislation. And we are proud of the result.

The Work and Responsibility Act of 1994 will fundamentally change this country's approach to helping young parents move from dependence to independence. And, equally important, it will improve the quality of life for millions of young children. America's children -- increasingly our poorest citizens -- deserve a chance to grow up to opportunity, not poverty and hopelessness.

If there is one thing that stands out the most from our nationwide hearings on this issue, it is that our current system doesn't work and nobody likes it -- least of all the people who depend most on it for help -- welfare recipients themselves. So as Congress debates this issue, we know it won't be about whether or not we need welfare reform -- we all agree on that. The question is how best to go about it.

As the distinguished Chairman and members of the Committee know, there is no magic solution for the complex problem of

chronic welfare dependency and poverty. But that should not deter us from meeting this challenge head-on.

This issue has become even more urgent in light of some disturbing trends: more and more children today are born to teenage mothers and outside of marriage. Almost half of all single mothers receiving AFDC -- about 42 percent -- are or have been teenage mothers.

The welfare system will continue to be part of the problem rather than part of the solution unless dramatic changes are made. We believe we have put on the table a bold, balanced plan that will really make a difference.

Under our plan, by the year 2000, almost one million people will either be working or completely off welfare. Even using conservative assumptions, our projections show that more than 330,000 adults who would otherwise have been on welfare will have left the rolls by that time. About 222,000 adults will be working part-time in unsubsidized jobs. And 194,000 adults will be in subsidized jobs in the WORK Program -- up from 15,000 in work experience programs now. In addition, another 873,000 recipients in the year 2000 will be in time-limited education or training programs leading to employment. And by that time, federal child support collections will have more than doubled, from \$9 billion to \$20 billion.

Let me add that we hope to proceed on welfare reform in a bipartisan manner. In fact, there are many similarities between our bill and the two major Republican alternatives in the House

and Senate. Both share the president's vision for reform, making public assistance a transitional program leading to mandatory work. Both provide funding for education, training, child care, and job creation. And both recognize that it will require an investment of time and money to move young mothers toward self-sufficiency.

Our welfare reform strategy has three overarching principles: work, responsibility, and reaching the next generation.

WORK

Under the President's welfare reform plan, welfare will be about a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact. Support, job training, and child care will be provided to help people move from dependence to independence. But time limits will ensure that anyone who can work, must work -- in the private sector if possible, in a temporary, subsidized job if necessary. These reforms will make welfare a transitional system leading to work.

As a crucial ingredient of reform, support will be provided to help people keep jobs once they get them. Tax credits, health care and child care will make it possible for everyone who works to be better off than they were on welfare, and for even workers in entry-level jobs to support their families.

The key to ensuring the success of this transition from welfare to work is expanding on the success of the Job Opportunities and Basic Skills or JOBS program, the cornerstone of the Family Support Act of 1988 (FSA).

FSA paved the way for our reforms by introducing the expectation that welfare should be a period of preparation for self-sufficiency, and by recognizing the need for investment in education, training, and employment services for welfare recipients.

However, the JOBS Training program created by the FSA did not change the welfare system as much as was intended. Because of its broad exemption policy and relatively low participation rates, only a small portion of the AFDC caseload is actually required to participate in the JOBS program. Only 17 percent of mandatory participants engaged in work or training activities in fiscal year 1993. Since only 44 percent of the adult caseload are considered mandatory participants, the actual percentage of the caseload involved in the JOBS program is even smaller. In reality, few recipients, especially those at-risk of long-term welfare dependency, are moving toward employment that will enable them to leave AFDC permanently.

The FSA has worked best where states have used it to change the culture of the welfare office to one focusing on moving people quickly toward work and independence. The Riverside County GAIN program, for example, has significantly increased recipients' hours of work and earnings. Successful JOBS programs

also build effective partnerships with local employment services, schools, business communities, and labor organizations. For example, in Kenosha County, Wisconsin, the welfare agency relies upon the Kenosha County Job Center to serve its JOBS participants. This Center coordinates all employment and training activities in the community. It also houses both the income maintenance and JOBS services of the welfare agency. Through the Center, services of 15 public and private agencies are collocated and integrated. As a result, the JOBS program in Kenosha has succeeded in achieving very high participation levels (85 percent of participants receive services) and high job placement rates (60 percent above the State average). In successful programs, however, one agency retains clear accountability for ensuring that recipients participate and that they receive services.

The President's Work and Responsibility Act seeks to change this by replacing AFDC with a new transitional assistance program that includes four key elements: a personal employability plan; training, education and placement assistance to move people from welfare to work; a two-year time limit; and work requirements. We also propose a significant narrowing of the participation exemptions contained in current law.

Making Welfare a Transition to Work: Building on the JOBS Program

Our philosophy is simple and fair: all parents who receive cash support must do something to help themselves. The JOBS program will be the centerpiece of the public assistance system.

From day one, the new system will focus on making young mothers self-sufficient. Each applicant will sign an agreement to move quickly toward independence in return for assistance. Working with a caseworker, each recipient will develop an employability plan -- a work and training agreement -- designed to move that person into an unsubsidized job as quickly as possible. Participants who are job-ready will immediately be engaged in job search and anyone offered a job will be required to take it. We expect that many recipients will be working well before they hit the two-year time limit.

Several mechanisms will integrate the JOBS program with other education and training programs to expand access to the system and reduce the administrative burden on States. The JOBS program will be part of any one-stop career centers that states operate. Our plan also will ensure that even those unable to participate in education, training or work still meet certain expectations.

It is important to note that our proposal defers only people with disabilities or those who need to care for disabled children; mothers with infants under one year old; and certain people living in remote areas. AFDC mothers who have additional children while on assistance will be deferred for only 12 weeks after the child's birth.

In contrast, current law allows much broader exemptions for women with any child under three, young mothers under 16, and women in their second trimester of pregnancy.

By the year 2000, these changes will move us from a situation in which almost three quarters (73 percent) of the target group are neither working nor expected to participate in training, to one in which more than three quarters (77 percent) of the phased-in group are either off welfare, working, or in a mandatory time-limited placement and training program.

In short, JOBS participation will be greatly expanded through increased participation rates, and JOBS participants will participate in more work experience, education, and training programs. To achieve this, we have given states and localities flexibility in designing the exact mix of JOBS program services. Employability plans may be adjusted as a family's situation changes. But parents who refuse to stay in school, or look for work or attend job training programs will be sanctioned, generally by losing their share of the AFDC grant.

In addition, the Federal cap on JOBS spending will be increased from \$1 billion to \$1.75 billion in fiscal year 1996. Over the five-year period between 1996 and the year 2000, we will increase JOBS spending by \$2.0 billion--a 56 percent increase over current spending. The capped entitlement for JOBS will rise further if the national unemployment rate reaches 7 percent or higher.

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As members of this Committee know, the current JOBS program is hampered by many states' inability to draw down the full amount of available Federal funds. In fact, states spent only slightly more than two-thirds (68 percent) of the total available Federal JOBS allotment in fiscal year 1992. To help States draw down their full allotment, the Federal match rate will be increased -- by five percentage points over the current JOBS match rate in 1996, rising to 10 percentage points over the current JOBS match rate by the year 2000. The minimum Federal match will be 70 percent in that year.

Specific examples best illustrate the impact of these changes: IN fiscal year 1994, we estimate that Michigan will spend \$40.2 million in state monies on JOBS, which will allow it to draw down \$59.3 million in federal JOBS spending. Under the new match rate, in fiscal year 1999, Michigan could maintain its current level of 1994 spending and draw down \$89.5 million in federal funds -- an increase of 51 percent from 1994. Moreover, if Michigan increased its JOBS spending above current levels and draw down all available federal dollars in FY 1999, federal spending would increase by 69 percent. Under this new match, we estimate that Pennsylvania would experience a 51 percent increase in federal JOBS funding between fiscal year 1994 and fiscal year 1999 if it continued to spend at its 1994 levels, and a 69 percent increase if it drew down all available federal dollars. California would experience increases in federal spending of 70 percent and 125 percent, respectively, over this same time

period, while the comparable increases in New York would be 56 percent and 59 percent. For your information, I have attached to my testimony a summary of the increased amount of federal JOBS funding that all states could expect under our proposal.

We also provide for a single match rate for direct program costs, administrative costs and work-related supportive services that will replace the current system's varying match rates. Provisions also have been incorporated that address unemployment-during periods of high state unemployment, the state match for JOBS (and WORK and At-Risk Child Care) would be reduced.

In addition, our proposal includes provisions that will greatly enhance the integration and coordination of services among the JOBS program and related programs administered under the Job Training Partnership Act, the Adult Education Act, and the Carl D. Perkins Vocational Education Act. The JOBS and WORK programs will be operated by the same state agency, and Governors will have the option of designating an agency other than the welfare agency to operate them.

As you know, President Clinton was the first person to propose national time limits on welfare benefits. The cumulative two-year time limit on benefits will give both recipients and caseworkers a structure of continuous movement toward fulfilling the objectives of the employability plan and, ultimately, finding a job. We believe that only with time limits will recipients and caseworkers know without a doubt that welfare has changed

forever. And only then will the focus really be on work and independence.

States will, however, be permitted to grant a limited number of extensions for completion of education or training programs, or for those who are learning-disabled, illiterate, or facing other serious obstacles to employment. And in order to encourage states to meet their responsibilities, we require them to grant extensions to persons who have reached the time limit but who have not been provided employment-related services specified in their employability plan. Extensions in all of these categories will be limited to 10 percent.

The WORK Program: Work not Welfare After Two Years.

If the time limit is reached, welfare ends and people are expected to work. We recognize that some recipients will reach the end of the two-year limit without having found jobs, despite their best efforts -- and we are committed to providing them with the opportunity to support their families if they are willing to work. Each state will be required to operate a WORK program that makes paid work assignments available to recipients who have reached the time limit for cash assistance.

The WORK program is different from "workfare" (or CWEP) programs. It has a strong private sector focus. It is designed to help people move into, rather than serve as a substitute for, unsubsidized employment. Workers will receive paychecks based on

the hours they actually work. They will not be guaranteed welfare checks and sent out to work sites. Those who do not show up for work will not get paid. This is a straight-forward and radical end to the status quo.

To move people into unsubsidized private sector jobs as quickly as possible, participants will be required to perform an extensive job search before entering the WORK program, and after each WORK assignment. No single WORK assignment will last more than 12 months and participants will typically be paid the minimum wage. States will be allowed to pursue any of a wide range of strategies to provide work for those who have reached the two-year limit, including subsidized private-sector jobs, public-sector positions, contracts with for-profit placement firms, agreements with non-profit agencies, and microenterprise and self-employment efforts.

To create a further incentive to find unsubsidized jobs, participants in subsidized WORK positions will not receive the Earned Income Tax Credit, ensuring that any unsubsidized job will pay more than a subsidized work assignment. Anyone who turns down a private sector job will be removed from the rolls, as will people who refuse to make good faith efforts to obtain available jobs.

The WORK program will begin in 1998, and it should cost \$1.2 billion in Federal dollars during the first five years. By 2000, the WORK program should serve approximately 394,000 participants,

which is a dramatic expansion from the 15,000 in work experience programs today.

Supporting Working Families: The EITC, Health Care Reform and Child Care

We recognize that a fundamental flaw in the current welfare system is that it does little to encourage work. Those who work often lose benefits dollar for dollar, face burdensome reporting requirements, and cannot save for the future because of asset limitations.

Moving people from welfare to work also means making work pay in this country -- ending the perverse incentives that lead countless people to opt for welfare over work, even though they want to enter the workforce.

Today, 70 percent of those on welfare leave the system within 2 years -- but the vast majority of them return, often because the low paying jobs they get do not come with essential benefits such as health care and child care. We need to concentrate on two key goals: moving people off welfare and helping them stay off.

To "make work pay," this Administration has focused on three critical components -- providing tax credits for the working poor, ensuring access to health insurance, and making safe child care available. We are also proposing to allow states to change

earnings disregard policies to reward work and the payment of child support.

As you know, Mr. Chairman, Congress has already passed the first crucial element of welfare reform by expanding the EITC, a key initiative of the Clinton Administration. The EITC is essentially a pay raise for the working poor. It means that in 1996, a family with two children and a full-time worker earning minimum wage would, with the help of food stamps, no longer be poor.

We believe that low-income individuals could benefit from receiving the EITC throughout the year, instead of in a lump-sum payment at the end of the year. Our proposal will allow up to four states to conduct demonstrations promoting the use of the advance EITC payment option by shifting the outreach and administrative burden from employers to selected public agencies.

The critical policy, of course, is guaranteed health care security for Americans. This Committee has shown great leadership in moving to the floor of the U.S. House of Representatives a comprehensive health care reform bill that provides all working families with guaranteed health insurance. I would only underscore that we can't succeed with sweeping welfare reform unless we succeed in passing health care reform first.

Some studies suggest that 7 to 15 percent of the current welfare caseload -- at least one million adults and children -- are on welfare to qualify for Medicaid. And a 1994 Urban

Institute study found that over a 20-month period, only 5 percent of those who were on AFDC and want to work were able to find a job with health insurance.

We believe that people should not have to choose welfare over work just to get health coverage for their families. And when Congress passes health care reform, our hope is that this perverse incentive to stay on welfare will end.

The third ingredient in our strategy to make work pay is affordable, accessible, high quality child care for families on cash assistance and the working poor. As members of the Committee know from your years of leadership on child care issues, parents must have dependable child care in order to work or to prepare themselves for work. In addition to the Administration's requested increase in Child Care and Development Block Grant funding, our welfare reform proposal would significantly expand child care spending. People on welfare will continue to receive child care assistance while working or in education training. We continue to guarantee one year of transitional child care for those who leave welfare for work, and will extend child care assistance to those participating in the new WORK program. Our proposal also will significantly expand the At-Risk Child Care program for the working poor from \$300 million per year now to over \$1 billion by the year 2000.

As mentioned earlier, we will make the child care match rates consistent with the new enhanced JOBS (and WORK) match rate, allowing states to draw down increased child care funds.

For example, we estimate that Michigan will spend a total \$20.3 million in fiscal year 1994 on IV-A child care, transitional child care, and At-Risk child care. Under the current matching rates, Michigan would draw down \$26.3 million in federal funds for these child care programs for that year. Under the proposed match rate, the same amount of state dollars invested in child care in fiscal year 1999 would draw down \$45.3 million in federal dollars -- an increase of 72 percent. Moreover, if Michigan increased its child care spending to draw down all of the projected federal dollars, federal outlays would increase 186 percent. Under this new match, we estimate that Pennsylvania would experience an 85 percent increase in federal child care funding between fiscal year 1994 and fiscal year 1999 if it continued to spend at its 1994 levels, and a 140 percent increase if it draw down all of the projected federal dollars. California would experience increases in federal spending of 123 percent and 179 percent, respectively, over this same time period, while the comparable increases in New York would be 123 percent and 181 percent. For your information, I have attached to my testimony a summary of the increased amount of federal child care funding that all states could expect under our proposal.

Finally, our proposal focuses on creating a simplified child care system and on ensuring that children are cared for in safe and healthy environments. We will help states create seamless child care coverage for persons who leave welfare for

work, and allow them to administer all federal child care funds through one agency. We extend to the IV-A child care programs the parental choice and health and safety provisions of the CCDBG. And we supplement the Block Grant's quality funds through an analogous set-aside in the At-Risk program.

Together, these elements will help ensure that the millions of recipients who leave welfare within two years will not fall back into the system. And it will be clear that work and responsibility are at the core of our values and the heart of our policies.

RESPONSIBILITY

The second pillar of our plan is responsibility: the responsibility of parents for their children; the responsibility of the system to deliver performance, not process; and the responsibility of the government to provide accountability for taxpayers.

Parental Responsibility.

We believe that mothers and fathers must be held responsible for the support of their children. Men and women must understand that parenthood brings serious obligations and that these obligations will be enforced.

While many improvements have been made to the current system, it still fails to ensure that children receive adequate support from both parents. The potential for child support collections is approximately \$46 billion per year. Yet only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion. We are proposing the toughest child support system ever to make sure fathers pay their child support. It is simply not acceptable for non-custodial parents to walk away from the children they helped bring into this world.

Establishing awards in every case is the first step toward ensuring that children receive financial support from noncustodial parents. Paternity must be established for every out-of-wedlock birth, regardless of welfare status. Our proposal would greatly expand outreach and public education programs that encourage voluntary paternity establishment, and build on existing hospital-based programs. The genetic testing process will be further streamlined for cases where paternity is contested.

In addition, mothers who apply for AFDC benefits must cooperate fully with paternity establishment procedures prior to receiving benefits. Except in rare circumstances in which paternity establishment is inappropriate, parents who refuse to cooperate will be sanctioned, generally by losing their share of AFDC benefits. We are proposing to systematically apply a new, stricter definition of cooperation in every AFDC case.

The child support agency -- which has the most expertise and most at stake -- will administer this new cooperation requirement within each state. When mothers have fully cooperated, the state must establish paternity and will be given one year to do so or risk losing a portion of its Federal match for AFDC benefits. Performance-based incentives will encourage states to improve their paternity establishment rates for all out-of-wedlock births, regardless of welfare status.

Fair awards also are crucial to getting support to children who need it. Periodic updating of awards will be required for both AFDC and non-AFDC cases, so that awards accurately reflect the parents' current income. In addition, a National Guidelines Commission will be established to assess the desirability of uniform national child support guidelines or national parameters for state guidelines.

Many enforcement tools will allow states to collect support more effectively. The state-based child support enforcement system will continue, but with changes to move it toward a more uniform, centralized, and service-oriented program. All states will maintain central registries and centralized collection and disbursement capabilities. The registry will maintain current records of all support orders and operate in conjunction with a centralized payment center for the collection and distribution of child support payments.

Centralized collection also will vastly simplify withholding for employers since they will have to send payments only to one

source. In addition, this change will ensure accurate accounting and monitoring of payments.

The federal role will be expanded to ensure more efficient location of the noncustodial parent and enforcement of orders, particularly in interstate cases. In order to coordinate activity at the federal level and to track delinquent parents across state lines, a National Clearinghouse will be established. This Clearinghouse will consist of an expanded Federal Parent Locator Service, the National Child Support Registry, and the National Directory of New Hires. A stronger federal role in interstate enforcement will make interstate procedures more uniform throughout the country.

Enforcement measures will include revocation of professional, occupational and drivers' licenses to make delinquent parents pay child support; expanded wage withholding; improved use of income and asset information; expanded use of credit reporting; and authority to use the same wage garnishment procedures for federal and non-federal employees.

Our proposal also recognizes the problem absent parents sometimes face in getting work and their genuine desire to help support "their" children. We propose allowing states to allocate up to 10 percent of their JOBS and WORK funds for programs for non-custodial parents. States also will be allowed to require non-custodial parents with delinquent child support payments to work off what they owe.

The proposal contains several other measures aimed at encouraging parental responsibility. In addition, we are proposing a limited number of parenting, access and visitation, and child support assurance demonstrations.

States can choose to lift the special eligibility requirements for two-parent families in order to encourage parents to stay together. States also will be given the option to limit additional benefits for additional children conceived by mothers on AFDC (the "family cap"). States that choose this option will be required to allow families to "earn back" the lost benefit amount through disregarded income from earnings or child support.

Performance: Not Process.

The Administration's plan demands greater responsibility from the welfare office itself. Unfortunately, the current system too often focuses on documenting eligibility and sending out welfare checks. Instead, the welfare office must become a place that is about helping people find work and earn paychecks as quickly as possible. Our plan offers several provisions designed to help agencies reduce paperwork and focus on results.

The legislation would allow the phase in of an outcome based system with funding incentives and penalties directly linked to the performance of states and caseworkers in service provision, job placement, and child support collection. In order

to better coordinate and simplify program administration, we have also proposed several changes in program rules designed to simplify and standardize disparate Food Stamp and AFDC policy rules.

Accountability for Taxpayers.

To eliminate fraud and ensure that every dollar is used productively, welfare reform will coordinate programs, automate files, and monitor recipients. We propose several new fraud control measures. States will be required to verify the income, identity, alien status, and Social Security numbers of new applicants. A national public assistance clearinghouse will follow individuals whenever and wherever they use welfare, monitoring compliance with time limits and work. A national "new hire" registry will monitor earnings to check AFDC eligibility and identify non-custodial parents who switch jobs or cross state lines to avoid paying child support. Anyone who refuses to follow the rules will face tough new sanctions, and anyone who turns down a job offer will be dropped from the rolls.

... - REACHING THE NEXT GENERATION

It is absolutely critical that our reforms send a strong message to the next generation. All young people must understand the importance of staying in school, living at home, preparing to

work, and building a real future. And they must realize that having a child is an immense responsibility - not an easy route to independence.

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Preventing Teen Pregnancy.

We recognize that welfare dependency could be significantly reduced if more young people delayed childbearing until both parents were ready and able to assume the responsibility of raising children. And we are committed to doing everything we can to prevent teenage pregnancy in the first place.

I don't have to tell you how big a challenge that is. And it would be naive to suggest that government can do it alone. We are well aware that reducing the incidence of unmarried teen pregnancy will require the involvement of every sector of our society.

The link between unmarried teen births and poverty is clear: According to an Annie E. Casey Foundation study, approximately 80 percent of the children born to teen parents who dropped out of high school and did not marry are poor. In contrast, only 8 percent of children born to married high school graduates aged 20 or older are poor.

We are proposing a number of measures, including a national campaign against teen pregnancy designed to send a clear and unambiguous message to young people about delayed sexual activity and responsible parenting. As part of that effort, we would

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creates a national clearinghouse to provide communities and schools with models, materials, training and technical assistance. The clearinghouse will distribute what is known and evaluate new approaches.

Our legislation also would set up new grant programs to test community-based approaches to reducing teen pregnancy. And because we need to pay particular attention to areas where the risks are greatest, we are proposing grants to set up programs in roughly 1000 middle and high schools.

We are also proposing to fund larger, more comprehensive demonstrations to simultaneously address the broader health, education, safety and employment needs of young people. These grants are intended to galvanize local efforts and inspire communities to work together.

We are absolutely committed to promoting abstinence-based programs in the schools as a key to preventing teen pregnancy. And we are equally determined to build our strategy on the best available research.

Phasing-in Young People First.

We have chosen to phase in the plan by starting with young people: those born after 1971. We chose this strategy not because young single mothers are easiest to serve, but because they are so important to our future.

The younger generation of welfare recipients is our greatest concern. Younger recipients are likely to have the longest stays on welfare. They also are the group for which there is the greatest hope of making a profound difference. We strongly believe that the best way to end welfare as we know it is to reach the next generation/ to devote energy and new resources to young people first, rather than spreading our efforts so thinly that little real help is provided to anyone.

This proposal represents a radical change in how we think about and administer welfare. But to get it right requires a solid and well-planned implementation strategy. Even if resources were plentiful, the lessons we learned from the Family Support Act, as well as from our site visits and discussions with state administrators, have convinced us that attempting to implement a time-limited transitional assistance program for the entire caseload at once would create enormous difficulties. We believe these difficulties could be avoided and the changes we envision successfully implemented by adopting this phase-in strategy. . . .

Moreover, recent evidence from several programs serving teen mothers suggests that this population needs special attention and can be reached. By phasing in the plan with the youngest recipients first, we send a strong message of responsibility and opportunity to the next generation.

But let me be very clear about our proposal. Our legislation requires states to phase-in reform with recipients

born after 1971. This implementation strategy limits the initial mandatory caseload to about one-third of the total in 1996, helping cash-strapped states enact meaningful WORK programs with time limits that can really be enforced. By the year 2000, this phase-in strategy means that half of all AFDC recipients, about 2.4 million people, will be in the new system. And by the year 2004, two-thirds will be subject to the new rules.

However, states will have the option to define the phased-in group more broadly, allowing them to apply time limits and other new rules to a larger percentage of the caseload if they wish. In addition, states will be required to serve volunteers from the non phase-in group to the extent that federal JOBS funds are available. At state option, these volunteers also may be subjected to the two-year time limit in exchange for access to services. And of course, the Family Support Act will continue to allow states to provide education and training for other AFDC recipients currently participating in JOBS. We believe that this approach creates a realistic partnership with the states, and sets up a meaningful path to real welfare reform.

A Clear Message for Teen Parents.

The proposal includes several incentives for young parents designed to promote responsible behavior. Minor parents will be required to live in their parents' households unless that environment is unsafe. Minor parents are still children

themselves and they ought to live with adults who can offer supervision and guidance. The welfare system should not encourage young people who have babies to leave home, set up separate households and receive separate checks. In cases where there is a problem such as danger of abuse, states will be encouraged to find a responsible adult with whom the teen parent can live.

In order to meet the special needs of teen parents, any custodial parent under age 20 will be provided case management services. Although virtually all teen parents will be required to stay in school and participate in JOBS, the 24-month clock will not begin to run until the parent turns age 18. States also will have the option of using monetary incentives combined with sanctions as inducements to encourage young parents to remain in school or GED class.

In the end, Mr. Chairman, this is not about dollars and cents. It is about values. For too long, the welfare system has been sending all the wrong messages. The Work and Responsibility Act is designed to get the values straight. It translates our values about work, responsibility, family and opportunity into a framework for action. It places new expectations and responsibilities on recipients, and on federal and state governments alike.

That is the message that Congress started to send with the Family Support Act. It is time to fully realize that vision, and to build a bold new future based on the core values we all share.

We believe that this issue is critical -- that welfare reform is about nothing less than our vision of what kind of country we are and want to be. Do we want to be a country that encourages work over dependency? Do we want to be a country that expects our young people to act responsibly? Do we want to be a country that rewards hard work and fair play and accepts nothing less? Do we want to be a country that helps provide a brighter future for our children?

The Work and Responsibility Act of 1994 answers those questions with a resounding YES. We believe this bill will truly strengthen America's families and communities.

Mr. Chairman, you and the members of this committee have shown real leadership on this issue. I look forward to working with all of you as you begin your work on this historic legislation. Thank you for your attention and I would be pleased to answer any questions you may have at this time.

JOBS PROGRAM

Percent Increase in Federal Outlays
FY 1984 to FY 1989

State	Subtotal FY 1984 Federal Outlays	Status Multiple FY 1984 Level of Spending in FY 1989			Status Report Amount Required to Meet All Anticipated Federal Outlays			Percent Increase in Federal Outlays
		Subtotal FY 1989 State Outlays	Projected FY 1989 Federal Outlays	Percent Increase in Federal Outlays	Minimum FY 1989 State Outlays	Minimum FY 1989 Federal Outlays	Percent Increase in Federal Outlays	
Alabama	8.5	8.8	14.8	81%	4.8	18.1	61%	
Alaska	8.1	1.4	3.2	81%	1.8	3.8	80%	
Arizona	8.0	8.8	17.7	88%	7.0	21.8	159%	
Arkansas	6.1	2.4	6.7	62%	1.8	6.7	60%	
California	132.8	101.4	225.7	70%	124.2	290.7	129%	
Colorado	8.0	4.7	10.8	31%	8.2	18.4	150%	
Connecticut	7.9	4.4	10.9	60%	6.9	23.1	100%	
Delaware	8.1	1.9	2.8	60%	1.9	6.0	60%	
District of Columbia	4.7	2.8	6.7	31%	4.2	6.4	60%	
Florida	17.8	11.8	28.4	61%	69.8	81.8	142%	
Georgia	20.7	14.8	38.2	78%	18.0	47.0	127%	
Idaho	4.7	3.4	7.8	61%	2.8	7.9	60%	
Illinois	8.0	1.9	4.9	60%	1.1	4.8	60%	
Indiana	39.9	18.0	40.0	30%	38.4	87.7	104%	
Iowa	11.8	7.1	18.4	64%	10.9	28.8	121%	
Kansas	8.7	8.8	14.8	88%	6.8	14.7	60%	
Kentucky	9.7	6.8	11.8	70%	8.9	11.8	78%	
Louisiana	10.8	9.9	20.7	100%	6.4	20.7	100%	
Maine	10.8	7.6	20.0	69%	8.9	26.0	60%	
Maryland	8.1	2.4	6.2	100%	8.0	10.8	291%	
Massachusetts	19.0	10.4	21.0	44%	13.8	30.8	64%	
Michigan	20.8	13.8	27.8	63%	21.8	45.7	149%	
Minnesota	38.2	40.2	86.8	81%	48.0	100.1	60%	
Mississippi	18.7	8.2	18.1	62%	11.7	25.1	60%	
Missouri	11.8	8.8	18.8	68%	2.8	18.8	60%	
Montana	11.8	7.8	17.8	61%	15.8	28.8	203%	
Nebraska	8.4	9.9	9.9	61%	1.8	6.7	114%	
Nevada	2.8	1.8	9.4	69%	2.7	6.2	148%	
New Hampshire	1.2	0.9	2.0	50%	2.0	4.4	229%	
New Jersey	2.8	2.1	4.8	60%	1.8	4.2	60%	
New Mexico	28.8	17.0	37.8	48%	21.8	47.7	60%	
New York	11.8	8.8	9.8	104%	2.8	11.8	582%	
North Carolina	88.4	60.1	163.8	68%	74.8	168.1	60%	
North Dakota	20.8	14.0	38.8	61%	18.8	48.0	127%	
Ohio	1.8	0.8	1.9	98%	0.7	2.8	60%	
Oklahoma	42.0	41.8	68.8	88%	42.8	68.4	61%	
Oregon	7.4	4.1	18.0	108%	4.4	18.0	124%	
Pennsylvania	11.9	9.8	18.2	37%	8.1	20.1	60%	
Rhode Island	42.0	26.7	77.2	61%	52.4	88.8	60%	
South Carolina	8.1	8.8	7.8	84%	4.0	8.8	71%	
South Dakota	8.0	2.1	8.8	60%	4.1	16.1	60%	
Tennessee	1.8	0.4	1.9	18%	0.6	2.1	60%	
Texas	6.8	2.8	8.8	50%	11.8	28.8	218%	
Utah	22.8	23.8	30.7	70%	23.8	32.8	140%	
Vermont	4.8	1.7	4.1	68%	1.7	4.1	60%	
Virginia	9.9	8.0	4.8	39%	2.4	5.8	60%	
Washington	10.8	7.2	18.7	90%	11.1	24.8	129%	
West Virginia	17.8	10.0	22.2	28%	18.8	44.4	188%	
Wisconsin	9.0	8.8	18.4	108%	8.7	18.0	111%	
Wyoming	20.0	18.0	24.4	69%	18.8	48.8	60%	
Total	1.8	0.8	2.2	49%	1.0	2.8	60%	
TOTAL	8142.7	6288.0	11,348.7	60%	8747.4	21,002.7	114%	

Note: NY state Federal money retention on JOBS grant amounts requested by state for FY 1984. FY 1984 state outlay retention amounts shown against their state allocation that can be matched at 80% and against the rest of their JOBS money provided at state 80% or the JOBS (FMAP) in the same proportion as these monies were spent in FY 1982.

Other estimates shown after sign show presented in the July 8 and July 9 memoranda presented to the House Ways and Means and Senate Finance Committees include these figures incorporate updated FY 1989 estimates and FY 1984 grant request data.

Subtotal FY 1984 state outlays represent minimum outlays necessary to receive the without-match rate under the Administration's proposal. They do not necessarily represent outlay levels which would bring a state into compliance with all other proposal provisions and allow it to utilize other financial practices.

IV-A, TRADITIONAL, AND AT-RISK CHILD CARE

Percent Increase in Federal Outlays
FY 1984 to FY 1988

State	Estimated FY 1984 Federal Outlays	State Minimum FY 1984 Level of Spending in FY 1988			States Spend Amount Required to Grow Down All Proposed Federal Dollars			
		Estimated FY 1984 State Outlays	Projected FY 1988 Federal Outlays	Percent Increase in Federal Outlays	Projected FY 1988 State Outlays	Projected FY 1988 Federal Outlays	Percent Increase in Federal Outlays	
Alabama	14.5	8.0	23.1	50%	5.1	21.8	115%	
Alaska	0.8	2.9	5.1	125%	2.7	0.0	100%	
Arizona	14.8	7.3	22.8	50%	10.4	21.0	120%	
Arkansas	4.1	1.4	6.6	60%	2.8	11.1	150%	
California	77.1	77.1	171.0	120%	68.4	215.0	170%	
Colorado	10.0	8.4	18.8	87%	11.8	22.8	128%	
Connecticut	12.8	12.8	27.8	120%	14.8	25.1	165%	
Delaware	4.2	4.9	9.2	120%	4.6	10.2	147%	
District of Columbia	3.0	2.6	5.8	120%	2.9	0.8	140%	
Florida	38.8	30.1	67.0	64%	41.7	62.8	154%	
Georgia	38.9	21.6	53.8	40%	21.4	77.8	114%	
Hawaii	1.8	1.8	3.2	120%	2.2	5.0	211%	
Idaho	2.8	1.1	4.9	60%	1.7	5.8	151%	
Illinois	28.8	28.8	60.7	120%	30.8	74.8	172%	
Indiana	14.5	8.9	21.2	48%	13.7	25.2	149%	
Iowa	5.8	6.4	8.8	48%	5.1	18.8	151%	
Kansas	10.0	7.1	18.8	51%	10.8	24.8	131%	
Kentucky	18.8	8.5	23.8	50%	8.8	22.4	104%	
Louisiana	22.8	8.2	38.8	66%	10.1	44.8	90%	
Maine	2.0	1.8	4.1	60%	2.2	5.8	160%	
Maryland	21.8	21.2	47.1	120%	24.2	53.8	154%	
Massachusetts	28.1	33.1	78.8	120%	38.8	81.8	147%	
Michigan	26.8	20.8	48.8	72%	20.2	67.8	150%	
Minnesota	18.8	18.0	38.8	68%	21.0	46.7	142%	
Mississippi	6.0	1.8	11.0	36%	2.8	16.8	122%	
Missouri	22.0	14.8	31.8	44%	22.8	46.7	190%	
Montana	3.2	1.8	5.1	60%	1.7	5.8	112%	
Nebraska	10.8	6.4	14.2	58%	9.8	21.7	111%	
Nevada	2.7	2.7	5.8	100%	2.8	7.7	122%	
New Hampshire	4.1	4.1	9.0	120%	4.7	10.8	150%	
New Jersey	18.7	18.7	41.7	120%	22.8	51.1	170%	
New Mexico	6.0	2.8	10.2	68%	2.8	18.7	100%	
New York	84.7	84.7	188.8	120%	88.8	218.8	151%	
North Carolina	48.7	28.0	70.1	60%	33.1	98.8	90%	
North Dakota	2.7	1.1	3.2	42%	1.8	5.2	100%	
Ohio	50.8	42.8	74.8	48%	48.8	112.8	122%	
Oklahoma	22.8	12.4	48.8	52%	14.8	53.8	82%	
Oregon	12.2	8.0	20.0	58%	11.7	26.1	120%	
Pennsylvania	47.4	38.4	87.7	65%	51.2	118.8	140%	
Rhode Island	5.8	5.0	11.8	61%	5.1	15.8	132%	
South Carolina	6.8	2.8	14.2	58%	5.4	21.8	132%	
South Dakota	2.8	1.5	4.2	47%	1.8	6.2	118%	
Tennessee	28.8	18.0	38.8	51%	17.3	53.8	102%	
Texas	90.4	83.7	88.0	48%	84.2	141.8	154%	
Utah	13.2	4.5	20.4	38%	5.8	25.2	81%	
Vermont	4.0	2.0	4.8	57%	2.8	6.4	121%	
Virginia	14.2	10.3	24.3	120%	12.8	44.8	171%	
Washington	28.7	20.0	66.7	68%	21.8	80.8	134%	
West Virginia	2.8	2.2	10.8	64%	2.7	18.8	87%	
Wisconsin	18.7	18.0	28.7	40%	20.4	48.4	160%	
Wyoming	2.0	1.5	3.8	64%	2.3	5.0	100%	
TOTAL	3547.8	2488.8	51705.8	82%	3518.8	89248.1	187%	

Note: FY 1988 Federal outlays estimates are based on ACP projections of Federal Child Care expenditures by state. FY 1988 state outlays estimates are derived by applying the FY 1984 FMAR to estimated Federal outlays.

Estimated FY 1988 State outlays represent minimum outlays necessary to receive the full federal match rate under the Appropriation's proposal. They do not necessarily represent outlay levels which would bring a state into compliance with all other proposal provisions and avoid other financial penalties.

Projected minimum FY 1988 Federal outlays do not include state care outlays for participants in the Work Program, which becomes effective in FY 1988.



The
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Richard P. Nathan
Director

August 4, 1994

Mr. Bruce Reed
Deputy Assistant to the President
Domestic Policy Council
216 Old Executive Office Building
Washington, D.C. 20506

Dear Bruce:

Enclosed is a copy of the testimony I have prepared for the hearing Tuesday on welfare before the Ways and Means Committee.

Sincerely,

Richard P. Nathan
Director

RPN/c
Enclosure

CLINTON WELFARE BILL SHOULD BE ENACTED

Testimony
Richard P. Nathan
Subcommittee on Human Resources
U.S. House Committee on Ways and Means

August 9, 1994

As a veteran of welfare reform debates going back 25 years to when a Republican President for whom I worked (Nixon in his first term) tried to climb this mountain, I have thought long and hard about the Clinton welfare reform proposal (H.R. 4605), the Work and Responsibility Act of 1994. If I could wave a magic wand and have the Clinton bill enacted as written, I would do so. I remember well the hard issues we wrestled with to design Nixon's Family Assistance Plan, which was not enacted. It had its flaws. No reform bill in the hotbox of welfare policy can fully satisfy people like myself who make our living as policy analysts. Nor is every provision of the Clinton bill just what personally I would like. Nevertheless, on balance, and taking into account the arguments below about how crucial it will be to implement this new program effectively, I would be pleased to see the Congress adopt the Clinton bill. The fear of course is that in the cauldron of welfare emotionalism the bill will be changed in ways that would be harmful to the poor, especially poor children. This is a dangerous time for social policy. Still, if you could adopt the Clinton plan as written, I would say do it. It represents a sensible middle ground that in many ways builds intelligently on existing law.

In the usual way, the Clinton welfare reform bill and the statements made about it overpromise. If this legislation is passed, the federal government must avoid what has happened too often in the past in this field; we promise the moon and we deliver moon spots. The JOBS title of the

1988 Family Support Act is an illustration of this implementation gap. The Family Support Act passed in 1988 is a balanced law that aids the states in adopting policies to get welfare families heads into the regular labor force. But based on research we have done at the Rockefeller Institute of Government, the funding for this law has been too limited, and the work done to implement it has gone slowly.¹

Economists have a concept in theory called signalling. The idea is that what we tell people makes a difference in their economic behavior. In the case of welfare policy, we have been signalling like crazy for years now, but we have not made enough of a difference. Our signal has been that you should not have a child until you can support that child, that you shouldn't live a life of dependency on the state, and that children born to very young single mothers are likely to have a hard time of it. Almost every welfare plan I can remember - left, right, and center - has signalled (indeed preached) that work is better than welfare, that families should be self supporting, and that both parents of a child should be part of this self-support system. We have in fact shouted this to the rooftops. And yet illegitimacy rises (not just among the poor of course) and welfare roles are up. Many people exit welfare quickly, but the big cost and the big problem is the long stayers. This group overrepresents teenagers who have children out of wedlock and lead a life of welfare.

Everyone who knows about this field knows that in promising jobs after two years the Clinton bill sends a strong signal that presents lots of problems as to whether we can really do this. I credit the framers of the Clinton bill for their phasing in of this requirement, although even with the phase-in, the goals sought are tremendously ambitious.

Why then do I say we should pass the bill?

My experience and my research suggest five points that lead me to this conclusion:

1. As a member of board of the Manpower Demonstration Research Corporation, I have closely studied MDRC reports that show that work/welfare programs work - not well enough in many places, but that they do work. It would be desirable to do demonstration research on the effects of time limits on welfare. However, that takes time. If there is no welfare reform legislation this year, I think this kind of research should be pushed, but even under the best of conditions it will not produce results that this Congress or the next can consider.

2. At the Brookings Institution and Princeton University, we conducted a national implementation study of the CETA public service jobs program in the late seventies. Contrary to what everyone remembers (CETA is remembered as a big flop), the CETA public service employment program worked pretty well. In its early days, reasonably job-ready people did useful work in the community. Hugh Price, the new president and chief executive officer of the National Urban League, has urged a new public service jobs program to deal with low-level public infrastructure needs, of which we have many. The bill before you ties in well with his proposals.

3. My third reason for saying go ahead even though big challenges are raised by the Clinton proposal is that there is money in it. It provides critically needed additional money to the states to make their JOBS programs work.

4. The fourth reason for my conclusion involves management. As a student of implementation in government, I have observed that we learn

a lot of things by doing them. Yes, we should plan more carefully and take management factors into account in doing so. Some of this was done in writing the Clinton welfare bill. But the fact remains that it bites off a huge chunk, and that there will need to be a lot of adjustments along the way if we are serious about this stronger signalling strategy for welfare. Still, I conclude we need to make a more substantial commitment to job creation for welfare family heads, both for people already on the roles and as a signal to other young people that the government won't just support you forever on welfare if you have a baby you can't support.

5. The final reason for my conclusion involves the importance of jobs as the best route out of welfare. This is the approach New York State is taking now under social services commissioner Michael J. Dowling. The New York program is called "Jobs First." At a recent hearing in New York City on this approach, an employer in the Bronx who hires welfare family heads in a home health-care program said he didn't like to hire women who have cycled through one training program after another. He called them "training junkies," and said many of them are just playing the system. Education for skills and training are the right answer for many welfare family heads, but I think we have gone too far in this direction in the past decade. Training is not the answer for many welfare family heads.

+ + + + + + + + +

These five points reflect my reasoning as to why the Clinton bill should be enacted. It is ambitious and tends to be oversold. But what else is new? In my view the bill represents as good a balance as we are likely to

get now. If there is an opening this year to put the knotty welfare issue behind us by enacting this bill in the 103rd Congress, I hope you will do it.

If a full-scale welfare bill cannot be enacted this year, I hope consideration will be given to a two-step approach. By that I mean enacting some changes now to aid and push the states in implementing the JOBS program, holding off until the 104th Congress to debate more fundamental changes. The Clinton bill recommends \$2.8 billion over five years in additional funding for the JOBS program. It also provides \$4.2 billion for child care, \$1.5 billion of this amount for the working poor. There is another \$300 million for pregnancy prevention, plus \$600 million to strengthen child support enforcement. If half of this funding could be authorized now - \$4 billion divided among these several purposes - it would help the states beef up their JOBS programs and related services in order to build a better base for the kinds of more far-reaching changes sought in the form of time limits and the institution of a President Clinton's proposed WORK program.

Richard P. Nathan is director of the Rockefeller Institute of Government and provost of the Rockefeller College of Public Affairs and Policy, the State University of New York. He is also chairman of the board of the Manpower Demonstration Research Corporation. This testimony does not represent the views of either the Rockefeller Institute or the Manpower Demonstration Research Corporation. It states the author's position.

NOTES

1. **Irene Lurie and Jan L. Hagen, Implementing Jobs: The Initial Design and Structure of Local Programs, The Nelson A. Rockefeller Institute of Government, State University of New York, 1993.**

MEMORANDUM

To: Bruce Reed, Kathi Way and Jeremy Ben Ami
From: Dacia Toll
Re: July 28 Welfare Reform Hearings - Child Support Enforcement

Not a terribly gripping day of testimony. In general, the Administration bill was not addressed specifically; in fact, I developed the sneaking suspicion that several of those called to testify had not even read the bill specifications (i.e. one made reference to the 30-hour limit on benefits, another decried the administration for not exempting mothers from paternity establishment mandates when they would be in danger of severe physical harm). For most of the hearing, only chairman Ford was present, and he was prone to pursue somewhat tangential topics. Because of testimony by Charles Ballard and Bill Harrington, significant time was spent on the role of fathers (Ford had little patience for programs to help dads love their children - what they need are jobs, jobs, jobs).

Support continued to mount for separating child support enforcement and welfare reform if necessary to pass this Congress. Santorum said he had talked with the subcommittee staff about potential jurisdictional problems in forwarding a child support enforcement bill from their subcommittee, but it was determined that they were free to act as they wished.

In terms of passing the entire welfare reform package this Congress, several members who opened the hearing with their testimony (Franks, Fowler) urged action. Ford continued to act as if he would try to mark up a bill before the August recess.

In terms of substantive issues,

- continued debate about whether or not to federalize the child support collection system. Some support, particularly from the National Women's Law Center, for Rep. Woolsey's bill which would federalize the system. Far more support for an increased federal-state partnership similar to that contained in the Administration's bill.

- several people called for automatic cost-of-living adjustments to child support payments, similar to those contained in the Matsui bill. They agreed with the Administration that awards were not updated adequately in response to changes in the income of the non-custodial parent but thought forcing collection agencies to review all the awards more frequently would prove too burdensome. Automatic COLA increases and review of those cases in which the mother made a specific request was seen as a better alternative. (Massachusetts testified that the cost of modifying an award averaged \$730; they modified 1,400 orders upward last year and estimate that more than 15,500 others should have been modified similarly - at their current rate, it would take 12 years to get to them all). Also, testimony offered support for a Matsui-like standardized system by which estranged parents could exchange financial information each year.

- an occasional call for greater child support assurance, but no congressional support materialized.

- several people suggested that we prioritize the delinquent child support caseload based on need, targeting our limited child support enforcement dollars on collecting payments due the poorest families.

- no one felt that child support should be tied to visitation rights

- significant support for private job placement services like Cleveland Works

In addition, everyone offered rhetoric about cracking down on deadbeat dads, preserving state flexibility, and focusing on the needs of the children - "the real victims."

I have copies of all the written testimony which provides far greater detail (including an outline of South Carolina's welfare reform proposal which has several notable similarities with the Administration package).

LIST OF WITNESSES TO APPEAR BEFORE
SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS
HEARING ON WELFARE REFORM

THURSDAY, JULY 28, 1994 - BEGINNING AT 10:00 A.M.

ROOM B-316 RAYBURN HOUSE OFFICE BUILDING

The Honorable Bill Richardson, M.C., New Mexico, and Chairman,
Subcommittee on Native American Affairs, Committee on Natural
Resources

The Honorable Gary A. Franks, M.C., Connecticut

The Honorable Bill Orton, M.C., Utah

The Honorable Eric Fingerhut, M.C., Ohio

The Honorable Tillie Fowler, M.C., Florida

The Honorable Robert Menendez, M.C., New Jersey

PANEL:

National Institute for Responsible Fatherhood and Family
Development:

Charles Augustus Ballard, Founder and President

National Women's Law Center:

Nancy Duff Campbell, Co-President

National Black Women's Health Project:

Cynthia I. Newbille, Executive Director

PANEL:

South Carolina Department of Social Services:

J. Samuel Griswold, Ph.D., Director

Child Support Enforcement * C.S.E. (Austin, Texas):

Richard (Casey) Hoffman, President

Commonwealth of Massachusetts:

Robert Melia, First Deputy Commissioner,
Department of Revenue

PANEL:

Pamela Cave, Chantilly, Virginia
(former AFDC recipient)

American Fathers Coalition:

Bill Harrington, National Director (Commissioner,
U.S. Commission on Child and Family Welfare)

Association for Children for Enforcement of Support, Inc.:

Tudi Whitwright, Brie, Washington

THIS HEARING WILL CONTINUE ON FRIDAY, JULY 29, 1994, BEGINNING AT
10:00 A.M., IN ROOM B-317 RAYBURN HOUSE OFFICE BUILDING, AND WILL
FOCUS ON THE CAUSES AND CONSEQUENCES OF EARLY CHILDBEARING.

LIST OF WITNESSES TO APPEAR BEFORE
SUBCOMMITTEE ON HUMAN RESOURCES
COMMITTEE ON WAYS AND MEANS
ON WELFARE REFORM

TUESDAY, AUGUST 9, 1994 - BEGINNING AT 1:00 P.M.

ROOM B-318 RAYBURN HOUSE OFFICE BUILDING

The Honorable Xavier Becerra, M.C., California

U.S. Commission on Immigration Reform:
The Honorable Barbara Jordan, Chair

National Governors' Association:
The Honorable Tom Carper, Governor, State of Delaware

PANEL:

National Conference of State Legislatures:
The Honorable Jane Campbell, President-Designate
(Majority Whip, Ohio House of Representatives)

Commonwealth of Virginia:
The Honorable Kay Coles James, Secretary, Department of
Health and Human Resources

National Association of Counties:
Michael Pappas, Chair, Human Services and Education
Steering Committee (Board of Free Holders, Somerset
County, New Jersey)

American Public Welfare Association:
Kevin Concannon, Director, Oregon Department of
Human Resources

PANEL:

California Department of Social Services:
Eloise Anderson, Director

Lynn C. Burbridge, Ph.D., Deputy Director,
Center for Research on Women, Wellesley College

Richard P. Nathan, Ph.D., Director, Rockefeller Institute of
Government, and Provost, Rockefeller College of Public
Affairs and Policy

Manpower Demonstration Research Corporation:
John W. Wallace, Ph.D., Vice President and Regional Manager

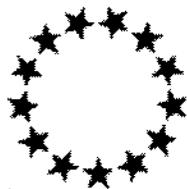
PANEL:

Council of Jewish Federations:
Diana Aviv, Director

New Jersey Department of Human Services:
Larry Lockhart, Associate Commissioner

Robert Rector, Senior Policy Analyst for
Welfare and Family Issues, Heritage Foundation

T E S T I M O N Y



Statement of

The Honorable Tom Carper

Governor

State of Delaware

on behalf of the

National Governors' Association

before the

Subcommittee on Human Resources

of the

Ways and Means Committee

United States House of Representatives

on

The Work and Responsibility Act of 1994

August 9, 1994 (R)

NATIONAL GOVERNORS' ASSOCIATION

Hall of the States • 444 North Capitol Street • Washington, DC 20001-1572 • (202) 624-5300

Thank you, Mr. Chairman, for the opportunity to appear here today on behalf of the National Governors' Association. NGA is a bipartisan organization that represents the Governors of all the states and territories. Governor John Engler of Michigan and I have been designated to take a leadership role for the association on the issue of welfare reform. Governor Engler would have liked to have been here today and we hope that there may be another opportunity sometime in the future for us to appear jointly before the subcommittee.

State Welfare Reform Activity

As you know, Governors have led the way on welfare reform over the last ten years, with significant experimentation at the state level throughout the 1980s. That state experimentation laid the groundwork for the 1988 federal Family Support Act, which then-Governor Bill Clinton, together with then Governor Michael Castle of Delaware, was instrumental in shaping and winning passage into law. During the past five years, as we implemented the Family Support Act, Governors have continued to try new approaches to welfare reform through the waiver process, adding to our knowledge of what works and helping to build a consensus on how to improve the welfare system.

I would like to share with members of the committee today a copy of a new NGA report that describes the steps states are taking to reform the welfare system above and beyond the changes made by the Family Support Act. The report is based on a survey of all of the states conducted in May and June of this year. We found that most state welfare reform initiatives focus on one or more of six key goals:

- to encourage and reward work by reducing penalties in the welfare system on earnings and savings;
- to enforce the responsibility of both parents to financially support their children;
- to simplify and improve the delivery of welfare benefits by providing benefits electronically;
- to support intact families by eliminating certain welfare rules that penalize two-parent families;
- to improve access to child care and health care for families leaving welfare for work; and
- to create jobs for welfare recipients.

More recently a number of states have begun to consider proposals to require work from all recipients after a certain number of months of receiving Aid to Families with Dependent Children (AFDC).

Recent NGA Involvement in Federal Welfare Reform

Although the Governors are continuing to actively pursue ways to reform welfare at the state level, we also believe that further federal reforms are needed. Soon after President Clinton took office, in February 1993, he invited the Governors to work with his federal welfare reform working group to craft new federal welfare reform legislation. The National Governors' Association established the State and Local Task Force on Welfare Reform, the members of which included Governors, state legislators, county and city elected officials, and state welfare commissioners. The task force met during the spring and summer of 1993, and in July 1993 it issued a joint statement of principles to guide national welfare reform. These principles have been adopted by the Governors as the NGA policy position on welfare reform. (I would like to submit a copy of this policy for the record.)

In August 1993, incoming NGA Chairman Carroll A. Campbell Jr. of South Carolina established an NGA Welfare Reform Leadership Team of ten Governors, which consulted with the administration as it developed its proposal. The leadership team was co-chaired by Governor Engler of Michigan and me. Over the coming year Governor Engler and I will continue our roles as lead Governors for the association on welfare reform and will be consulting closely with all of the Governors to form NGA positions on the various legislative options before us.

The Governors have had an opportunity to review the President's welfare reform legislation and we support the principles embodied in it. We believe that the proposal builds on the 1988 Family Support Act and lessons learned from state welfare reform initiatives. The President's proposal incorporates many of the reform principles endorsed by the Governors:

- welfare as a transition to self-sufficiency;
- assistance for those not yet ready for employment or training;
- time-limited cash assistance, including education and training to help recipients prepare for work;
- improved child care and Earned Income Tax Credits for low-income working families;
- enhanced interstate child support enforcement;
- expanded programs to encourage family stability and limit teen pregnancy;
- increased state flexibility in AFDC program design;
- improved coordination between the AFDC and Food Stamp programs; and
- enhanced federal financing, including lower state matching rates.

The Governors believe federal welfare reform is an essential component in restoring responsibility and stability to the American family. We believe welfare benefits should be based on the concept of mutual responsibilities of both the recipient and the government, in that reform legislation should stress and reward personal initiative to achieve self-sufficiency.

The President's proposal is a positive contribution to the welfare reform debate. The administration consulted extensively with states and localities in developing the welfare reform proposal, and we commend the President and his Working Group on Welfare Reform for their commitment to an open consultation process. Like the Governors' policy, the President's proposal recognizes the importance of work as an alternative to welfare and includes numerous elements designed to enhance state ability to prepare recipients for work and place them in jobs.

Throughout our discussions, the states have emphasized the importance of flexibility and continued innovation. There is no one-size-fits-all solution to welfare, and states must have the flexibility to develop programs and services that will address the unique characteristics of our welfare populations and economic conditions within our individual states. We applaud the President's efforts, within the framework of his plan, to afford states specific options to try different approaches without having to apply for waivers. These state options include making work pay by expanding earned income disregards and providing advance payments of the Earned Income Tax Credit.

Welfare is a complex program. The fundamental changes sought by the President and the Governors will require the enactment of a law that clearly recognizes the balance between the federal role in defining basic policy objectives and the state and local role in crafting the procedures and processes needed to obtain those objectives. NGA will work closely with the administration and Congress to ensure that the balance is achieved. Final federal legislation must not become overly prescriptive or detailed.

In summary we support the principles in the President's proposal. We would note that there are other proposals currently before Congress that also incorporate a number of these principles, reflecting substantial consensus on them.

NGA Concerns with the Administration Proposal and Other Pending Bills

We also have identified some areas of the administration's proposal that we believe should be revised. In detailing these concerns to the subcommittee, we would like to point out that many of these concerns apply equally to other pending welfare reform proposals. As a general observation, we believe it is important for the

subcommittee to hear from those of us who will be implementing these reforms that the implementation challenges around this bill and several of the other major bills cannot be overstated. None of us yet knows, for example, how much it will cost or how long it will take to create a system that can track AFDC receipt across the country and over the years in order to monitor individual, lifetime time limits. There also are very significant questions about our ability as a country to create large numbers of publicly subsidized jobs for welfare recipients.

I would like to describe some of our specific concerns with the administration's bill. There are other issues that we are concerned about that I will not take time to discuss here; we would be happy to submit a detailed list of recommendations to the subcommittee when we have had more time to complete our review and analysis of the bill.

1) Financing. We appreciate the administration's inclusion of enhanced federal match rates and increased federal funding for welfare reform. As members of the subcommittee are well aware, implementation of the Family Support Act was hindered greatly by the lack of state resources during the recession to provide the required state match for the federal Job Opportunities and Basic Skills (JOBS) program and for child care funding. We are concerned, however, that the positive impact of these enhanced match rates and increased federal funds may be offset by financing mechanisms that shift costs to states and localities. The Governors are particularly concerned about the administration's proposed cap on state emergency assistance expenditures and about various proposals to limit federal assistance to legal immigrants. We ask Congress to recognize that if federal welfare reform is financed through cost shifts to states and localities, it has the potential to become a zero sum game in some states and localities without a significant net increase in the resources available to implement welfare reform.

2) Participation Rates, Sanctions, and Administrative Costs. Given what we know about participation rates achieved in similar programs in the past, we are concerned that the participation rates of 45 percent for the JOBS and WORK programs may be set too high. The best example we have to date of a program that required participation by every adult recipient, and made intensive efforts to enforce that participation, is the San Diego SWIM program. That program successfully increased employment and earnings, but achieved monthly participation rates of only about one-third of cases, if program activities alone are counted, or about one-half of cases, if employment at any time during the month is counted.

These SWIM rates include many more people than could be counted as participants under current JOBS rules, because recipients were counted as participants if they participated at any point in the month. (By contrast, JOBS participation rates allow states to count recipients as participants only if they meet a number of standards requiring ongoing weekly participation at certain hourly levels.) So, despite the fact that an independent evaluation of the program concluded that SWIM had reached as many recipients as was practically possible, and worked with virtually every case on the rolls in order to achieve those rates, the end result was a participation rate lower than that proposed in the administration bill, and considerably lower than that proposed in some of the other bills that have been introduced.

For the JOBS program, in particular, it is important to note that the proposed 45 percent participation rate for the phased-in group is in addition to requirements to meet existing, very high participation rates for unemployed parent cases. In addition, states must continue to serve all existing JOBS participants until they leave AFDC and to serve all volunteers for the program as long as funding is available. Some states believe that the net effect of these requirements will be to double the size of their JOBS program in the first year this legislation takes effect. Yet the enhanced funding for the JOBS program phases in slowly, with the full enhanced match not becoming available for five years and not until a state has implemented the program statewide.

In addition, we believe that the caps on discretionary deferrals and extensions of the time limit are set unrealistically low and the deferral and extension categories are defined too rigidly.

We strongly object to the legislation's use of reductions in the federal match for basic AFDC benefits as a penalty mechanism. This match is reduced for certain portions of the caseload under a variety of circumstances—for example, if states do not meet participation rates for the JOBS or WORK programs, fail to adopt mandated child support procedures, exceed the caps on deferrals or extensions, or fail to keep accurate records on the time limits. States also may lose federal matching funds for basic benefits if certain paternity establishment rates are not met. The Governors believe that there is a shared federal-state responsibility for providing basic benefits, and we are deeply concerned about establishing any precedent linking the federal commitment to state actions in other areas. If Congress deems that sanctions are necessary, we would recommend something similar to the current JOBS penalty structure, where the federal JOBS match rate is reduced for failing to meet JOBS requirements. However, we believe that it would be more appropriate during the initial phase-in period to focus on timely and accurate reporting of program performance and provide states with incentives for improvement.

Finally, the Governors are concerned about the new procedural requirements imposed by the bill, such as the review mechanism and arbitration or hearings required if disagreements arise on employability plans. We fear that these requirements will increase administrative costs and slow implementation of the program.

3) The WORK Program. We believe the WORK program could be simplified for ease of administration. NGA policy states that all Americans should be productive members of their community. It also states that there are various ways to achieve this goal. The preferred means is through private, unsubsidized work in the business or non-profit sectors. Other alternatives, in order of priority, include unsubsidized public sector employment, subsidized jobs, grant diversion, working off the welfare grant, and volunteering in community service work. The Governors would like the flexibility to address all of these alternatives. The requirement that participants be paid wages equal to that of regular employees would add greatly to the cost and would make it very difficult to provide a sufficient number of work positions. In addition, the grievance and binding arbitration procedures related to nondisplacement are exceptionally burdensome. The bill's many other requirements related to WORK benefits, leave, and the sanctions process (which is more cumbersome than that for JOBS participants) are very difficult and given the anticipated scope of the WORK program, administratively unworkable. States also object to the requirements that the JOBS and WORK programs be run by the same agency and that every locality establish WORK advisory boards.

Creating 400,000 publicly created jobs for AFDC recipients by the year 2000 will be a tremendous challenge, one that demands the maximum amount of state and local flexibility to make it work. No one really knows the best approach for creating meaningful work experience for this population—it is imperative that the bill leave room for us to try many different paths.

4) Child Support Mandates. NGA has supported child support mandates that are critical to improving interstate enforcement, such as state adoption of the Uniform Interstate Family Support Act. Governors are strongly committed to improving child support enforcement systems in their states and they support performance-based incentives for state and local implementation of program improvements. However, they are concerned about the number and scope of intrastate child support enforcement mandates included in this bill, some of which would force states to adopt entirely new child support enforcement systems. The bill would require, for example, states with judicial systems for paternity establishment and child support enforcement to switch to administrative ones. It would require states with locally administered and funded child support collection and disbursement functions, such as Michigan, to centralize those functions at the state level, which would involve massive reorganization and the hiring of large numbers of new state employees. Many of these

mandates would require substantial expenditures on new information systems development, yet the bill caps federal funding for information systems and cuts the federal match rate.

States also view the requirement to establish paternity within one year of enrollment as impossible to meet in many large urban areas. Finally, the requirement to bring all child support cases who request it into the child support agency system could mean a doubling of child support caseloads at the same time that states would be trying to meet all of the new requirements for the AFDC cases.

5) Information Systems. NGA is concerned about the impact of the proposed cap on the federal share of the enhanced and regular match for design and development costs for automation systems. We also believe that federal assistance for information systems should not be limited to those systems that are developed by the federal government or as part of multistate collaboratives. The states and the federal government have invested a considerable amount in the current systems. The new requirements of this legislation will increase the need for compatible data across states, but will also require new and more complex interfaces with other state systems. It appears that the quickest and most cost-efficient approach is to modify existing systems. This will require state-by-state modifications.

Although the federal government should encourage multistate cooperation and enhance federal assistance, it should not impose a national or regional solution. Instead the federal role should be to define common data elements necessary for implementation of the program.

6) Implementation Timetable. Currently the bill requires states to implement the bill one year after enactment. When Congress last passed welfare reform in 1988, it took the federal government one year just to publish regulations. The administration's proposal is considerably more complicated than the Family Support Act. Two years is the absolute minimum amount of time that will be needed for most states to implement this program, especially because states cannot get very far without knowing what federal rules they must meet. It will take time to build capacity in the JOBS program, and in the related employment and training and child care programs. We will need to build new information systems in order to implement this. The counting of individual months of AFDC eligibility across counties and states and over long periods of time poses particular information system problems. An unrealistically short national implementation date, even one that can be extended, creates artificial pressures for states to implement before they actually are ready to do so.

7) Time Limits. Most Governors support the two-year time limit for the target population. Some Governors would like more flexibility to decide how to phase-in the time limits, and to expand the target population. Allowing states to propose different ways to phase the program in, subject to some national target for caseload coverage, will enable them to grapple with the time limit issue and target population and propose solutions appropriate for each state.

We would also like to note that states have invested considerable time and effort in the development of experiments to test a variety of reform initiatives through the Section 1115 waiver process, including many approved by the administration. The Governors would like to emphasize the importance of any new federal reform legislation allowing states to complete the welfare demonstrations currently underway through waivers and to allow future experimentation. We also want to underscore the importance of interagency cooperation in the waiver process. The new state flexibility on the EITC in the bill, for example, will only be meaningful with the full cooperation of the Treasury Department. Other departments whose assistance is critical to timely waiver review and approval include Agriculture, Housing and Urban Development, Education, and Labor. Further, the Governors insist that the existing waiver approval process not be burdened with additional requirements that delay action on waiver requests.

NGA appreciates the new state flexibility that is incorporated into the bill through state plan options and waivers. We do not think this flexibility should be limited to a specific number of states, however, and would like to see such options as advance payment of the EITC or adjustments to the time limit open to all states that wish to apply for them.

One final concern we have is that two key prevention components in the bill--the teen pregnancy prevention grants and the community prevention grants--would bypass states. We believe that states must be involved to ensure that the grants do not result in duplication of efforts to integrate the new grant activities with ongoing state and local efforts.

In conclusion, I would like to say that I and my fellow Governors are as eager as the President and all of you in Congress to do as much as possible as soon as possible to improve the welfare system in this country. We believe that the President's bill is a positive contribution to the welfare debate and support many aspects of it. However, I think you can see from our list of concerns that fundamentally restructuring the welfare system is an enormously complex task. As Governors who must implement whatever law is passed, we bear a special responsibility to temper the rhetoric of the welfare reform debate with reality, and to let you know candidly what can feasibly be done in what timeframe at the state and local level. We hope to work closely with you in the months ahead to ensure that federal welfare reform takes shape in a way that allows us to match our actions to our words.

Testimony before
The Sub-Committee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
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Controlling Welfare Spending

Introduction

The total annual cost of U.S. welfare spending now exceeds \$324 billion; this amounts to more than \$3,400 for each taxpaying household in the U.S. After adjusting for inflation, welfare spending is now 9 times greater than when Lyndon Johnson launched the War on Poverty in the mid-sixties.

As in the current welfare reform debate, each prior expansion of the welfare system has been rationalized as an "investment" which would save money in the long run. But these "investments" have led only to higher spending and escalating social problems. Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged; dependency has soared; the family has collapsed and illegitimacy has skyrocketed. And crime has escalated in direct proportion to the growth in welfare spending.

U.S. society can no longer tolerate open-ended growth in destructive welfare spending. A key goal of any serious welfare reform must be to limit the future growth of welfare spending. Reform must also focus on eliminating the most extravagant examples of wasteful spending, such as providing welfare benefits to non-citizens.

Defining the U.S. Welfare System

The federal government currently runs over 75 interrelated and overlapping welfare programs. Many states operate independent state programs in addition to the federal programs. (A complete list of welfare programs is attached.) The welfare system may be defined as the total set of government programs explicitly designed to assist poor and low income Americans. Welfare assistance has three ostensible objectives:

- 1) Sustaining Living Standards Through Cash and Non-Cash Transfers. Federal and state governments provide cash aid, food, housing and medical assistance. These programs are intended to directly raise an individual's material standard of living. Such aid directly substitutes for the private sector income which the welfare recipient is presumed to be incapable of earning for him or herself.
- 2) Promoting Self-Sufficiency. A smaller number of government programs are intended to increase the cognitive abilities, earnings capacity and living skills of lower income persons. Typical programs in this category would include government job training programs for low skilled individuals or special education programs targeted at disadvantaged persons.
- 3) Aiding economically distressed communities. The federal government also provides aid to governments in low income or economically distressed areas. The nominal intent of this aid is to broaden the economic opportunities within the community and thereby indirectly to benefit low-income persons who live there.

Targeted, Categorical, and Means-Tested Programs

An additional criterion for defining the welfare state is that welfare programs are targeted, categorical, or means-tested. Targeted programs provide assistance to communities which either have a high percentage of poor and low income persons or are "economically distressed". Categorical welfare programs provide aid to specific disadvantaged or needy groups such as migrant farm workers, homeless persons, or abandoned children.¹

"Means-tested" programs also provide aid directly to low income and poor persons. A wide variety of government programs such as cash, food, housing and medical care can be "means-tested", and roughly 95 percent of total welfare spending takes the form of means-tested aid directly to individuals. Means-tested programs restrict eligibility for benefits to persons who have "means" (i.e. non-welfare income) below a certain level. Individuals who have non-welfare income above a specified cut off level cannot receive aid. Thus, Food Stamps and public housing are "means-tested" programs, because benefits are limited to lower income persons. By contrast, Social Security and public schools are not "means-tested".²

Total Welfare Spending

Total federal and state spending on welfare programs was \$324.3 billion in FY 1993. Of the total, \$234.3 billion or 72% comes from federal funding and \$90 billion or 28% comes from state or local funds. But these figures significantly understate the role of the federal government in welfare. Many federal welfare programs require a state government contribution; in order for individuals within a state to receive aid from these federal programs, the state government must match or pay a certain share of federal spending in the state on that program. Out of the total of \$90 billion in state and local welfare spending described in this paper fully \$78.6 billion takes the form of state and local contributions to federally created welfare programs. Of total welfare spending of \$324 billion, only \$11.4 billion or 3.5% is spending for independent state welfare programs.³

Categories of Welfare Spending

As noted, the welfare system theoretically is designed to promote three proclaimed goals: to prop up material living standards; to promote self-sufficiency; and to expand economic opportunities within low-income communities. Federal and state governments operate a variety of welfare programs to meet these goals. Such programs include: cash aid programs; food programs; medical aid programs; housing aid programs; energy aid programs; jobs and training programs; targeted and means-tested education programs; social service programs; and urban and community development programs.

Cash Aid The federal government operates eight major means-tested cash assistance programs. Many state governments also operate independent cash programs

¹ Although a categorical program will not have formal financial means-test (as described in the main text), the nature of the group served as well as the method of operating the program will result in the bulk of assistance going to low income persons.

²Some programs such as Guaranteed Student Loans are formally means-tested but the means-test or income cut off is so high that the program benefits mainly the middle class. Despite the means-test, such programs should not be considered part of the welfare system, and have not been included in the programs listed or spending totals calculated for this paper.

³Comprehensive figures on independent state and local welfare spending are difficult to obtain. It is possible that there is as much as \$10 to \$15 billion dollars in independent state and local welfare spending which is not included in this report. However, even if this extra state and local spending were included in the spending totals, the welfare system would still be overwhelmingly federal in structure.

termed General Assistance or General Relief. Total cash welfare spending by federal and state governments reached \$71.5 billion in FY 1993.

Food Aid The federal government provides 11 major programs providing food assistance to low income persons. Total food aid to low income persons equalled \$36 billion in FY 1993.

Housing Aid The federal government runs 14 major housing programs for low income persons. Many state governments also operate independent state public housing programs. Total housing aid for low income persons equalled \$23.5 billion in FY 1993.

Medical Aid The federal government runs 8 medical programs for low income persons. Many states operate independent medical General Assistance programs. Total medical aid equalled \$155.8 billion in FY 1993.

Energy Aid The federal government operates 2 programs to help pay the energy bills or to insulate the homes of persons with low incomes. Total spending equalled \$1.6 billion in FY 1993.

Education Aid The federal government runs 10 programs providing educational assistance to low income persons, disadvantaged minorities, or low-income communities. Total spending equalled \$17.3 billion in FY 1993.

Training and Jobs Programs The federal government currently operates 9 different jobs and training programs for low income persons, costing \$5.3 billion in FY 1993.

Targeted and Means-Tested Social Services The federal government also runs 11 programs providing special social services to low income persons. These programs cost \$8.4 billion in FY 1993.

Urban and Community Aid Programs The federal government runs 5 programs to aid economically distressed communities. These programs cost \$4.8 billion in FY 1993.

The Growth of the Welfare State

The welfare state, after remaining at low levels through the 1950's and early 1960's, has undergone explosive growth since the onset of the War on Poverty. In inflation adjusted terms, welfare spending has grown in every year except one since the mid-sixties.

* In constant dollars federal, state and local governments now spend 9 times as much on welfare as in 1964 when the War on Poverty was beginning. Welfare spending per capita in constant dollars is seven times as high as in 1964.

* After adjusting for inflation welfare spending per capita today is five times as high as during the Great Depression when a quarter of the work force was unemployed.

* Welfare spending is absorbing an ever greater share of the national economy. In 1964 welfare spending equalled 1.23 percent of Gross Domestic Product. By 1993, spending had risen to 5.1 percent of GNP; This was a record high, exceeding the previous peak set during the Great Depression.

* Welfare spending in FY 1991, FY 1992, FY 1993 exceeded defense spending for the first time since the 1930's.

* There are repeated claims that Ronald Reagan "slashed" welfare spending. In reality welfare spending grew during the 1980's, after adjusting for inflation. In 1993, per capita welfare spending in constant dollars was 43 percent higher than

when President Reagan took office in 1980.

* Contrary to some claims the growth in welfare spending has not been limited to medical aid. In constant dollars, per capita cash, food and housing aid is now 31 percent higher than in 1980 and 4.6 times higher than in 1964.

The Total Cost of the War on Poverty

The financial cost of the War on Poverty has been enormous. Between 1964 and 1994, welfare spending has cost the taxpayers \$5.3 trillion in constant 1993 dollars. This is greater than the cost of defeating Germany and Japan in World War II, after adjusting for inflation. Out of total welfare spending of \$5.3 trillion, cash welfare programs cost \$1.3 trillion. Medical programs assisting low income persons have cost \$2.1 trillion. Spending on food programs equalled \$602 billion, while housing and energy aid programs for low income persons have cost \$490 billion. Special education programs for low income children have cost \$319 billion, and jobs and training programs have cost \$215 billion. An additional \$230 billion was spent on special social services for the poor, and \$172 billion has been spent on development aid for low income communities.

Projected Growth of Welfare Spending

The notion that the U.S. would spend \$5.3 trillion on the War on Poverty would have dumbfounded most members of Lyndon Johnson's White House. In launching the War on Poverty, President Johnson did not promise an open-ended expansion to the welfare state. Instead, he spoke of a temporary investment which would help the poor to become self-sufficient and climb into main stream society. But the growth of the welfare state has been unending and relentless.

Moreover, there is not even the faintest glimmer of "light at the end of the tunnel" for the end of the War on Poverty. According to the Congressional Budget Office total annual welfare spending will rise to \$538 billion and 6 percent of GDP by 1999. By that year the U.S. will be spending more than two dollars on welfare for each dollar spent on national defense.

While a major portion of the projected growth of welfare spending is for medical services, other programs will show steady growth as well. For example, spending on cash, food, and housing programs is projected to grow by over a third during the next five years.

The Social Costs of the War on Poverty

Despite this massive spending, in many respects the fate of lower income Americans has become worse, not better, in the last quarter century. Today, one child in seven is being raised on welfare through the AFDC program. When the War on Poverty began roughly one black child in four in the U.S. was born out of wedlock. Today two out of three black children are born out of wedlock. Rapid increases in illegitimacy are occurring among low income whites as well; the illegitimate birth rate among low income white high school drop outs is 48 percent. Overall nearly a third of children in the U.S. are now born to single mothers.

Examples of Waste in Welfare: Immigrants on SSI

Welfare spending not only has destructive social consequences, much of it is simply extravagant. A clear example of waste in the welfare system is the growing number of non-citizens receiving welfare. Immigration should be open to individuals who wish to come to the United States to work and be self-sufficient. Immigration should not become an avenue to welfare dependence. Prudent restrictions on providing welfare to recent immigrants has

long been part of the American tradition. Becoming a public charge was grounds for deportation in the Massachusetts Bay colony even before the revolution. Our first immigration law, passed by Congress in 1882, instructed immigration officials to deport any person who, in their opinion, might become a public charge. Today, the Immigration and Nationality Act declares unequivocally "any alien who, within five years after the date of entry, has become a public charge from causes not affirmatively shown to have arisen since entry is deportable". Clearly, this provision of law is ignored.

Today, non-citizens are among the fastest growing groups of welfare dependents. In 1993, there were nearly 700,000 lawful resident aliens receiving aid from the SSI program. This was up from 128,000 in 1982: a 430 percent increase in just 10 years. Total welfare costs for non-citizens in the SSI program now approach \$7 billion per year.

The overwhelming majority of non-citizen SSI recipients are elderly. Most apply for welfare within five years of arriving in the U.S. These SSI recipients are concentrated in a few states. Five states alone (California, New York, Florida, Texas, and New Jersey) account for nearly 80 percent of the total.

The data show that welfare is becoming a way of life for elderly immigrants entering the United States. Professor Norman Matloff's analysis of elderly immigrants in California shows that 45 percent received cash welfare in 1990. Among Russian immigrants, the figure is 66 percent; among Chinese, 55 percent. Worse, the trend is accelerating. More recent immigrants are far more likely to become welfare dependents than those who arrived in the U.S. in earlier decades.

The presence of large numbers of elderly immigrants on welfare is a clear violation of the spirit, if not the letter, of U.S. immigration law. The relatives who sponsored the entry of these individuals into the U.S. implicitly promised that the new immigrants would not become a burden to the U.S. tax payer. But many, if not most, sponsors are enrolling their elderly immigrant relatives on welfare soon after the end of the three year waiting period. Once on SSI, there is every indication that these immigrants will remain on welfare indefinitely.

Although many of the elderly non-citizens on SSI come from politically oppressive nations such as Cuba or the former Soviet Union, the majority do not. The single greatest number of aliens on SSI come from Mexico. Other nations, such as the Philippines, the Dominican Republic, South Korea, and India, also contribute large numbers of recipients.

Moreover, while we all greatly sympathize with those individuals who have suffered from political oppression and economic failure inherent to communist regimes, we must not attempt to use U.S. welfare programs to redress that suffering. The U.S. welfare system cannot serve as a retirement reservoir for the elderly of failed, oppressive political systems, no matter how greatly we feel for the past and present suffering of these individuals. Just as the U.S. military cannot serve as a global policeman, U.S. welfare programs cannot serve as a global retirement system.

Limiting Welfare to Non-citizens

In short, the U.S. welfare system is now serving as a deluxe retirement benefit for the elderly of many impoverished nations. If current trends continue, the U.S. will have more than 3.5 million non-citizens on SSI within 10 years, at an annual cost of over \$35 billion.

As in most other issues, the Clinton welfare proposal on this question offers no more than a fig leaf of reform. The proposed Clinton legislation will not significantly reduce current costs to the taxpayer, nor will it stem the growth of immigrants on welfare.

The steps for real reform are clear. First, Congress should eliminate welfare eligibility for all non-citizens. Second, Congress should ensure that the sponsoring individuals who were responsible for bringing elderly relatives to the U.S. in the first place

bear the full and permanent responsibility of supporting their immigrating kinfolk. This should include mandatory garnishment of earnings if voluntary support by the sponsoring relative is not provided.

Just as we expect an absent parent to pay child support for his children, we must expect individuals who voluntarily bring elderly and near-elderly relatives to the U.S. to fully support those relatives. This obligation to support should be permanent and should not be limited to three or five years as under current law. Under no circumstances should the cost of supporting elderly and near-elderly immigrants to the U.S. be passed on the general taxpayer.

Most non-citizens on SSI who were lawfully admitted to the U.S. do have relatives capable of supporting them. In order to have brought a relative to the U.S. in the first place, the sponsor must have demonstrated a capacity to support that relative. And most sponsors did, in fact, support their immigrant relatives for at least three years after arrival. If SSI benefits for non-citizens were terminated, in most cases the family support which sustained the immigrant immediately after arrival in the U.S. would simply be resumed. In some cases, the supporting family might decide it was best to return their elderly relation to their native country once the largesse of U.S. welfare is withdrawn.

In a limited number of cases it might be necessary to continue some form of federal aid. Some non-citizens on SSI may lack relatives to support them, and may be unable to return to the politically oppressive nations from which they emigrated (e.g., Cambodia, Laos, or Vietnam). Such elderly individuals, who are true political refugees, who are incapable of self-support, and who lack supporting relatives should receive aid under federal refugee programs.

Eliminating the Requirement for States to Provide Free Education to Illegal Immigrants.

Another pressing issue concerning government benefits and immigration is the Supreme Court's ruling in Pyler v. Doe. Under this case, the court has required state and local governments to provide free public education to illegal immigrant children. The Congress of the United States should immediately express its disapproval of the abuse of the U.S. taxpayer engendered by the Pyler decision. The Congress should effectively overturn the Pyler decision by enacting legislation with the following three provisions:

- 1) Require that local school authorities notify the INS immediately whenever an illegal alien seeks to enroll in the public schools.
- 2) Require the INS to begin deportation proceedings against the illegal immigrant child and his relatives within fourteen days of notification by the local school authority.
- 3) Stipulate that a state or local government should not be responsible for providing education services once deportation proceedings have begun.

The original Pyler decision was a narrow 5-4 verdict. The logic of the Pyler ruling was based on the assumption that illegal immigrant children should be educated at taxpayer expense because they were likely to become permanent members of our society. The above provisions if enacted would remove the logical and practical foundation for Pyler by demonstrating that Congress does not intend illegal immigrants to become permanent members of our society. If enacted these provisions would save state and local governments up to \$3.9 billion per year.

Conclusion

Any fair observer would note that no matter how frequently policy makers "end welfare," the

costs continue to rise. Welfare absorbed around 1.2 percent of GDP when Lyndon Johnson launched the War on Poverty in 1964; it had risen to over 5 percent by 1992. With a \$324 billion price tag, welfare spending now amounts to roughly \$8,500 for each poor person in the U.S. Worse, Congressional Budget Office figures show total welfare costs rising to a half trillion dollars, about 6 percent of GNP, by 1998.⁴ Predictably, the Clinton Administration maintains that a half trillion is not enough; "ending welfare" means adding on even more spending.

The long history of bogus welfare reforms, all of which were promised to save money but did not, leads one to one obvious conclusion. The only way to limit the growth of welfare spending is to do just that: limit the growth of welfare spending. The welfare system must be put on a diet. The future growth of federal means-tested welfare spending should be capped at 3.5 percent per annum.⁵ Individual programs would be permitted to grow at greater than or less than 3.5 percent according to congressional priorities, but aggregate spending must fall within the 3.5 percent ceiling.

By slowing the outpouring from the federal welfare spigot, the cap would gradually reduce the subsidization of dysfunctional behavior: dependency, non-work, and illegitimacy. The cap would send a warning signal to state welfare bureaucracies. Cushioned by a steady and increasing flow of federal funds in the past, most bureaucracies have found no need to grapple with the tough and controversial policies needed to really reduce illegitimacy and dependency. With a cap on future federal funds, state governments would, for the first time, be forced to adopt innovative and aggressive policies that would reduce the welfare rolls.

The current welfare system is an abuse and an insult to the exhausted American taxpayer. Welfare reform must also immediately eliminate the most extravagant forms of welfare spending such as providing retirement to elderly immigrants from other nations.

⁴ These figures represent estimated federal, state and local spending on means-tested welfare programs and aid to economically disadvantaged communities. The Congressional Budget Office estimates only future federal spending. Future state and local spending figures were estimated separately by assuming that the ratio of federal spending to state and local spending on specific programs would remain unchanged. This is a reasonable assumption since the required state contribution to most federal welfare programs is legislatively established at a fixed percentage of federal spending on that program. These percentages change little over time.

⁵ Medicaid and means-tested veterans programs should be exempt from the cap.

THE U.S. WELFARE SYSTEM

MEANS-TESTED ASSISTANCE PROGRAMS AND AID TO ECONOMICALLY DISTRESSED COMMUNITIES

CASH AID

CASH 01) Aid to Families with Dependent Children
Budget Account Number: 75-1501-0-1-609
FY 1993: federal \$13,767.2 million state \$11,426.8 million

CASH 02) Supplemental Security Income
Budget Account Number: 75-0406-0-1-609
FY 1993: federal \$22,642 million state \$3,300 million

CASH 03) General Assistance: Cash
Budget Account Number: none
FY 1993: state \$3,340 million (estimate)

CASH 04) Earned Income Tax Credit
Budget Account Number: 20-0906-0-1-609
FY 1993: federal \$13,663 million

CASH 05) Foster Care: Title IV E
Budget Account Number: 75-1545-1-1-506
FY 1993: federal \$2,532.4 million state \$1,779.352 million

CASH 06) Assistance to Refugees and Cuban/Haitian Entrants
Budget Account Number: 75-1503-0-1-609
FY 1993: federal \$65.122 million

CASH 07) Emergency Assistance to Needy Families with Children
Budget Account Number: 75-1501-0-1-609
FY 1993: federal \$202.19 million state \$202.19 million

CASH 08) Adoption Assistance
Budget Account Number: 75-1545-1-1-506
FY 1993: federal \$273.382 million state \$155.828 million

CASH 09) General Assistance to Indians
Budget Account Number: 14-2100-0-1-452
FY 1993: federal \$106.114 million

MEDICAL AID

MEDICAL 01) Medicaid
Budget Account Number: 75-0512-0-1-551
FY 1993: federal \$75,744 million state \$56,051 million

MEDICAL 02) General Assistance: Medical Care
Budget Account Number: none
FY 1993: state \$5,204 million (estimate)

MEDICAL 03) Indian Health Services
Budget Account Number: 75-0390-0-1-551
FY 1993: federal \$1,495.454 million

MEDICAL 04) Maternal and Child Health Services Block Grant
Budget Account Number: 75-0350-0-1-550
FY 1993: federal \$664.530 million state \$423.6 million

MEDICAL 05) Community Health Centers
Budget Account Number: 75-0350-0-1-550
FY 1993: federal \$558.808 million

MEDICAL 06) Medical Assistance to Refugees and Cuban/Haitian Entrants
Budget Account Number: 75-1503-0-1-609
FY 1993: federal \$98.043 million

MEDICAL 07) Migrant Health Services
Budget Account Number: 75-0350-0-1-550

FY 1993: federal \$57.306 million

MEDICAL 08) Medicare for Persons with Incomes Below the Federal Poverty Threshold

Budget Account Number: None

FY 1993: federal \$15,516.800 million

FOOD AID

FOOD 01) Food Stamps

Budget Account Number: 12-3505-0-1-605

FY 1993: federal \$23,577 million state \$1,628 million

FOOD 02) School Lunch Program

Budget Account Number: 12-3539-0-1-605

FY 1993: federal \$4,670.9 million

FOOD 03) Special Supplemental Food Program for Women, Infants, and Children (WIC)

Budget Account Number: 12-3510-0-1-605

FY 1993: federal \$2,846.5 million

FOOD 04) The Emergency Food Assistance Program

Budget Account Number: 12-3635-0-1-351

FY 1993: federal \$163.4 million

FOOD 05) Nutrition Program for the Elderly

Budget Account Number: 12-3503-0-1-351

FY 1993: federal \$573.939 million state \$65.007 million

FOOD 06) School Breakfast Program

Budget Account Number: 12-3539-0-1-605

FY 1993: federal \$866.0 million

FOOD 07) Child and Adult Care Food Program (Means-Tested and Low-Income Component)

Budget Account Number: 12-3539-0-1-605

FY 1993: federal \$1,225.704 million

FOOD 08) Summer Food Service Program for Children

Budget Account Number: 12-3539-0-1-605

FY 1993: federal \$210.4 million

FOOD 09) Needy Families Food Distribution Program (Commodity Food Distribution Program on Indian Reservations in Lieu of Food Stamps)

Budget Account Number: 12-3503-0-1-605

FY 1993: federal \$61.968 million

FOOD 10) Commodity Supplemental Food Program (CSFP) for Mothers, Children, and Elderly Persons

Budget Account Number: 12-3512-0-1-605

FY 1993: federal \$110.58 million

FOOD 11) Special Milk Program (Free Segment)

Budget Account Number: 12-3502-0-1-605

FY 1993: federal \$1.44 million

HOUSING AID

HOUSING 01) Section 8 Lower-Income Housing Assistance

Budget Account Number: 86-0164-0-1-604; 86-0194-0-1-604

FY 1993: federal \$13,288 million

HOUSING 02) Low-Rent Public Housing

Budget Account Number: 86-0163-0-1-604; 86-0164-0-1-604

FY 1993: federal \$3,726.8 million

HOUSING 03) Section 502 Rural Housing Loans for Low-Income Families

Budget Account Number: 12-2081-0-1-371

FY 1993: federal \$1,842.989 million

HOUSING 04) Section 236 Interest Reduction Payments

Budget Account Number: 86-0148-0-1-604

FY 1993: federal \$634.744 million

HOUSING 05) Section 515 Rural Rental Housing Loans

Budget Account Number: 12-2081-0-1-371
FY 1993: federal \$573.857 million

HOUSING 06) Section 521 Rural Rental Assistance Payments
Budget Account Number: 12-0137-0-1-604
FY 1993: federal \$393.922 million

HOUSING 07) Section 235 Homeownership Assistance for Low-Income Families
Budget Account Number: 86-0148-0-1-604
FY 1993: federal \$62.033 million

HOUSING 08) Section 101 Rent Supplements
Budget Account Number: 86-0129-0-1-604
FY 1993: federal \$55.1 million

HOUSING 09) Indian Housing Improvement Grants
Budget Account Number: 14-2301-0-1-452
FY 1993: federal \$19.922 million

HOUSING 10) Section 504 Rural Housing Repair Loan Grants for Very Low-Income Rural Homeowners
Budget Account Number: 12-2081-0-1-371
FY 1993: federal \$11.330 million

HOUSING 11) Section 514 Farm Labor Housing Loans
Budget Account Number: 12-2081-0-1-371
FY 1993: federal \$16.299 million

HOUSING 12) Section 523 Rural Housing Self-Help Technical Assistance Grants and Section 523 Rural Housing Loans
Budget Account Number: 12-2006-0-0-604 (grants); 12-2080-0-1-371 (loans)
FY 1993: federal \$11.142 million

HOUSING 13) Section 516 Farm Labor Housing Grants
Budget Account Number: 12-2004-0-1-604
FY 1993: federal \$15.936 million

HOUSING 14) Section 533 Rural Housing Preservation Grants for Low-Income Rural Homeowners
Budget Account Number: 12-2070-0-1-604
FY 1993: federal \$23 million

HOUSING 15) Public Housing Expenditures by State Governments
Budget Account Number: none
FY 1993: state \$2,856 (estimate)

ENERGY AID

ENERGY 01) Low-Income Home Energy Assistance Program
Budget Account Number: 75-1502-0-1-609
FY 1993: federal \$1,318.961 million state \$92.327 million

ENERGY 02) Weatherization Assistance
Budget Account Number: 89-0215-0-1-999
FY 1993: federal \$182.368 million

EDUCATION AID

EDUCATION 01) Pell Grants
Budget Account Number: 91-0200-0-1-502
FY 1993: federal \$6,098.572 million

EDUCATION 02) Head Start
Budget Account Number: 75-1536-0-1-506
FY 1993: federal \$2,776.041 million state \$694 million

EDUCATION 03) Title One Grants to Local Education Authorities for Educationally Deprived Children Under the Elementary and Secondary Education Act
Budget Account Number: 91-0900-0-1-501
FY 1993: federal \$6,139.868 million

EDUCATION 04) Supplemental Educational Opportunity Grants
Budget Account Number: 91-0200-0-1-502
FY 1993: federal \$588.108 million

EDUCATION 05) Chapter One Migrant Education Program

Budget Account Number: 91-0900-0-1-501

FY 1993: federal \$302.773 million

EDUCATION 06) Special Programs for Students from Disadvantaged Backgrounds (TRIO Programs)

Budget Account Number: 91-0201-0-1-502

FY 1993: federal \$388.165 million

EDUCATION 07) State Student Incentive Grants (SSIG) for Needy Students

Budget Account Number: 91-0200-0-1-502

FY 1993: federal \$78.003 million state \$78.003 million

EDUCATION 08) Fellowships for Graduate and Professional Study for Disadvantaged Minorities

Budget Account Number: 91-0900-0-1-502

FY 1993: federal \$61.628 million

EDUCATION 09) Follow Through

Budget Account Number: 91-1000-0-1-501

FY 1993: federal \$8.478 million

EDUCATION 10) Even Start

Budget Account Number: 91-0900-0-1-501

FY 1993: federal \$90.122 million

JOBS AND TRAINING AID

TRAINING 01) Training for Disadvantaged Adults and Youth (JTPA II-A), Block Grant

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$1,691.7 million

TRAINING 02) Summer Youth Employment Program (JTPA II-B)

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$849.412 million

TRAINING 03) Job Corps (JTPA-IV)

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$949.287 million

TRAINING 04) Senior Community Service Employment Program

Budget Account Number: 16-0175-0-1-504

FY 1993: federal \$389.046 million state \$43.23 million

TRAINING 05) Job Opportunity and Basic Skills Training (JOBS)

Budget Account Number: 75-1509-0-1-504

FY 1993: federal \$736.500 million state \$456.630 million

TRAINING 06) Foster Grandparents

Budget Account Number: 44-0103-0-1-506

FY 1993: federal \$38.923 million state \$8.95 million

TRAINING 07) Senior Companions

Budget Account Number: 44-0103-0-1-506

FY 1993: federal \$14.571 million state \$3.35 million

TRAINING 08) Migrant and Seasonal Farm Workers Training Program

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$78.303 million

TRAINING 09) Indian and Native American Employment and Training Program

Budget Account Number: 16-0174-0-1-504

FY 1993: federal \$61.871 million

SOCIAL SERVICES

SERVICES 01) Social Services Block Grant (Title XX)

Budget Account Number: 75-1634-0-1-506

FY 1993: federal \$2,784.745 million state \$2,200 million

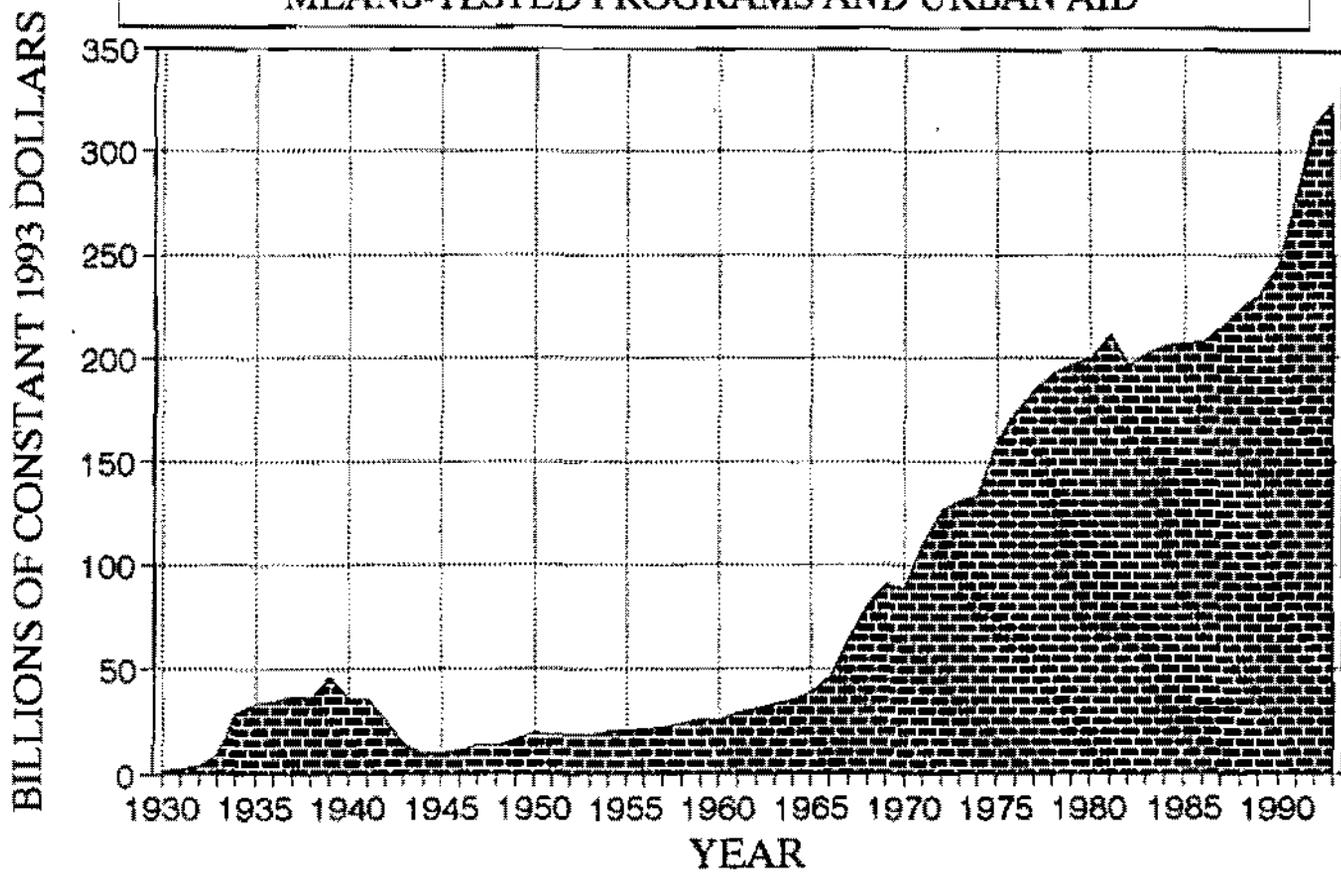
SERVICES 02) Community Services Block Grant

Budget Account Number: 75-1504-0-1-506

FY 1993: federal \$442.830 million

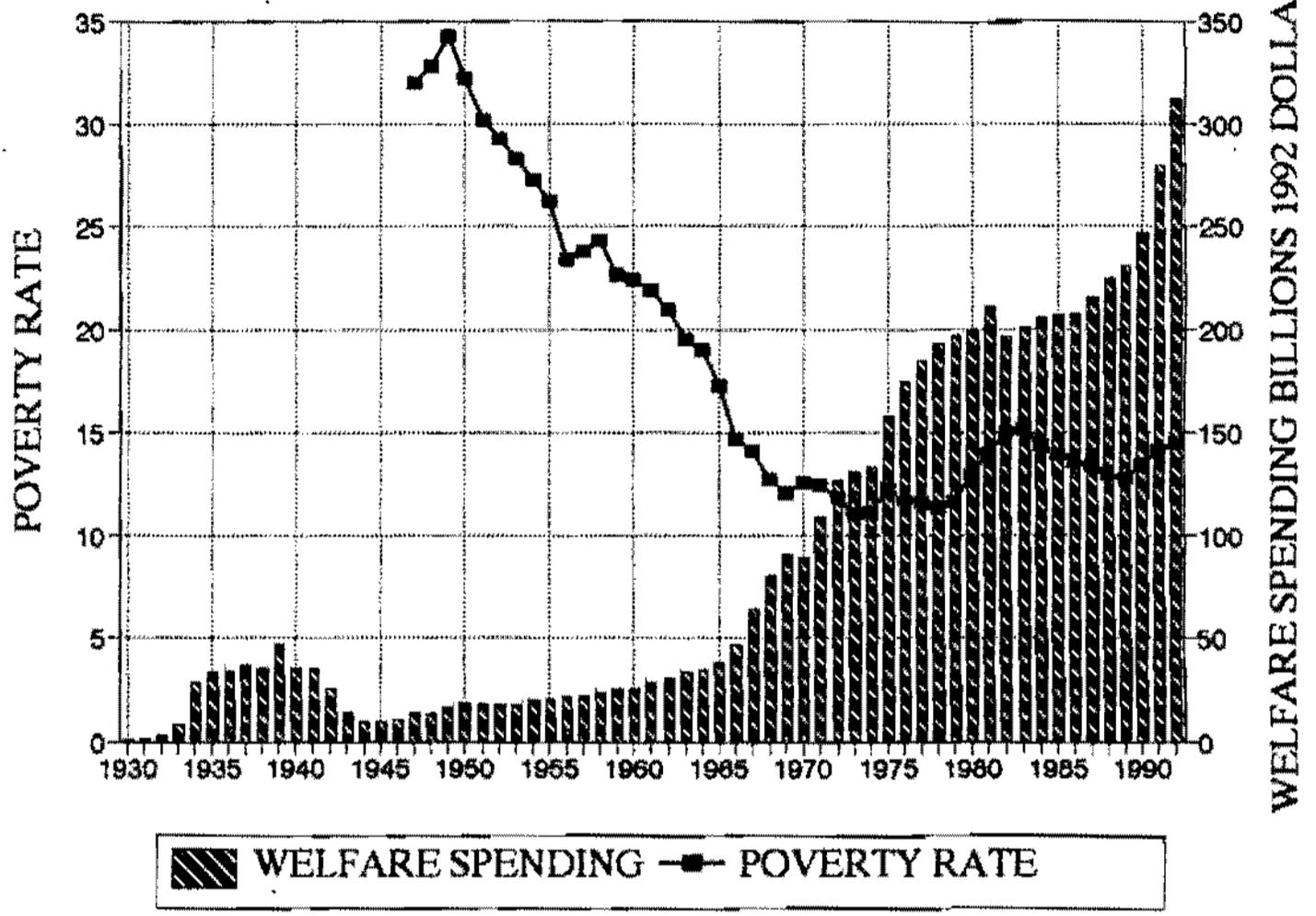
HISTORY OF TOTAL WELFARE SPENDING

MEANS-TESTED PROGRAMS AND URBAN AID



FEDERAL STATE LOCAL

THE POVERTY PARADOX RELATION OF WELFARE SPENDING TO POVERTY



WELFARE SPENDING BILLIONS 1992 DOLLARS



Children's Defense Fund

WRITTEN TESTIMONY
TO THE
UNITED STATES HOUSE OF REPRESENTATIVES
WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON HUMAN RESOURCES

HEARING ON
TRANSITIONAL ASSISTANCE, WORK, AND
THE ROLE OF THE STATES IN WELFARE REFORM
AND FINANCING ISSUES

SUBMITTED BY
THE CHILDREN'S DEFENSE FUND

August 9, 1994

For The Record

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Washington, DC 20001
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The Children's Defense Fund, a privately funded research and advocacy organization dedicated to providing a strong and effective voice for children, especially poor and minority children and their families, would like to express our great hope that reforming our welfare system will bring the nation a step closer to ending child poverty in America. We can do enormous good for poor children, families, and the nation through welfare reform. To realize this potential, however, we must begin to tackle the root causes of child and family poverty in America and do our utmost to see that the resources committed to welfare reform are commensurate with the plan's scope and scale.

We should not fail to use this opportunity to correct what is wrong in the current welfare system. But remedies will remain elusive unless and until we focus on the realities of life for poor children and families in America and address the real barriers that force so many to rely upon AFDC for basic income support. We must recognize that most families do not have long continuous stays on AFDC. Only 7 percent of AFDC families enter a continuous spell of eight years or more and 70 percent leave the rolls within two years. But it is equally true that about three-quarters of these families will return to welfare within five years. Real welfare reform must address the reasons why they return, including their inability to maintain child care or health coverage and their reliance upon unstable employment in short-term or part-time jobs.

Elements of the current welfare system that discourage work and marriage should be changed to reward work effort and strengthen families. Messages of parental responsibility should be strengthened, especially to those absent parents who are not contributing to their children's support. Barriers to secure employment at family-sustaining wages -- ranging from inadequate child care, education, and training services to chronic job shortages in many communities -- should be substantially reduced, if not overcome. This effort to reform our nation's welfare system should reflect our most basic values: the importance of work; the responsibility of parents to care and provide for their children; the nurturing of hope for a better life among children and parents alike; and compassion and a helping hand to those who face personal crises or insurmountable barriers to employment.

Reinvigorated federal leadership and increased investments in a number of key areas are crucial to support the work efforts of parents receiving AFDC and to fulfill the promise of the President's welfare reform pledge. We believe Congress must address the following issues to ensure that welfare reform translates into tangible gains for poor children and families:

Job Creation -- The focus on work in welfare reform must include major new investments to create real jobs that leave families better off than they were on AFDC. Lack of stable jobs at family-supporting wages is the main reason why millions of poor parents are forced to turn to AFDC for help. Even amidst the current economic recovery, nearly 8 million Americans are actively

looking for work but unable to find jobs. Many more have grown too discouraged to continue the search, particularly in the poor urban and rural areas where so many AFDC families live. There is no reason to hope these levels of joblessness will decline substantially in the foreseeable future -- indeed, in its attempts to manage the national economy the federal government already has shifted its attention to fears of renewed inflation and is likely to intervene forcefully by raising interest rates if unemployment falls significantly in the coming year.

As a nation, we cannot hope to reduce reliance upon AFDC without changing these realities and creating new employment opportunities for poor parents who are struggling to provide for their children. The Administration's plan recognizes the shortage of private sector jobs by authorizing creation of public sector work assignments through the WORK program. However, this approach is identical in most respects to discredited "workfare" or Community Work Experience Programs (CWEP) in which AFDC parents are required to work in exchange for their AFDC benefits. Despite the Administration's pledge to "make work pay," parents in the WORK program would be no better off financially (except perhaps in a handful of low-benefit states) than they were on AFDC and may even end up worse off after paying required FICA taxes.

In addition, there is no evidence that CWEP programs enhance employability. Even though they often cost more than education, job search, or skills training, repeated evaluations have found that work experience such as that provided through CWEP by itself does not boost future employment or earnings. Recognizing CWEP's shortcomings in this and other areas, states have exercised their discretion under the current JOBS program and reduced the number of CWEP participants nationwide from 18,000 to 14,000 between 1985 and 1992. Yet the Administration proposes to require all states, through the WORK program, to implement a very similar program on an unprecedented scale.

CDF believes that any effective welfare reform effort must include major new investments in real job creation. The Matsui bill (The Family Self-Sufficiency Act of 1994, HR 4767) provides one possible structure for creating public sector jobs when private sector employment is not available, allowing states to use a portion of their JOBS funds for this purpose. Parents in public jobs would be allowed to keep a reasonable portion of their earnings (through the AFDC earned income disregards) and would be eligible for the Earned Income Credit (EIC) under the same rules that apply to all other low-income working Americans. Under the Matsui plan, states could require periodic job search activities and create part-time jobs to restrain costs and preserve incentives for participants to seek permanent employment in the private sector.

Numerous other approaches to job creation also can be considered. The bottom line, however, should be a genuine commitment to work that allows AFDC parents to provide more adequately

for their children. The Administration's rhetorical commitment to "work for wages," combined with provisions that deprive parents of any financial reward for their labors and leave children as poor as they were previously on AFDC, falls far short of what is needed to reinforce the importance of work in the current welfare system.

Financing -- Proposals to offset the costs of welfare reform by slashing other aid to the poor people are unacceptable. Measures that would eliminate or further restrict basic assistance to large numbers of legal immigrants or curb state efforts to prevent homelessness and fund certain child welfare services through the Emergency Assistance (EA) program are unfair and counterproductive. Similarly, allowing states to impose a child exclusion policy that denies AFDC benefits for children born to families already receiving AFDC will exacerbate the problems facing many poor and vulnerable families. Substantial research refutes the claim that women on welfare have babies in order to get more welfare dollars. Professor Mark Rank's Wisconsin study shows that the childbearing rate for women receiving AFDC is lower (45.8 births per thousand women) than for comparably aged women not receiving AFDC (75.3 per thousand), with this rate decreasing the longer a woman remains on welfare. But other studies indicate that about half of all pregnancies, at any income level, are unplanned. We know that some babies will be born to women on welfare, with or without a child exclusion rule. The only question is whether the children will suffer.

Successful welfare reform cannot come at the expense of basic income supports that enable millions of American children and their families to survive from day to day. A more equitable financing structure reflecting a commitment to help children and families in greatest need is essential.

Child care -- Sufficient funds must be invested in child care for AFDC and working poor families. To protect the health, safety, and development of children while parents work, seek unsubsidized employment, or participate in education and training activities, reliable child care is essential. A survey of Illinois AFDC recipients found that child care problems created major barriers to work and training: 42 percent of those surveyed reported that child care problems kept them from working full time; 39 percent reported that child care problems kept them from going to school. Twenty percent of those surveyed had returned to welfare within the last year in part due to child care problems.

Welfare reform should not sacrifice the well-being of children. We fail any child -- of whatever income level -- when we provide unsafe or poor quality child care. The need for quality care is especially acute for low-income children, many of whom are more likely than their non-poor peers to be in poor health, to suffer from delays in growth or development, or to have a significant emotional or behavioral problem or a learning disability. Quality child care can help these children arrive at

school ready to learn and provide important links to other supports that can help the child thrive.

It is essential that welfare reform help ensure that children are protected; that families are adequately counseled about their child care choices; that the rates for child care and the payment mechanisms used give parents access to safe, high-quality programs for their children; and that funding is set aside to help states improve the quality and availability of care for our poorest children.

We also cannot meet the crucial challenge of welfare prevention unless we make major new investments in child care for working poor families. For these families, help with child care is a lifeline in their efforts to remain in the workforce. Without such help, the cost of care can be prohibitive: while Census Bureau data tell us that non-poor families spend an average of six percent of their income on child care, low-income parents who pay their own child care costs carry a staggering burden, paying roughly a quarter of their income for child care.

Our current child care funding system pits these two very deserving groups -- families struggling to leave the welfare rolls and families struggling to stay in the workforce and avoid the need for welfare -- against each other in a competition for scarce funds. States anxious to get families off the welfare rolls and to maximize federal reimbursements have focused most of their child care dollars on AFDC families in training programs or moving into jobs. Under these circumstances, working poor families often find child care subsidies unavailable. A 1993 50-state CDF survey found that 31 states and the District of Columbia had waiting lists for child care assistance. These waiting lists are formidable. Illinois had 30,000 children waiting for child care. In California, as well as in many areas of Texas, it takes two to three years to reach the top of the waiting list. As one administrator noted, for many families there is no hope of ever getting help.

Without significant new federal child care investments, this competition will be exacerbated under welfare reform, as more welfare families participate in training or employment activities. After they use up the one year of transitional child care available under the Clinton bill (the Work and Responsibility Act of 1994, HR 4605), nothing will have happened to increase their income to the point where they will no longer need a child care subsidy. The Clinton plan's \$1.5 billion over five years for At-Risk child care (for working poor families) is vitally important but alone is insufficient to meet the increased demand. New investments are important both for welfare families and for the working poor.

Preserving a safety net -- Poor parents who "play by the rules" and poor children deserve basic income support as long as they are in need. As long as parents who are receiving welfare are willing to work, a public sector job must be provided; if

unavailable, the basic AFDC safety net must remain in place. We commend the Administration for preserving this fundamental principle. CDF does oppose, however, the use of "full family sanctions" where the entire family would lose all help if a parent fails to comply with all welfare rules. Although this type of sanction would be vastly more punitive than current law, there is no research evidence to show that such severe sanctions are necessary or effective. In fact, some of the job training programs for AFDC recipients which have had the best track records for participation rates and earnings gains have been largely voluntary.

Full family sanctions come at great cost. Families without income are at great risk of homelessness and family break-up. Pushing children into foster or group care is enormously expensive and needlessly damaging. Over the longer term, the greater impoverishment caused by full family sanctions may do grave harm to children. For example, the poorer a child is, the more likely it is that (s)he will experience stunted growth and physical or mental disabilities or chronic health conditions serious enough to limit daily activities in future years.

Health coverage -- For welfare reform to succeed, families must be guaranteed health insurance that they cannot lose in the form of universal coverage with comprehensive benefits. Lack of decent health insurance in low-wage employment is a major barrier for recipients who are trying to leave welfare for work. No effort to move parents on AFDC into the private labor market will be effective without the assurance that health coverage will be continuously available.

Child support -- Strengthened child support enforcement is a key component of welfare reform. The failure to pay child support is a problem in every state. Indeed, as a country we are more faithful about paying for our cars than for our children: in 1992, the default rate for used car loans was less than three percent, while according to the Census Bureau the delinquency rate for child support owed to mothers was 49 percent in 1990.

A recently issued CDF report etches in stark relief the need for bold reform. States made some progress from 1983 to 1992. However, on the most basic of all measures -- the percentage of cases that have at least some support collected -- children are not significantly better off. In 1983, states made at least a partial collection in 14.7 percent of their cases. By 1992, the proportion of cases in which collections were made had edged up to 18.7 percent. At this rate of improvement, it will take over 180 years before each child served by a state agency can be guaranteed that at least some child support will be collected in any given year.

We believe that child support reform must include child support assurance, coupled with aggressive efforts to improve enforcement. Ultimately, enforcement should be centralized in a federal agency such as the Internal Revenue Service. Using the tax system to collect support sends a powerful message: that supporting

our children is as fundamental a civic responsibility as paying taxes and that failure to pay has real consequences.

If these measures are not feasible in the short term, immediate improvements must be made in the current system. The Administration's proposal contains key reforms that strengthen federal assistance in collecting support, correct state resource shortages, build on successful models, and authorize child support assurance demonstrations.

Rep. Robert Matsui's welfare reform proposal, H.R. 4767, incorporates the key principles outlined above and offers a strong framework for Congressional action. This approach would move us aggressively forward without sacrificing fairness or pushing children and families deeper into poverty. It would expand dramatically work-related activities for parents receiving AFDC while at the same time providing the additional investments in education, training, job creation, and child care that are essential to its success. The child support enforcement system would be greatly strengthened, financial incentives to work for AFDC recipients would be strengthened, and teen parents would receive attention immediately upon joining the welfare rolls.

CDF particularly supports the following provisions of the Matsui bill which can serve as major building blocks for any new welfare reform initiative:

- o In contrast with the rigid structure of the Administration's WORK program, the Matsui bill focuses on results -- parents moving from welfare to work -- and gives states much greater flexibility and resources to accomplish this task. The number of welfare parents who are required to work would be increased dramatically in the Matsui bill and states would be given the flexibility to use JOBS funds to target the age group(s) the state deems most appropriate. The Administration's bill denies states this flexibility to use available resources for various age groups. States also would have the option in the Matsui bill to use a portion of their JOBS funds for real job creation when private sector jobs are not available.
- o Child care funding for the working poor would be increased by \$2 billion per year by FY 1999 in the Matsui bill versus only \$1 billion per year by FY 2004 in the Administration bill. Additionally, the Matsui bill would not require states to lower to age one the exemption for the youngest child, enabling states to spend scarce child care dollars on those most able to work and on child care subsidies for working poor families to help them stay in the workforce.
- o The earnings disregards would be improved, requiring states to disregard at least \$120 and one-third of the remainder of earnings when determining a family's amount of assistance (and allowing states to exclude as much as \$200 and 50 percent of the remainder of earnings). The Administration's bill, while

allowing states to do better, would no longer require the current disregard of one-third of earnings during the first four months of employment. The Clinton bill would make it possible for states to make it even harder for mothers entering low wage employment; the Matsui bill would make it somewhat easier to enter and stay in the labor force.

- o The child support system would be greatly strengthened through a number of important provisions: expanded child support assurance demonstrations that test the viability of this approach; staffing provisions that require states to achieve basic child support outcomes or staff up so they have the resources to get the job done; and more streamlined procedures for periodically reviewing and modifying child support orders.

The Matsui bill also omits a number of provisions in the Administration's bill that threaten to push children and families deeper into poverty. Two of the most important examples are the state option to impose a child exclusion provision and the requirement to impose a full family sanction in a number of circumstances.

The need to protect children from severe deprivation will not disappear until we address the underlying causes of child poverty in America. We must recognize that a typical mother under age 30 raising children on her own -- whether or not on AFDC -- had an income of only \$7,280 in 1992, a figure 35 percent below that year's federal poverty level for a family of three. Low-income families have been losing ground over the past twenty years: for example, young single mothers with children as a group had 28 percent less purchasing power in 1992 than in 1973. If we are to help families move out of poverty, we must design strategies which combine income from several sources (work, child support, and supplements such as the EIC or earned income disregards) and reduce essential expenses like child care and health coverage.

If we set realistic goals that are consistent with the resources at hand, this welfare reform effort can at least move in the right direction in promoting work, responsibility, and eventual self-sufficiency. If we merely impose a rigid new set of requirements on families receiving AFDC without providing more effective assistance to overcome their barriers to employment, we only will add to the plight of our nation's poorest and most vulnerable children.



**Testimony of
The Honorable Kay Coles James
Secretary of Health and Human Resources
Commonwealth of Virginia**

**Before the
Human Resources Subcommittee
House Ways and Means Committee
103rd Congress**

**concerning
The Work and Responsibility Act of 1994**

August 9, 1994

Mr. Chairman, Gentlemen of the Subcommittee, thank you for the opportunity to submit these remarks on welfare reform. The need for a complete overhaul of the welfare system is as obvious to us in the states as it is to you at the federal level. In Virginia, Governor George Allen has said that he is directing every ounce of energy and every available resource to the most pressing needs of the people of Virginia — needs that can be summarized in two words: safety and empowerment.

Governor Allen has given credence to his pledge to foster empowerment through the creation of the Governor's Commission on Citizen Empowerment, a commission I have the privilege of chairing. Charged with designing a welfare system that will help people take control of their lives and become self-sufficient, the Empowerment Commission is currently developing an innovative implementation plan for welfare reform.

I am constantly renewed and challenged by the stories the Commission has heard from civic and community leaders as well as from welfare recipients themselves. But perhaps what has been most moving are the pleas that participants have made for the fundamental reform of a system they see as destructive.

Universally, Virginians believe that the current welfare system is not working and must be changed. They want to change the system so that it no longer penalizes a father who marries the mother of his child and provides for his family. They want to change the system so that it no longer discourages savings and isolates welfare recipients away from the world of work. And they want to change the system so that the promise of self-sufficiency will replace the despair of welfare dependency.

Despite decades of intensive anti-poverty campaigns, we have seen little progress in the fight against poverty. Instead, over the last 30 years the number of welfare recipients and the rates of illegitimacy and violent crime have skyrocketed. Even worse, in all too many poor communities, the promise of progress has been replaced by the despair of welfare dependency.

That is why the people of Virginia commend your commitment to developing the best possible reform of the nation's welfare system. But we also have an important message for you. While it may sound trite, it is absolutely true that what you see depends upon where you look. And as we see it in Virginia, a welfare

reform plan that is national in scope will be too inflexible and incomplete to meet the real and pressing needs of welfare reform.

Even a quick glance at the unfortunate history of welfare reform proves that national efforts to combat dependency have been ineffective at best and counterproductive at worst. The trillions spent in the name of the "War on Poverty" failed to achieve the objectives of independence and self-sufficiency. Instead, they succeeded only in adding four million families to the nation's welfare rolls -- a dubious measure of success. And today, the President's pledge to "end welfare as we know it" is accompanied by a proposal that is too modest to change a system that demands major reform.

In order to truly reform welfare, we must do more than seek to remove the many incentives for dependence that comprise our current system. While such a change is both welcome and necessary, it can only bring the Nation half-way to the realization of real and sustainable welfare reform. The second and perhaps most important element of welfare reform is empowerment.

The Nation's welfare system should provide compassionate but *temporary* support to families in financial need. In too many cases it fails to do that, instead breeding conditions of dependency, family disunity, and social breakdown. The goal of welfare reform, therefore, is to convert the current system of welfare into one that makes the principles of personal responsibility, self-improvement, and self-reliance a reality.

To succeed, welfare reform must incorporate several essential elements:

- It must provide poor Americans the means to prevent welfare dependency. Welfare reform must be more than an initiative that benefits caseworkers. To be truly successful, welfare reform must keep even the poorest Virginians from falling into the trap of welfare dependency.
- It must achieve quality by being comprehensive. Pilot projects, by definition, cannot bring empowerment, self-sufficiency, and improved standards of living to all welfare recipients. True welfare reform must be thoroughly designed and widely implemented.
- It must be an efficient use of available resources. One important way to achieve this objective is by use of partnerships of public and private efforts. Even the most intensive public casework management will be

unsuccessful if the private sector -- employers, schools, housing developments, and religious institutions -- does not play an integral role in achieving reform.

- But, above all, welfare reform must recognize what would-be reformers like President Clinton so often ignore: traditional welfare reforms will always fail because they are centered on the wrong institution. The key to welfare reform is not an active government but strong families. And the proper goal of welfare reform is not to employ case managers but to empower individuals to undertake the responsibilities and fulfill the dreams that are uniquely theirs.

Family Issues

In the process of creating huge, monolithic bureaucracies, we have allowed the very institutions of family and community -- institutions which built this Nation and our way of life -- to crumble and deteriorate. That's why we must return to a system that both reflects and is guided by the community realities that comprise life in America.

To do that, we must restore to parents their rightful role. Parents need to be able to save and invest in their futures and the futures of their children. After all, parents know best how to make the right choices for their families; they need to know that government will help them, not hinder them. We need to rediscover the importance of two-parent families and their primary role in transmitting values and directing the upbringing of their children.

All the data suggest that children do best in homes with two parents. Nevertheless, the Clinton plan does too little to strengthen families and even blocks existing successful initiatives. For example:

- There is already a provision in federal regulations that allow states to exercise an optional requirement that minor parents live with their parents. A federal requirement such as that incorporated into the "Work and Responsibility Act" is, therefore, little more than another unnecessary federal mandate on the states.
- The Clinton plan provides additional funding and support for local initiatives to prevent teen pregnancy. However, the nature of these programs is unspecified and may be contrary to state initiatives. Further, the elimination of Title XX funding for abstinence programs

is too great a price to pay for this grant program of unspecified impact.

- Although many of the teen pregnancy prevention provisions of the plan are unspecified, the establishment of additional federal bureaucracies, such as the establishment of a federal interagency group to provide information and the creation of a national clearing house, is specified and has the potential to undermine state initiatives.
- There is insufficient emphasis on the reality that teen pregnancy prevention and personal responsibility programs must emphasize abstinence, the importance of two parent families, and parents' role in guiding their children's development. However, the word "abstinence" does not appear anywhere in the Clinton plan.

States should be free to pursue efforts to bolster the role and responsibility of parents. Virginia initiatives through the Virginia Independence Program emphasize parental responsibility as a means of empowering families to attain self-sufficiency and independence. These initiatives include the provision of opportunities to obtain needed work skills, the revision of rules concerning earned income to allow self-sufficiency, and the establishment of clearly defined responsibilities for both the program participant and the government. In addition, Virginia's Initiatives to Advance Learning (VITAL) project operates in middle schools to reduce school dropouts. AFDC parents receive cash incentives based on progress towards increasing their involvement in their child's education, improving their children's grades, and improving their children's school attendance. The Commonwealth has also started requiring childhood immunizations to be completed as a condition for AFDC cash assistance.

All too frequently we hear of tragedies resulting from poor working parents leaving their young children alone so that they can work. The federal guarantee for child care is good but must assure that federal increases in funding for child care do not impose an unfunded mandate for states. Child care assistance must ensure state flexibility to allow parental choice through innovations such as vouchers.

Virginia has enacted some of the toughest child support enforcement measures in the country. Among them are mandatory in-hospital paternity establishment, suspension of professional and occupational licenses for persons in arrears in child support payments, and required cooperation with child support

enforcement as a condition of receiving AFDC benefits. We are pleased to see that the President has chosen to include similar types of initiatives in his plan. However, the President's proposal also includes expansions that, without adequate funding, will impose a costly unfunded mandate on the states.

In particular, we are troubled about the requirement for universal administrative modification of AFDC and non-AFDC child support orders. This will place an unprecedented demand on a system that is already struggling to serve families unless supported by adequate funding.

Federal Inflexibility

Another fundamental failure of the plan now before you is its use of a one-size-fits-all approach to welfare reform. This approach ignores the importance of state and local flexibility. What works in Washington, D.C., does not necessarily work in Washington County, Virginia. The only way that we can achieve real welfare reform is to free states and localities to design the approach that best meets their unique welfare problems.

The inflexibility that often characterizes large-scale initiatives can gravely undermine innovations at the state and local level. For example, last year the Clinton Administration denied Virginia a waiver to implement a novel food stamp cash-out program. It is not hard to imagine that the Administration will scrub the Commonwealth's own workfare plan -- which requires work within one year of receiving welfare benefits -- in favor of its more expensive and far less ambitious alternative.

In Virginia, the Governor's Commission on Citizen Empowerment is well aware of the importance of flexibility. In Town Hall meetings held throughout the Commonwealth, the Commission heard a diversity of opinions as varied as are the citizens of Virginia. Obviously, the diversity of needs and conditions are even greater nationwide. As a result, welfare reform must give states the freedom and flexibility that are necessary if we are to fulfill our role as the laboratories of progress.

Contrary to the arguments put forth by proponents of big government, state and local flexibility does not have a downside. It is claimed that state welfare reform initiatives would create a patchwork in which welfare recipients would

migrate to the states providing the most generous benefits. In reality, of course, this rarely -- if ever -- happens. For example, the public assistance currently provided in Mississippi has the lowest cash value in the nation. And yet, Mississippi counts approximately 175,000 citizens as welfare recipients [HHS data]. In Virginia, Abingdon is located within 175 miles of five other states -- Kentucky, North Carolina, Ohio, Tennessee, and West Virginia. If the supposed threat of migration were real, we would see welfare recipients moving to and from Virginia depending upon the value of the assistance needed.

These attempts to derail state-level welfare reform are disturbing not only because they are cynical but because they ignore the true tragedy of poverty. Poverty is more than the lack of material things; it is the lack of personal fortitude and social stability. It is a condition so fundamentally unhappy that reform proposals inspired more by politics than people are an affront and an abomination. The personal despair and community decay that are the products of welfare dependency compel us to set political motives aside and honestly, forthrightly, and correctly implement real welfare reform.

We must replace the hand-out with a helping hand that replaces dependence with independence, promotes families instead of illegitimacy, and rebuilds communities over the failed "nanny state." It is the firm conviction of the Governor and citizens of Virginia that to truly end welfare as we know it, we have to end businesses, education, and government as we know them. We have to build coalitions throughout our communities that will once again honor the most fundamental pledge a community makes to itself: that it will respect, assist, and protect each member as if they were family. For if we can restore to our communities the goals and dreams that we once shared, they will again enjoy the support and security that can only come from family.

This approach may sound unrealistically ambitious, but it is based upon the principle that virtually assures us of success: when empowered with a sense of ownership in their own lives, people will accomplish what was once untenable, envision what was once unimaginable, and grasp what was once unreachable. This is not a new prescription for success. Rather, it is merely a translation of the American Tradition, an experience that for almost 220 years has granted our countrymen every privilege and benefit that they earned.

This is one of the most important goals that we have set for ourselves in

Virginia. And we will soon implement an array of innovative welfare reform initiatives that will enable us to achieve it.

If I can ask one thing of you in your deliberations, it is that you please give states the freedom, flexibility and time to implement the reform measures that are "custom made" for the people we serve. To do this, it is essential that you grant us the waivers that make flexible innovation possible. States' ability to design programs and receive waiver authority must be encouraged and promoted. Like many states, Virginia has often been frustrated in its efforts to reform the welfare system by federal waiver denials.

A reasonable approach to improve the waiver process would be to repeal the rigorous evaluation requirement for a state to receive waiver authority, limit the types of initiatives that must go through the exhausting waiver process, and allow states to amend their Aid to Families with Dependent Children or IV-A plans to reflect the policies supported by their elected officials and their constituencies.

This process would give us the time that is needed to make absolutely certain that welfare is reformed, not retained. If granted the freedom to innovate, states will conduct the experiments, gather the data, and submit our analyses for your review.

Working together, we can do better than a plan that empowers bureaucrats instead of recipients, favors regulation over simplification, and limits the promise of self-sufficiency to only a small segment of the target population. Working together, we can craft a truly national welfare reform plan — not a federal one. After all, what is needed is a national strategy that incorporates state innovations, not a federal plan that emphasizes bureaucratic control. A truly national strategy will be broader in scope, grander in vision, and more promising in its outcome than the plan before you today. And it will transform the dependency that currently marks our system of welfare into the independence upon which this Nation is based.



NATIONAL COUNCIL OF THE CHURCHES OF CHRIST IN THE UNITED STATES OF AMERICA

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For The Record

STATEMENT TO THE PRESS

FOR IMMEDIATE RELEASE

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CWS/IRP OPPOSES ANTI-IMMIGRANT MEASURES IN WELFARE REFORM PROPOSAL.

Washington, D.C., August 9 -- As the House Ways and Means Subcommittee held hearings today on transitional assistance, work, the role of the state in welfare reform and welfare financing issues, the Church World Service Immigration and Refugee Program (CWS/IRP) announced that it opposes efforts by the President and Congress to fund welfare reform on the backs of legal immigrants. CWS/IRP calls on the President and Congress to review its welfare reform proposals and find an alternative financing mechanism that is fair to all United States residents.

"Legal immigrants work, pay taxes and are eligible to be drafted by the military to defend the US. But, under the new welfare reform proposals put forth by the President and members of Congress, funding will be achieved by barring those legally within our borders access to temporary support when they fall on hard times," stated Abigail Price, CWS/IRP Washington Representative. "Treating one American differently than another does not make sense and is unfair."

CWS/IRP raises the following key points:

*** The President's financing mechanism is inequitable**

The President has proposed to pay for a significant portion of his welfare reform package by denying legal immigrants access to public assistance programs. Immigrants pay taxes and are, in fact, an economic benefit to the country. However, the President and Congress want to bar them from accessing public assistance programs.

*** Women and children are placed at risk**

By extending the deeming period from three years to five, and in some cases until citizenship, many abused women and children will be forced to stay with their abuser. If the relationship between an immigrant and his or her sponsor becomes strained or severed, the immigrant is still dependent on that sponsor. This often leaves vulnerable people with no where to turn to for assistance, thus forcing them to stay with their abuser. Furthermore, the proposal will likely reduce immunization rates among immigrant children, and proposed cuts in Food Stamps will negatively impact the health and nutrition of young children.

*** The proposal places states at risk of bearing the costs**

Though the Administration's proposal claims that states will be allowed to deny legal immigrants access to state welfare programs, many state constitutions do not permit this. Some states with "equal protection" clauses in their constitutions cannot discriminate against individuals based on their immigration status.

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TESTIMONY OF
THE COUNCIL OF JEWISH FEDERATIONS
ON THE
RELATIONSHIP BETWEEN WELFARE REFORM FINANCING
AND IMMIGRATION

Presented by:

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Before the:

Subcommittee on Human Resources
Committee on Ways and Means
United States House of Representatives

August 9, 1994

Statement by Diana Aviv, Director of the Washington Office,
Council of Jewish Federations
before
the Subcommittee on Human Resources, Committee on Ways and Means
U.S. House of Representatives
August 9, 1994

Introduction

Thank you Mr. Chairman and members of the Subcommittee for the opportunity to submit written testimony before you today. My name is Diana Aviv. I am Director of the Washington office of the Council of Jewish Federations (CJF), a national organization representing 189 local Jewish Federations, central community planning organizations which coordinate Jewish social services for approximately 800 localities, embracing more than 6.1 million Jews in the United States and Canada. CJF has been the instrument of collective action as well as the national representative for the Federation movement. The Federated system represents the largest base of Jewish communal involvement and action in this country.

One of the central missions of the Federated system has been the rescue and protection of Jews and others worldwide. Today, after years of working closely with many Members of Congress and several administrations to win freedom for Soviet Jews, the Jewish community is working in partnership with the State Department and the federal Office of Refugee Resettlement to assist annually approximately 40,000 Jewish refugees from the former Soviet Union who emigrate to the U.S. to escape anti-Semitism and to reunite their families. On behalf of the U.S. Department of Health and Human Services, the Council of Jewish Federations has administered the Voluntary Agency Matching Grant program, which provides for basic refugee care and intensive up-front service delivery designed to enable refugees to attain durable self-sufficiency.

As a community, we are deeply appreciative of the opportunities this great country has given to those who seek refuge and a new beginning. We have worked long and hard to oppose laws that had the effect of restricting immigrants on the basis of national origins and have been active in efforts to ensure that the United States remains true to its heritage and to its essence of being a land of immigrants that both welcomes families and makes it possible for newcomers to succeed and give back what has been given to them.

But Mr. Chairman, the Jewish community knows what can happen when this country enacts policies that unleash xenophobic sentiments towards immigrants. We remember the consequences of a time when many of our nation's --indeed the world's -- problems were blamed

on immigrants, when irrational fears caused us to turn away Jews who had no place else to go and to force loyal Japanese Americans into detention camps. Fifty-five years ago, Members of Congress, not unlike yourselves, in a committee not unlike this one, voted down a bill known as the Wagner-Rogers bill -- legislation that, if enacted, would have granted 20,000 German children refuge in the United States. The bill never made it out of committee, and those children, only half of whom were Jewish, never made it out of Germany. They suffered the same fate as those passengers on the Spirit of Saint Louis who were turned away from our borders that same year when entry to the United States meant the difference between life and death.

CJF in Coalition with Other National Organizations

Because of these experiences, the Jewish community has been active in the great public private partnership that has sought to have a fair and decent immigration policy, that provides safe haven for those fleeing persecution. We have worked closely with our friends at the National Council of La Raza, the U.S. Catholic Conference and U.S. Catholic Charities, the Lutheran Immigration and Refugee service, the Japanese American Citizenship League, the Organization for Chinese Americans, the AFL-CIO to name just a few to ensure that legal immigrants are welcomed to this country.

I come before you today to speak not only on behalf of the thousands and thousands of Jewish immigrants and their citizen families who will be profoundly impacted by the financing provisions contained in most of the welfare reform bills currently before the Congress, but in the name of all of the communities included in this coalition, who have voiced concern about the impact of limiting benefits to permanent legal residents.

Research Documents Immigrant Contributions to U.S. Economy

We are also proud to be among those communities who are able to document, anecdotally and through numerous research efforts conducted by both conservative and liberal institutions, the net economic contribution made in the aggregate by legal immigrants to the United States. The estimated \$5.7 billion of welfare benefits used by immigrants who fall on hard times must be seen against the backdrop of the estimated \$70 billion dollars they pay in taxes each year. The Urban Institute study published in May of 1994 which challenges the scientific basis of studies that previously overestimated the public costs of legal newcomers has reported that in the aggregate immigrants contribute at least \$30 billion more in taxes to government coffers than they use in services.¹ Moreover, recent data shows that legal immigrants are not heavy users of welfare. According to the Urban Institute, only 2.0% of non-refugee immigrants of working age who entered the U.S. during the 1980s

received welfare income. Among working age native born Americans, 3.7% reported having received welfare income.²

More importantly, legal immigrants contribute significantly to national and local economies. For example, according to the Urban Institute study, nationally, immigrants create more jobs in the economy than they fill.³ Similarly, the Department of Labor has indicated that immigrant entrepreneurs increase aggregate employment levels through higher self-employment rates than natives.⁴ Immigrants have also helped to revitalize California's flagging economy by stimulating the state's housing market. According to the Wall Street Journal, these investments are likely to expand "California's net [revenue] outflow to Washington to as much as \$25 billion this year."⁵

Pitting Vulnerable Populations Against Each Other

I don't believe that I could count one among this broad based community who did not welcome the clarion call to reform welfare as we know it and to develop a program that would help welfare recipients to move towards durable self sufficiency. We also recognized that any serious welfare reform effort would be costly if it was to provide the kind of assistance that would enable single heads of household to be viably self sufficient.

But to rob from one program to pay for another simply makes no sense to us. To deny or severely limit benefits in order to squeeze some additional funds for welfare reform to legal immigrants who are confronted with a serious unanticipated crisis that requires some public assistance, seems to be unwise public policy.

Implications of Immigrant-Related Financing Options

The cornerstone of America's immigration policy is family reunification. More than 520,000 of the approximately 700,000 legal immigrants who arrive each year are sponsored by relatives who are now citizens of the U.S.; many are the elderly parents of citizen children who simply seek to live with their children and grandchildren. There are those who believe that citizens who wish to bring in their immigrant relatives should bear some responsibility for costs that might ensue once they are in the U.S. And indeed they do. As you are aware, under current law citizens wishing to reunite with their immediate non citizen relatives, who first have to prove that they will not become a public charge, have their income deemed or applied to the immigrant's income for three years if the legal newcomer needs to apply for food stamps or AFDC, and five years for SSI. Federal law already bars undocumented aliens from almost all federal programs.

HR 4605 would permanently extend deeming to five years for SSI, food stamps, and AFDC, and deem until citizenship, sponsors whose income was above the national median income, regardless of the size of the families living on that income. The national median income may be sufficient for a family of four, but would pose serious hardships for a larger family, unless indexed by family size. Other bills cut even deeper, by either denying outright until citizenship some or all of the 61 discretionary programs including the Women, Infants and Children (WIC), emergency food and shelter, and school lunch programs.

While the vast majority of immigrants coming to the U.S. to reunite with their families do not access public assistance programs, tragedies, accidents, and unforeseen circumstances can and do befall newcomers as they do all people. Such situations create a dire and legitimate need for the new arrival to seek support from public programs.

For the 225,000 immigrants who have suffered a disability, denying SSI would sever a lifeline to essential financial, medical, and support services. Without access to services through the SSI program, citizens could be forced to leave their jobs in order to care for disabled family members. For the 372,000 elderly immigrants receiving SSI, denying SSI would force their citizen children to choose between reuniting family members and working their way out of poverty. Families can put off sending their children to college or buying a new home for a few years in order to reunite with their family members, but requiring them to support elderly or disabled relatives for five, ten, or more years could be so costly as to be prohibitive.

The Urban Institute data further reveals that lawfully admitted aliens do not apply for SSI immediately upon eligibility. While one-third of alien recipients applied for benefits shortly after expiration of the three-year deeming period needed to qualify, over half applied after having lived here for five or more years and 28% accessed SSI only after having lived here for ten or more years.

Obstacles to Naturalization

Denial of benefits to legal immigrants appears to be based on the assumption that they could naturalize if they chose to do so. While most immigrants are technically eligible for citizenship after five years, those who do naturalize often take much longer to complete the process. The naturalization process is costly and time-consuming. Immigrants must pass tests on English language and knowledge of U.S. government, which for most people means getting on long waiting lists in order to take classes. In New York and Los Angeles, for example, there are more 50,000 people on waiting lists for citizenship classes. In addition, many applicants must wait well over a year before the INS reviews their applications.

In addition, age is a significant obstacle to naturalization. The immigrant population most vulnerable to illness and disability, the elderly, is also the population least likely to naturalize. According to the INS, immigrants who enter the United States after age 55 are the least likely to become citizens. For more than 60 percent of these legal older immigrants, naturalization is all but impossible, as they are unable to master English sufficiently well at their age to pass the exam for citizenship, they find the morass they face when dealing with the bureaucracy within the INS daunting, and are intimidated by the citizenship exam. The denial of benefits until citizenship makes it virtually impossible for the children of these legal immigrants to sponsor their parents, without becoming impoverished themselves.

Protection and Equity

Even though an affidavit of support compels a sponsor to swear to the ability to contribute to the prospective immigrant's support, in many instances the burden for proving a sponsor's financial hardship is on the immigrant, requiring him/her to keep track of all relevant financial records of their sponsor. Failure to produce those documents could disqualify the immigrant for assistance when they and their sponsor are otherwise poor enough to be eligible. Furthermore, in situations in which a sponsor is abusing an immigrant relative, who may be elderly, a woman, or a child, eliminating access to public benefits could remove critical assistance which could enable the immigrant to maintain some measure of potentially life-saving independence.

Financing welfare reform by cutting benefits to legal permanent residents also raises issues of fairness and equity. Legal immigrants and their citizen families pay the same taxes into our system as native Americans do. Yet, an extension of the deeming process would deny the citizen's family access to benefit programs to which their tax dollars have contributed. Extending deeming or eliminating access to benefits entirely sends a message to citizen children that they can pay taxes to support programs that benefit other people's relatives, but their own parents will have nowhere to turn when they face unemployment, illness, or other financial hardships.

There is another grave danger spawned by these provisions. Right on the heels of national sentiment that is hostile to immigrants, such provisions have the effect of enshrining in law that legal immigrants are not really welcome in the U.S., especially if they need help. Even if they play by the rules by applying and waiting their turn to come to the United States through the legal immigration process, they had best not become ill or disabled, lose their jobs, or have any kind of disaster befall them for there will be no safety net; nevertheless, such newcomers must pay their taxes and so must their citizen children. These kinds of provisions

penalize legal immigrants, those who "play by the rules," by treating them as if they were illegal, and give credence to those who would close our doors to all immigrants.

Conclusion

In conclusion, I would like to thank the Subcommittee for the opportunity to submit this testimony before you today. It is my hope that the original intent of welfare reform, to assist poor families and children attain self-sufficiency, will not be obscured by political issues that are not related to welfare. Denying benefits to some low-income families to pay for services for other low-income families contradicts the overarching principles of a credible and fair anti-poverty strategy.

There is no inherent link between welfare reform and extending the deeming process for sponsors of legal immigrants as a means to finance that reform. In recognizing the need to pay for the various programs that will insure reform of the welfare system, think tanks and research institutions, including the Congressional Budget Office, have suggested a variety of sources other than those that would impact legal immigrants and their citizen families. Within the half a trillion dollars per year of non-Social Security entitlement programs and the entire revenue code that is under the jurisdiction of the House Ways and Means Committee, surely there are other ways to finance welfare reform without eviscerating our legal immigration system?

Thank you.

END NOTES

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Statement

of

Barbara Jordan

Chair

U.S. Commission on Immigration Reform

Before the Subcommittee on

Human Resources

Committee on Ways and Means

U.S. House of Representatives

August 9, 1994

Mr. Chairman, Members of the Subcommittee, thank you for providing me the opportunity to testify this afternoon on the recommendations of the U.S. Commission on Immigration Reform. The Commission was established by the Immigration Act of 1990 to assess the implementation and impact of U.S. immigration policy. The Commission will present its first report to Congress on September 30, 1994. That report will focus primarily on steps needed to restore credibility to U.S. immigration policy and its enforcement.

While our mandate does not extend to the broad range of issues that this Committee is considering regarding welfare reform, there is an overlap in one area: immigrant eligibility for public benefits. I am pleased to share our preliminary findings and recommendations on this issue in the hopes that they will help inform your debate on welfare reform.

I would first like to say a few words about the Commission itself. We are a bi-partisan group composed of nine members. I was appointed to the Commission by President Clinton. My eight colleagues were appointed by the Democratic and Republican leadership of the two houses of Congress.

Our work has not been easy. Distinguishing fact from fiction has been almost impossible, because of what has become a highly emotional debate on immigration. We have heard contradictory testimony, shaky statistics, and a great deal of honest confusion regarding the impacts of immigration. Nevertheless, we have tried throughout to engage in what we believe is a systematic, non-partisan effort to reach conclusions drawn from analysis of the best data available. The recommendations that I present today have been adopted unanimously.

The Commission believes that legal immigration has been and can continue to be a strength of this country. Most legal immigrants are the spouses, children, parents or siblings of a U.S. citizen or long-term permanent resident. A smaller number are sponsored by businesses that need their skills and talents. We take an affirmative decision to admit these individuals. It is with the expectation and desire that they will be integrated immediately into our social community and, eventually, through naturalization, into the political community as well.

The Commission believes that a clear and consistent policy on eligibility for public benefits is key to a credible immigration and welfare policy. The United States has the sovereign authority to make distinctions as to the rights and responsibilities of the various persons residing in its territory. We believe that

distinctions regarding eligibility for public benefits should be consistent with the objectives of our immigration policy -- to support legal immigration in the national interest and to deter unlawful entries.

As far as legal immigrants are concerned, this logic has brought the Commission to a strong and, as I mentioned, unanimous conclusion: Legal permanent residents should continue to be eligible for needs-tested assistance programs. U.S. law already bars the entry of those who are likely to become a public charge. We recognize, however, that circumstances may arise after entry which create a pressing need for public help -- unexpected illness, injuries sustained due to a serious accident, loss of employment, a death in the family. The Commission is not prepared to lift the safety net out from under individuals who, we hope, will become integral parts of our social community. We therefore strongly recommend against any broad, categorical denial of eligibility for public benefits to legal immigrants on the basis of their alienage.

At the same time, the Commission strongly endorses initiatives to ensure that sponsors are financially responsible for the immigrants they bring to this country. If an immigrant cannot show that he or she has financial resources or a job in the U.S., the immigrant's sponsor must demonstrate a capacity and intention to support the new arrival. This is done through an affidavit of support. At present, this affidavit is a morally-binding document. The Commission believes that the affidavits of support signed by sponsors should be legally enforceable, with contingencies made if the sponsor's financial circumstances change significantly for reasons that developed after the immigrant's entry -- for example, if the sponsor sustains a serious injury that prevents him or her from working. Mechanisms should be developed that would ensure that sponsors provide the support that they have promised.

While the Commission does not reject the concept of deeming, we do not believe deeming alone is the best way to ensure sponsor responsibility. We heard testimony that deeming can merely shift costs from one level of government to another. The immigrant is ineligible for federal programs, but he or she may retain eligibility for state and local benefits. Even if the federal government extends to states the authority to deem, a number of state constitutions would appear to preclude that action. Alternately, deeming leaves the immigrant whose sponsor abdicates responsibility with no financial resources at all. A legally-binding affidavit of support helps address both of these problems.

The Commission also recommends changes in immigration law to more effectively address violations of our public charge provisions. As I stated, when

new circumstances arise after entry, we must maintain the safety net. However, when immigrants become dependent on public programs within the first five years after entry for reasons that existed before entry, they are legally deportable. We must have a greater capacity to enforce our law in this regard. At present, to prove deportability, the government must show that 1) the immigrant received public assistance, 2) the government billed the immigrant for these services pursuant to a specific statute, and 3) the immigrant failed to repay the funds. This standard is inappropriate given the way that public benefit programs work. The Commission recommends instead that deportability on the grounds of public charge be measured by sustained use of the public benefits and not on the basis of a government request for repayment of the aid.

The Commission believes that benefit eligibility determinations are complicated by the myriad statuses now afforded to individuals within this country. While the rights of lawful permanent residents, refugees and asylees have been spelled out in immigration and benefit laws, the Executive Branch, Congress and the courts have created various other statuses that may or may not denote benefit eligibility. The INA should specify categories of aliens by their work and benefit eligibility, such as: those eligible for work and needs-tested benefits; those eligible for work and only those benefits that accrue from employment; and those eligible for no benefits except those provided on an emergency basis or for compelling public health, safety and welfare grounds. Every alien should then be assigned to one of these categories.

Let me add a word here about the Commission's recommendations regarding the eligibility of illegal aliens for public benefits. If an alien is in the U.S. unlawfully, he or she should not receive publicly-funded aid except in very unusual circumstances: where there is emergent need for specific assistance, such as emergency health care; where there is a public health, safety or welfare interest (such as immunizations, programs to prevent the spread of communicable diseases, child nutrition programs and school lunch programs); and where their eligibility is constitutionally protected.

Why this distinction between the eligibility of legal immigrants and illegal aliens? Illegal aliens have no right to be in this country. They are not part of our social community. There is no intention that they integrate. As human beings, they have certain rights -- we certainly should not turn them away in a medical emergency. As a nation, it is in our interest to provide a limited range of other services -- immunizations and treatment of communicable diseases certainly fall into that category. But, if illegal aliens require other aid, it should rightly be provided in their own countries.

One last observation. We have heard arguments that the safety net should be for citizens only. That we cannot afford to do more.

I believe firmly that citizenship in this country is something to be cherished and protected. I want all immigrants to become citizens. I want them to seek citizenship because it is the key to full participation in our political community -- to know first hand and understand the American form of democracy. I want unnecessary barriers to naturalization -- and there are many of them -- to be removed. However, I do not want immigrants to seek citizenship because it is the only route to our safety nets. To me, that would be a debasement of our notions of citizenship.

From my perspective, the safety net provided by welfare programs should be for those members of our social community who are most in need. It would be far better if no one needed welfare. In deciding who should receive this help, I, for one, do not want to protect some Americans at the expense of others. That course of action is not consistent with the principles of equal protection under the law. Nor does it help us achieve that all too elusive goal -- a united country.

I would be happy to answer any questions you may have.

For The Record

The Massachusetts Welfare Rights Union (MWRU) is comprised of current and former public assistance recipients (AFDC, Social Security, SSI, unemployment, veterans, etc.) and their allies. We have been on the front lines in the battle to end poverty for the past 15 years.

The current "welfare reform" proposals are based on myths and do not address the causes of poverty, are not cost-effective, are deleterious to our society, and are punitive and genocidal in nature. It is imperative that you, as our elected leaders, put a stop to the criminalization and vilification of mothers on welfare. Raising children, especially in today's world, is an important but extremely difficult job for any parent. Single parents, living on a welfare budget which is more than 50% below the poverty line, perform miracles every day just to survive. The current proposals (including workfare, learnfare, time limits, and family caps) will make survival impossible for the majority of us. Our society does not have the right to legislate the extinction of a whole class of people.

We view the current "welfare reform" proposals as an attack on women, since more than 90% of welfare homes are headed by single women. We, as Veterans of "Domestic" Wars, have been through tremendous trauma (divorce, desertion, abandonment, spousal abuse, and low-wage employment) and are valiantly struggling to maintain our families against all odds. We find that we essentially trade domestic abuse for institutional abuse. The rhetoric of politicians and radio talk show hosts is nothing less than a hate crime. Governors are spouting verbal abuse every day as they threaten to give welfare mothers a "kick in the pants" to get them to enter the workforce. Low wage work is not the only answer. For many of us, the workplace is too inflexible. There is no such thing as job security, even for those of us with masters degrees. Meaningful welfare reform would ensure that we are given the financial, emotional and psychological supports we need to survive. Instead, these proposals punish us and our children by threatening our already fragile survival through the reduction or elimination of the benefits on which we rely. With no way to financially maintain our families, many of us will have no alternative when confronted with an abusive or unhealthy situation. Few women earn enough to be the breadwinner in the family, yet we increasingly find ourselves in this position.

We also perceive these proposals as an attack on the entire working class. Combined with the current trend to "downsize" or "rightsized" in the private sector and to "privatize" in the public sector, these proposals will result in lowering the American standard of living for all workers as we scramble to work at jobs that do not meet our needs. Workers are already losing many of the benefits and rights they used to have. There simply are no jobs! In Massachusetts alone, more than 300 thousand unemployed workers cannot find jobs. Flooding the labor market with welfare recipients, many of whom are functionally illiterate, will only exacerbate the unemployment problem, especially since there is not enough decent, affordable child care available.

We must ensure that all workers have the right to jobs of our choice, to make decisions about the hours, to earn a living wage, and to benefits that maintain our families. We need jobs that can pass the "chicken pox test", where we can pay the rent after consecutive bouts of the chicken pox. We can not tolerate legislation that erodes the rights of any members of our society.

We, and our families, are the backbone of the American society. We are the survivors of indentured servitude, slavery and the industrial revolution. We cannot forget the past when our foreparents fought and died to ensure that their bosses did not have complete sovereignty over their lives. We remember that they battled for decent wages, the eight-hour day, sick time, holidays, vacations and health care. They recognized the need to support those workers who could not be accommodated (employed) in a capitalistic society because they understood that these supports were their own insurance of survival in any job action that might result in their becoming unemployed and reduced the chances of their replacement by destitute scab workers.

Our families desperately need us and we need to spend more time with our families! Our children know that we are the only people who value them in this society. Our neighborhoods are already empty, many working two jobs. We have no one to supervise and guide our youth and this has created war zones. We need to be heard!

President Clinton neglected to include the victims of poverty on his Welfare Reform Task Force. We have the empirical data you need--we live it! We know you need us because we hear your erroneous evaluation of the Anti-poverty programs of the '60s. While poorly administered and sorely underfunded, they did work! Thousands of us went to college and obtained positions that provided decent wages and benefits. We needed more programs, not fewer! We never eradicated illiteracy! People still live in shacks! Thousands of us do not have hot running water or electricity! Poverty still kills thousands more each year in the richest nation in the world! Homelessness of entire families has increased! Yet, we have watched the government retreat from the War on Poverty to the War on the Poor, promoting the deregulation of the rich corporations and the increased regulation of the poor. Our vision of America does not include the strengthening of the police state. Desperate people are forced to commit crimes, much as they did during Charles Dickens' days before society realized that we are all dependent beings and have a responsibility for each other if we want to live in harmony.

We need to nurture and encourage our people. We need to demonstrate unconditional love through our combined efforts to reach the people's needs. We are at a crossroad in history. To seek the right road takes a concerted effort of diverse perspectives, especially those of us who are most affected. No one else could know the pain and frustration we live every day trying to keep a roof over our heads, the heat on in the winter, the electricity on during the summer, food on the table, and love and hope in our hearts. To require mothers, who are already working hard raising America's most important product, to perform additional work outside of the home for welfare checks is ludicrous! When you are poor you cook from scratch, bake, sew and walk everywhere. Everything in life is harder when you have no money! When you live on the edge, one illness, one accident, one job loss or one fire can send your entire family over the edge and very often it takes more than two years to recover.

As the leading industrialized nation in the world, we can do no less than our peers in Europe and Canada. We must adopt a system that provides the basic necessities of life for all people. **POVERTY = LACK OF MONEY TO SURVIVE!!** We support a Guaranteed Annual Income, established minimally at the Federal Poverty Line indexed to the Cost of Living Allowance, similar to Social Security benefits.

We implore you, as the Chief Decision Makers of our Great Nation, to lead this country in the right direction. We must value all human life by allowing all humans to live lives of value. We must work to end the pain, anxiety and despair of poverty. You have the power to turn this nation around! It is incumbent upon you to take a stand and do the right thing.

"... For unto whomsoever much is given, of him shall be much required. . . ." (Luke 12:48)

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AMERICAN PUBLIC WELFARE ASSOCIATION

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**TESTIMONY OF KEVIN CONCANNON
DIRECTOR, OREGON DEPARTMENT OF HUMAN RESOURCES**

ON BEHALF OF

THE AMERICAN PUBLIC WELFARE ASSOCIATION

**BEFORE THE HOUSE WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES**

TUESDAY, AUGUST 9, 1994

Introduction

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify today. I am Kevin Concannon, director of the Oregon Department of Human Resources. I am testifying today on behalf of the American Public Welfare Association (APWA) where I serve as president of the APWA Board of Directors and member of the association's Task Force on Self-Sufficiency. APWA is a 64-year old nonprofit, bipartisan organization representing all of the state human service departments as well as local public welfare agencies, and individual members.

In my written testimony today I discuss APWA's recommendations for welfare reform and compare and contrast our recommendations with those of President Clinton's welfare reform proposal, the Work and Responsibility Act of 1994.

APWA Task Force on Self-Sufficiency

On January 11, 1994, APWA released a series of recommendations that state and local human service administrators see as the critical next steps in restructuring the welfare system. The recommendations represent a bipartisan consensus of opinion among a broadly diverse group representing the variety of state views on welfare policy. The APWA recommendations, Mr. Chairman, were the first bipartisan recommendations for welfare reform in the current welfare debate.

Since we provided detailed testimony on our proposal before this subcommittee in March, I will only highlight some of the key recommendations for you today.

Agreement of Mutual Responsibility

Our proposal is based on the premise that welfare should reflect mutual responsibilities on the part of the parent and welfare agency. When applying for AFDC the parent must sign an "Agreement of Mutual Responsibility." If the parent refuses to sign the agreement, the application process stops. The parent would not be eligible for financial assistance.

In signing the agreement both parties enter into a social contract. The welfare agency agrees to provide financial assistance and the individual agrees to participate in: (1) an assessment of his/her education and literacy needs, work experience, strengths and interests, and personal circumstances; and (2) the development of an employability plan outlining goals for employment, the responsibilities of the parent and the agency in meeting these goals, and the specific steps to be undertaken.

Basic Elements of the Program

We propose a three-phase program, building on the current Job Opportunities and Basic Skills (JOBS) Training program in which, within 90 days of eligibility determination, all AFDC recipients will be required to participate in mandatory job search in combination with:

- A JOBS preparation phase; or
- Up to a limit of two years in a JOBS career-focused education and training phase; and/or
- A JOBS mandatory work phase in which AFDC parents would be required to work in an unsubsidized private or public sector job, with community work experience available as a last resort for those who complete JOBS and are unable to locate unsubsidized work.

There are no exemptions from participation in JOBS under our proposal.

JOBS Preparation: Individuals who enter the JOBS preparation phase would include those the welfare agency believes have limited skills or whose personal circumstances

present barriers to employment such that they need more than two years of education and training. They could include individuals temporarily incapacitated due to a physical or mental illness or because of a substance abuse problem; those caring for an incapacitated adult or child in the household; individuals with very low literacy levels and no recent work history; young parents still in school, or mothers of very young children. These individuals, nevertheless, would participate in an activity as a condition of eligibility, such as training in parenting skills, regularly receiving necessary health or behavioral health care, and making progress on or completing their GED or high school diploma as identified in their employability plan.

Career-Focused Education and Training: Individuals who enter the JOBS career-focused education and training phase are those the state believes will be employable after up to two years of education and training or those, while they might be considered for JOBS preparation, who volunteer to participate in education and training. States would operate the program as they do today--offering a full range of services and activities to promote job readiness and employment. Everyone will participate in job search. They will be expected to begin the process of looking for and going to work from the very beginning. Our goal is to ensure that individuals obtain employment before the two-year deadline.

Mandatory Work Requirement: After up to two years in education and training participants will be required to work. Our highest priority is that these individuals work in unsubsidized employment in the private or public sectors. Individuals working at least 20 hours per week are considered meeting the mandatory work requirement under our proposal. Those working at least 20 hours per week and still receiving AFDC will continue to receive child care, support services, and other employment and training assistance necessary to enable them to stay employed. If a parent cannot find work and agency resources are not available to support a parent's satisfactory participation in a work activity, including Community Work Experience (CWEP), the mandatory work requirement will not be imposed.

Penalties

I want to underscore that sufficient federal and state resources must be provided to ensure that those participating in JOBS can meet the requirements for satisfactory participation, and that is why we are calling for 90/10 funding. If resources are available and AFDC parents fail to participate in the development of their employability plan or to comply with the plan as required, we propose a penalty reducing the family's combined AFDC and food stamp benefit by 25 percent. We believe such a penalty is realistic and necessary for any parent who fails to take his or her responsibility seriously.

Other Policy Priority Areas for APWA

The report also addresses issues of prevention and cross-system collaboration. It takes the challenge of reform beyond the welfare system. The centerpiece of our proposal is work, but the goal of true reform cannot be fully achieved if we do not "make work pay."

We must improve the establishment of paternity and the enforcement and collection of child support with particular attention focused on improving interstate enforcement of child support. Currently, the easiest way to avoid child support is merely to move to another state. We call specifically for states to provide uniform rules for jurisdiction of orders through the Uniform Interstate Family Support Act (UIFSA), a model law developed by the National Conference of Commissioners on Uniform State Laws.

Mr. Chairman, as you know, the majority of states are pursuing state-based reforms of the welfare system through waivers of federal laws and regulations. Congress created this mechanism to encourage state experimentation and innovation. We believe a number of the waivers now being granted to states by HHS and USDA should not have to meet the tests of cost neutrality and experimental design. We call for more flexibility within the current process, including allowing states to use the state plan process to implement changes in AFDC and food stamp programs.

Finally, and most importantly, APWA's recommendations call for national policy to assure health care coverage for poor children and families and assert that reform of the welfare system is inextricably linked to reform of the health care system. APWA underscores the importance of enactment of health care reform guaranteeing universal coverage with subsidies, if necessary, for lower income families.

Work and Responsibility Act: JOBS/WORK/Time-Limit Provisions

On July 27, 1994, the National Council of State Human Service Administrators adopted resolutions outlining policy positions on the Work and Responsibility Act of 1994 and child support reform. Our testimony today reflects the policy positions adopted by the Council.

As stated in our resolution on the Work and Responsibility Act, the President's proposal is consistent with APWA's proposal for welfare reform. Its commitment to strengthening the JOBS program, establishing a mandatory work requirement, strengthening child support enforcement, improving child care, and simplifying AFDC and food stamp policies are in many ways similar to APWA's recommendations. We are especially pleased with the following elements of the President's proposal:

- It builds on the JOBS Program and the Family Support Act (FSA). Like APWA's proposal, it utilizes JOBS and the child care and child support provisions in FSA as the foundation for further reform of the welfare system.
- Funding for the JOBS Program is increased and the state match is lowered. The administration's proposal recognizes that the lack of resources for the JOBS program has been a major impediment to full implementation of the program. Of particular importance is the recognition of the fiscal constraints under which states continue to operate. APWA particularly supports the provision in the act, that lowers a state's match requirement and raises a state's capped entitlement during periods of high unemployment.
- The mandatory work requirement embraces the important values of mutual responsibility and work--values recognized as critically important by human service administrators, federal and state policy makers, and the American public.
- Implementation of the new requirements under the act are phased in over time and in terms of who is served. Phase-in and targeting are important to ensuring states' success in meeting the challenges of welfare reform.
- Additional funding is provided and improvements made in policy and regulation on child care for AFDC families, Transitional Child Care, and At-Risk Child Care, which will lead to greater conformity in program policies and improve the availability of quality child care.
- States are provided greater flexibility in how they operate their AFDC program through a provision that allows them to implement certain policy changes through the state plan process rather than the waiver process. In seeking a state plan change, states will also now avoid requirements such as cost-neutrality. APWA proposed a similar process.
- The nearly two dozen changes in AFDC and food stamp policy will lead to greater conformity between the two programs. Many of these changes were proposed by APWA.

In addition, the following provisions are nearly identical to policy changes recommended by APWA:

- establishment of an agreement of responsibility at the time of application for benefits;
- development of an employability plan within 90 days of eligibility determination;

- requiring up-front job search for those who are job ready;
- establishing 20 hours as the minimum work standard for those working and on welfare; and
- allowing states to operate CWEP in addition to WORK, although we are question why states must seek a waiver to do so under the Administration's plan.

Again, while we are pleased with many aspects of the President's proposal, we are concerned with a number of provisions relating to JOBS and mandatory work contained in the bill.

JOBS Prep vs Deferrals: APWA's proposal calls for creation of a JOBS Prep program to provide services to individuals for whom the time-limit does not apply. The administration creates a new deferral category for this group and allows states to provide services. APWA supports additional funding of at least \$435 million over five years (as opposed to cuts elsewhere) in order to allow the inclusion of JOBS Prep. We believe it is vital that states have as much flexibility as possible in serving those not affected by a time-limit. The JOBS Prep component of the APWA proposal provides the best approach to state flexibility, and would assume that there are no exemptions from participation.

Financing: All but \$2.1 billion in new funding under the Administration's plan will be offset through reductions in entitlement spending, including: tightening SSI, AFDC, and Food Stamp sponsorship and eligibility rules (deeming) for noncitizens and requiring sponsors of legal aliens to assume greater financial responsibility; limiting SSI eligibility for drug and alcohol addicted recipients; placing a cap on federal spending for the AFDC Emergency Assistance program; establishing a new income test for meal reimbursements to family day care homes under the Child Nutrition Program; and extending the 1990 Farm Bill provision that reduced the percentage of recovered Food Stamp overpayments retained by states. APWA opposes any financing provisions that result in a cost-shift to states.

Penalties on States: The administration's plan includes a 25% reduction in federal funding for AFDC if states fail to: (1) stay under the deferral cap of 10% for good cause waivers; (2) meet a 45% JOBS participation rate requirement; (3) meet WORK participation rate requirements; (4) keep accurate records on time-limits; and (5) stay within the cap on extensions of the time-limit. States may also lose IV-A funds if certain paternity establishment tolerance levels are not met. APWA opposes any penalties that result in a loss of IV-A funds. Instead, APWA supports retaining the current JOBS penalty structure of loss of enhanced JOBS funding.

Penalties on Recipients: The Administration also proposes to reduce the parents' share of the AFDC grant for non-compliance under JOBS and loss of the entire family's grant for refusal to take a job. As stated earlier, APWA proposed a 25 percent reduction of combined AFDC and food stamp benefits for non-compliance. APWA continues to support its proposal.

WORK: APWA's proposal calls for mandatory work in a private sector job with placement in CWEP only as a last resort. The Administration establishes a new, separate, mandatory program--WORK--administered by the welfare agency or some other agency, that uses federal funds to subsidize wages. APWA supports allowing states the flexibility to design a mandatory work program, that must include WORK and may include wage supplementation, an alternative work program approved by the HHS Secretary via the state plan, or CWEP as a last resort. We also oppose the administration's proposal to require states to establish a WORK Advisory Board and instead allow governors to do so. The proposed advisory board is duplicative of existing efforts at the state and local level.

Mr. Chairman, our experience tells us that we must be realistic about the ability of states to operate a large scale work program as the cost can be high and labor intensive--developing work sites and providing supervision, monitoring and follow-up with the

employer and the client. We know from the MDRC research conducted in the 1980s that CWEP is feasible to operate and that participants and supervisors found the work meaningful. The programs we have operated in the past and those studied by MDRC, however, were small in scale.

The challenges posed by implementation of a new mandatory work program are significant as we move to scale. I caution the Congress against having overly high expectations about states' ability to quickly move large numbers of recipients into unsubsidized employment or in reducing caseloads or costs. We are particularly concerned that many states do not currently have the administrative capacity or experience to operate a large-scale work program. In fact, the only recent experience states have is the work program for AFDC-UP participants, which began last October. In a recent survey conducted by the state of Louisiana, only nine states reported they expected to meet the 40% participation rate requirement. States' failure to meet the requirement, however, is not a failure in their commitment to establish meaningful work programs; rather, the difficulty in overcoming the challenges of implementing a new, complex program in the wake of high participation rates and high expectations.

Participation Rates: Just as we must be realistic about state capacity to implement a large scale work program, we must be realistic in our expectations of states to meet high participation rates. The administration's proposal requires participation rates for JOBS and WORK. These rates are in addition to the participation rates for AFDC-UP as discussed above.

APWA calls for making the definition and calculation of participation as flexible and realistic as possible. In addition, high unemployment within a state or political subdivision of a state should be taken into consideration in defining participation.

Conditions for Receiving Enhanced Match: States are eligible for enhanced federal match for JOBS and WORK. The enhanced rate is phased in over a five-year period before reaching 70/30 or a state's Medicaid match rate if states: (1) operate JOBS and WORK on a statewide basis; and (2) meet a FY 93 or 94 maintenance of effort requirement, whichever is greater. Maintenance of effort requirements apply to JOBS, WORK, AFDC Child Care, Transitional Child Care, and At-Risk Child Care. APWA recommends that the enhanced match rate be available upon start-up of the program, without a statewide requirement, and with maintenance of effort based on FY 92 expenditures for JOBS funds that are federally matched.

Binding Arbitration/Mediation: The act imposes numerous new requirements on states to resolve disputes on displacement of existing workers under the WORK program. Current law already prohibits displacement of existing unfilled positions in CWEP and work supplementation. APWA opposes the arbitration and mediation requirements as they are administratively burdensome and unnecessary in light of current policy protections.

Teen Pregnancy Prevention: The administration proposes to spend \$300 million over five years for adolescent pregnancy prevention demonstration projects at the local level. The funds are provided under Title XX and will go directly to the grant recipient with no state-level involvement. APWA supports a set-aside for teen pregnancy prevention based on multi-level, multidisciplinary approaches with a meaningful state role to help leverage state and local resources with a new federal approach.

Job Creation Strategy: APWA's proposal calls for a new federally-funded private sector job creation strategy. The Administration's proposal does not. APWA supports adding a private sector job creation strategy to the bill.

Administrative Capacity: We are concerned about states' ability to implement the requirements of the Work and Responsibility Act within the prescribed timeframes and available resources. In this regard we believe strongly that states should have a minimum of two years to implement the new program.

Further, monitoring and tracking participants under a time-limited system cannot be done without automation. While we are pleased that the administration has provided resources for systems development, we are concerned about the cap on the federal portion of both the enhanced and the regular match for design and development costs. There is additional concern that the act limits state flexibility by mandating that in order to receive an enhanced match rate for JOBS, WORK, and Child Care systems, states must either (1) work with the federal government to develop a model system for each program or (2) collaborate with at least one other state to develop model and support case management systems.

Child Support Reform

Reforming child support is a major APWA goal. As stated earlier, APWA recently adopted a resolution outlining new and strengthened child support measures at the state and federal levels designed to shift the program's direction from one focused on passing audits and avoiding federal penalties to one designed to assist families and reduce the cost of public assistance.

We must remember that any new and strengthened measures provided to state child support agencies for improving establishment and enforcement will only be as effective as the staff time and resources available. Currently, with approximately 1000 cases per caseworker nationwide, workers are simply overwhelmed with unmanageable caseloads that continue to grow. In Virginia, for example, even if a worker were actually able to look at each case and devote time to it, the total available time per case would only be 98 minutes a year, or 8 minutes a month per case. In California, the situation is similar: California caseworkers have just under 2 hours a year to spend on each case, or approximately 9-1/2 minutes per month. Eight or nine minutes is easily eroded by one phone call, one document, or even just finding the case file.

With phones ringing, correspondence mounting, families waiting in the lobby, and everything constituting a priority because child support payments so directly affect the money available to families to make ends meet, no matter how good a caseworker is, it is impossible to provide a satisfactory level of services without adequate resources.

Our resolution and comments today apply not only to the Work and Responsibility Act, but other proposals pending before Congress. We do, however, offer suggested changes in the President's proposal for your consideration today.

Universal Child Support

APWA expresses great concern with any proposal that would provide for universal child support by requiring state human service agencies to serve the entire child support population - both those families on AFDC as well as those outside the AFDC population. Under the Clinton plan, for example, the non-welfare population can "opt-out" of services only if both parents sign an agreement saying they do not want the government to serve them. There are two categories of arguments against this change:

Philosophical Issues: The opt-in proposal is too intrusive and imposes government on people who have not asked for services. This is especially true given that the current opt-in system provides services for those who ask for them. (The current system caps incentive payments to states for serving the non-welfare population, thus creating a disincentive to work those cases.)

Resource Issues: This is by far the greater concern to APWA. Universal child support is projected by many states to be quite costly. Significantly, it will greatly increase child support caseloads. Both California and Texas expect a universal child support system to double caseloads, a projection that HHS says would be true nationally. As previously discussed, states already have difficulty serving those currently receiving IV-D services; doubling caseloads could wash out the impact of increased enforcement tools, hampering

states' efforts to improve child support for years to come. Indeed, it is unlikely that states' staff-to-client ratios would improve by 50% to just keep pace with the caseload increases.

Further, automated systems' capacity to deal with such increased caseloads simply does not exist. The hardware and on-line capacity of child support systems are built to handle *current* caseload projections, and many are falling short due to unexpected caseload increases associated with serving the current population. California, for example, is spending about \$75 million on development and design on the system for 2 million cases (more than a quarter of the \$260 million allocated for child support in H.R. 4605). California's quick estimate of systems upgrades to accommodate the non-IV-A cases would cost a similar amount. Texas also says doubling the caseload would greatly impact systems costs. Also, increasing automated systems capacity does not decrease the need for staff. In fact, states say that as they increase systems capacity, they are actually experiencing an increased need for personal interaction, due to the "ticklers" built into systems to send certain notices to clients automatically and to prompt caseworker action.

Instead of radically expanding the child support system to serve a universal population, APWA urges Congress to support existing policy which requires states to serve the non-welfare population at the request of either parent - continuing the "opt-in" policy. APWA does recommend removing the current disincentive to serving the non-welfare population by simply removing the cap on incentives to states for serving the non-welfare population, allowing FFP for all non-welfare cases.

Other Funding and Incentive Issues

Although at first glance, state IV-D budgets may seem adequate, when broken down to dollars spent per case, the funding is far from sufficient. In Massachusetts, for example, the state IV-D agency spends \$40 million per year for a caseload of a little over a quarter of a million clients. This means the state spends about \$170 per year on each case, or \$14 per month - not a lot of money to chase down a father who is not paying support and lives across state lines, even if the non-custodial parent is *not* working to elude the caseworker!

As you know, we must continue to adequately fund the program, or results will be hard to achieve. The Clinton bill proposes significant changes in the way state child support programs are funded by moving toward a system based on incentives tied to performance. APWA strongly supports this shift, including the proposed 75% FFP as base funding. However, APWA finds it difficult to support the incentive structure as it currently is written in the bill because it is inadequate.

The bill allows up to 15% FFP in performance-based incentives. APWA recommends providing at least 20%, and as high as 25% incentive FFP by allowing an additional 5% as a medical support incentive, as recommended by APWA and NGA several years ago. Another 5% should be allowed for collections. If states are not able to achieve this match, as in current policy, child support reform will stifle state effectiveness and creativity.

An alternative funding proposal is that offered by APWA:

- Return the FFP match rate to at least the original level of 75 percent or to a higher rate that will support the additional Congressional mandates;
- Develop performance-based incentives tied to collections, paternity's, orders established and other appropriate criteria related to program goals. Performance measures should reflect the principle that "one size fits one," meaning they are based upon what each state realistically needs and is able to do to improve its program and the support of our nation's children;
- Remove the 115 percent incentive cap on non-welfare collections as measured against welfare collections;
- Include in the category of welfare collections all collections on cases receiving mandatory services, such as Medicaid-only cases, former AFDC cases, and other similar cases;

- Clarify that attorneys' fees, court costs and similar reimbursable costs may be recovered outside the "cost recovery" regulations, and providing that such recoveries may be used by the program without counting as "program income," which would reduce the available FFP; and
- Examine the effectiveness, budgetary placement and potential alternatives to the \$50 disregard.

Audit

The audit process must be reformed, and we are pleased that the President's bill proposes to do so. However, APWA recommends strengthening the audit language in the Clinton bill by changing it to allow half of audit penalties to be put in escrow for up to two years and returned to the state if the state passes the audit in the two-year period. States would view this as a good-faith effort to support reinventing government through federal-state partnerships rather than to focus federal efforts on punitive measures. Further, it would be an effort APWA would highly support based on joint recommendations developed cooperatively with the National Governors' Association and the IV-D directors that recommend changing the audit from process-oriented to outcome-oriented performance measures and creating a sanction process emphasizing corrective action rather than financial penalties.

Federal Leadership

Federal leadership is critical to the success of a national child support enforcement initiative. We must empower OCSE to help improve the program by acting as a participant, not just as a regulator. APWA supports the Clinton bill's language to increase the technical assistance role of the federal government. Also, APWA supports efforts to strengthen the federal role, including providing child support assurance demonstrations and any fully-federally funded work programs for non-custodial parents who are having trouble finding work.

APWA recommends further strengthening of the federal government's leadership by:

- Improving assistance with the collection of child support not only from federal and military employees, but including federal contract employees, so that the federal government can serve as a model employer for the child support enforcement program;
- Mandating that self-insurers governed by ERISA are required to provide access to coverage for all eligible children, regardless of their residence or the marital status of their parents;
- Ensuring that state IV-D agencies have timely, cost-effective and usable access to federal and state databases for paternity establishment, locate, and medical insurance and establishment purposes;
- Requiring that the Social Security Administration provide the state IV-D and the Department of Motor Vehicle agencies access to electronic verification of Social Security Numbers;
- Provide for a system of child support enforcement that deals with Native American tribal law that appropriately reflects tribal justice systems and is supported by tribal governments; and
- Establishing a permanent child support advisory committee including representation by state child support enforcement administrators, program advocates and the judiciary to advise and guide the federal OCSE.

Leadership from the federal government is also needed in the area of information systems development.

Information Systems and Databases

APWA supports proposals to establish a National Directory of New Hires, a National Child Support Registry, a State Central Case Registry and State Centralized Collection and Disbursement for child support. We would be greatly concerned, however, with any proposal that does not provide adequate funding for states to develop and integrate the state provisions. Because information systems play an essential, fundamental role in supporting both the administrative and program capacity of the child support system, APWA calls on Congress to provide for appropriate adaptation of current state automated systems to any proposed reform by extending enhanced funding for the development and operation of automated systems and state registries, including with regard to the October 1995 deadline for child support systems.

Appropriate adaptation and adequate funding are not provided by the President's bill. First, capping state systems funding for both enhanced and regular FFP at an arbitrary level - \$260 million - could be dangerous to the program, especially knowing that the Administration's original cost estimate for these child support systems was \$370 million. States are already concerned that if they are not among the first states to apply for the funding, it will run out and then they will not be able to afford to develop systems. This could cripple national child support reform efforts.

Additionally, whenever program changes are made that affect caseload management, automated systems changes are necessary. There should be federal interest and support for maintaining not only adequately funded but appropriately adapted systems. New information systems requirements will affect current system development and implementation. Examples of these new requirements include the ability to: (1) measure statewide paternity establishment for those under one year old, (2) track whether paternity is established within one year, or face loss of AFDC FFP, and (3) exchange data with IV-A and Title XIX programs. (With adequate funding, APWA would suggest adding systems interface with child welfare program automated systems to the list for data exchange.) States need flexibility to incorporate the new requirements as appropriate in the state.

We also urge Congress build into any new legislation federal accountability to provide leadership and guidance to states regarding any new systems requirements by: (1) requiring HHS to provide technical assistance to states and (2) requiring that states' implementation timetables for receiving enhanced FFP for systems do not begin until the federal government issues final guidelines on any new systems requirements. This has been a costly problem and a barrier to state system development in the past and should be avoided in future.

Establishment

Overall, APWA supports the Clinton bill's strengthened paternity establishment measures. APWA also supports strengthening non-cooperation penalties, including the requirement to deny Medicaid until the client cooperates. Further, rather than removing the custodian's benefits if she fails to cooperate with the agency, APWA proposes instead to strengthen the current non-cooperation penalties so the food stamp award is not increased when there is a finding of non-cooperation.

We also support the President's proposal to move to allow the IV-D agency to determine cooperation. However, it is unclear the extent to which the IV-D worker plays a role in cooperation determination after the initial determination of eligibility. Further, this provision will not be effective unless states have the resources they need to place a IV-D worker in IV-A agency. Without resources, it will also be impossible to make a determination of cooperation within 10 days, as stipulated in the bill, and the client will be considered to be cooperating by default.

Enforcement Tools

States must have the tools they need to enforce child support orders. APWA commends the Clinton administration for providing many of these necessary tools in its child support reform proposal, including passing Uniform Interstate Family Support Act (UIFSA) and requiring appropriate federal, state, and local licensing agencies, when cost effective, to adversely affect professional or occupational licenses of delinquent child support obligors. The bill unfortunately omits several extremely important measures. Therefore, APWA recommends adding the following provisions to the bill:

- (1) Strengthening the administrative subpoena provisions in the bill to require states to use and honor out-of-state subpoenas.
- (2) Increasing the role of the IRS: APWA strongly urges Congress to strengthen the role of the IRS by:

- making federal and state tax information available to state and local child support enforcement agencies through quick and easy computer access, and allowing this information to be admissible in court;
- establishing that any child support arrearage that accrues during the year becomes a tax liability, collectable via the annual income tax form and, if necessary, through other IRS enforcement procedures; and
- strengthening the current IRS full collection process (through which states refer cases to the IRS for enforcement) by relaxing existing procedural barriers and by authorizing additional resources to IRS.

However, APWA does not support federalizing the child support system. In fact, state agencies have had difficulty gaining cooperation from the IRS simply to comply with the demands of its current small role in child support. A shift to federalization, just as states are building up their establishment and enforcement capacities, would discard the effort and time slowly invested over the past 18 years. It is difficult to imagine summoning sufficient resources to infuse into the federal government to support such a shift at the same time that the rest of the federal government is downsizing through buyouts and eventual layoffs. Secondly, developing the new network of service delivery at the federal level would not only be costly, but a logistical and administrative nightmare. Thirdly, there is no evidence that the current problems would be eliminated or reduced as a result of federalization. In fact, centralizing collections within the federal government could have adverse effects. Automation can produce a 24-hour turnaround on about 90% of collections (i.e., in Delaware, for example). Further, under a federalized system, custodial parents would wait longer for payments when wage attachment at the state level can collect and distribute payments more efficiently and states are proving they can do this well with resources and automation. Finally, many people operate under the following false assumption: approximately 82% of people in the general population earn wages that are taxed by the IRS; hence, the IRS could collect 82% of child support orders. The logic is skewed, however, because IV-D offices have found that those non-custodial parents in arrears do not replicate the national average of those with incomes taxed by the IRS. Many non-custodial parents in arrears work "under the table" or change jobs frequently. IV-D offices estimate that about 50%-60% actually would be reached through centralizing collections through the IRS. Generally, federalization models do not address collections from the other 40% of those in arrears. In fact, they remove the responsibility for these collections from states, and do not create a federal system to address the issue.

Child Support and Welfare Reform

Finally, Mr. Chairman, efforts are underway in the House and Senate to move forward with child support reform separate from welfare reform. APWA strongly urges Congress to enact reforms for both policy areas in the same legislation.

Closing

In closing, Mr. Chairman, I want to emphasize that APWA and the state and local human service administrators fully support enactment of comprehensive welfare reform

legislation. The issues to be debated, however, are complex and require thoughtful and serious consideration by the Congress. We look forward to working with you on this important issue, and hope that our comments today have been helpful.

Thank you for the opportunity to testify today. I would be happy to answer any questions.



STATEMENT OF

MICHAEL PAPPAS
FREEHOLDER, SOMERSET COUNTY, NEW JERSEY, AND
CHAIR, NACO HUMAN SERVICES AND EDUCATION STEERING COMMITTEE

ON BEHALF OF
THE NATIONAL ASSOCIATION OF COUNTIES

BEFORE THE
HUMAN RESOURCES SUBCOMMITTEE OF THE
WAYS AND MEANS COMMITTEE
U. S. HOUSE OF REPRESENTATIVES

AUGUST 9, 1994
WASHINGTON, D.C.



MISTER CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE, I AM MICHAEL PAPPAS, FREEHOLDER IN SOMERSET COUNTY, NEW JERSEY. I CHAIR THE NATIONAL ASSOCIATION OF COUNTIES' (NACO) HUMAN SERVICES AND EDUCATION STEERING COMMITTEE. OVER THE LAST YEAR I ALSO CO-CHAIR NACO'S WELFARE REFORM TASK FORCE. I APPRECIATE THIS OPPORTUNITY TO PRESENT OUR VIEWS ON FEDERAL WELFARE REFORM.

LIKE THE OTHER GROUPS REPRESENTED AT THIS TABLE NACO HAS SUPPORTED REFORMING THE WELFARE SYSTEM FOR DECADES. NACO DRAFTED PROPOSALS IN 1976, 1977, 1981, AND 1987. WE WERE ACTIVE IN THE DEBATE ON THE 1988 FAMILY SUPPORT ACT, WHICH MARKED A SIGNIFICANT STEP IN REFORM AND IS THE CORNERSTONE FOR MOST OF THE PROPOSALS THAT HAVE BEEN INTRODUCED IN THIS CONGRESS. LAST YEAR WE PARTICIPATED IN THE STATE AND LOCAL TASK FORCE ON WELFARE REFORM, WHICH INCLUDED OUR COLLEAGUES AT THIS TABLE, AS WELL AS THE NATIONAL LEAGUE OF CITIES AND THE UNITED STATES CONFERENCE OF MAYORS. I AM INCLUDING A COPY OF NACO'S RESOLUTION ON FEDERAL WELFARE REFORM, ADOPTED AT OUR ANNUAL CONFERENCE LAST WEEK.

BEFORE I COMMENT ON THE PRESIDENT'S WELFARE REFORM PROPOSAL, I WOULD LIKE TO BRIEFLY DESCRIBE THE COUNTY ROLE IN WELFARE, WHICH VARIES AMONG STATES. IN EIGHTEEN STATES, COUNTIES CONTRIBUTE TO THE ADMINISTRATIVE COSTS OF THE AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC). IN ELEVEN STATES, INCLUDING MY STATE OF NEW JERSEY, COUNTIES ALSO HELP MATCH THE NON-FEDERAL SHARE OF BENEFITS. IN TWENTY-THREE STATES, COUNTIES PARTICIPATE

IN A GENERAL ASSISTANCE PROGRAM, AND IN TWELVE OF THESE THE PROGRAM OPERATES SOLELY ON COUNTY TAXPAYER DOLLARS. CHILD WELFARE, CHILD SUPPORT, CHILD CARE, AND OTHER SUPPORT SERVICES ARE OFTEN PROVIDED BY COUNTIES.

NACO ENDORSES MANY OF THE PRINCIPLES IN THE PRESIDENT'S WELFARE REFORM LEGISLATION. THESE INCLUDE:

- MAKING WORK PAY, WITH INCENTIVES THAT ENCOURAGE FAMILIES TO WORK AND NOT STAY ON WELFARE;
- IMPROVED CHILD SUPPORT ENFORCEMENT, WITH RESPONSIBILITY OF BOTH PARENTS TO SUPPORT THEIR CHILDREN AND STRONGER SYSTEMS FOR IDENTIFYING FATHERS AND ENSURING THEIR SUPPORT;
- EDUCATION, TRAINING, AND OTHER SERVICES TO HELP PEOPLE GET OFF WELFARE AND STAY OFF, BUILDING ON THE FAMILY SUPPORT ACT OF 1988 AS A BASE; AND
- TIME-LIMITED TRANSITIONAL SUPPORT SYSTEM, IN WHICH THOSE WHO ARE HEALTHY AND ABLE TO WORK WILL BE EXPECTED TO MOVE OFF WELFARE QUICKLY, AND THOSE WHO CANNOT FIND JOBS SHOULD BE PROVIDED WITH WORK AND BE EXPECTED TO SUPPORT THEIR FAMILIES.

WE STRONGLY SUPPORT THE ADMINISTRATION'S PROPOSALS TO INCREASE THE FEDERAL MATCHING RATE FOR THE JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) PROGRAM, THE AT-RISK CHILD CARE PROGRAM, AND CHILD SUPPORT ENFORCEMENT. A NUMBER OF THE PROPOSED CHANGES TO THE JOBS PROGRAM WILL PROVIDE GREATER EDUCATION AND TRAINING OPPORTUNITIES, SUCH AS PARTICIPATION IN A

STRUCTURED MICROENTERPRISE PROGRAM, AND PARTICIPATION IN HALF-TIME DEGREE-GRANTING POST-SECONDARY INSTITUTIONS.

WELFARE REFORM SHOULD STRENGTHEN FAMILIES. THE ADMINISTRATION'S PROPOSAL HELPS ACHIEVE THIS GOAL BY OFFERING STATES THE OPTION TO ELIMINATE AFDC ELIGIBILITY REQUIREMENTS THAT PENALIZE MARRIED COUPLES.

NACO IS STRONGLY OPPOSED, HOWEVER, TO MANY OF THE FINANCING PROVISIONS IN THE ADMINISTRATION'S BILL AND IN OTHER LEGISLATIVE PROPOSALS PENDING BEFORE THIS SUBCOMMITTEE. THE MOST TROUBLESOME PROVISIONS ARE THOSE THAT WOULD LIMIT IMMIGRANTS' CURRENT ELIGIBILITY FOR SOME FEDERAL ENTITLEMENT PROGRAMS, SUCH AS SUPPLEMENTAL SECURITY INCOME, FOOD STAMPS, AND AFDC, AND THE PROPOSED CAP ON EMERGENCY ASSISTANCE. THESE PROVISIONS WOULD SHIFT COSTS FROM THE FEDERAL GOVERNMENT TO COUNTY AND STATE GOVERNMENTS.

IN THE CASE OF IMMIGRATION, THESE REDUCTIONS WOULD PARTICULARLY AFFECT THOSE STATES WITH LARGE IMMIGRANT POPULATIONS: ARIZONA, CALIFORNIA, FLORIDA, ILLINOIS, NEW YORK, TEXAS, AND MY OWN STATE OF NEW JERSEY. IN MANY OF THESE STATES, COUNTY GOVERNMENTS HAVE THE PRIMARY RESPONSIBILITY FOR GENERAL ASSISTANCE. ESTABLISHING AND ENFORCING IMMIGRATION POLICY IS A FEDERAL RESPONSIBILITY, THE FEDERAL GOVERNMENT SHOULD THEREFORE ALSO HAVE THE FINANCIAL RESPONSIBILITY FOR THIS POPULATION.

SO FAR I HAVE ONLY REFERRED TO THE ADMINISTRATION'S IMMIGRATION PROPOSALS. I WOULD LIKE TO STRESS THAT THERE ARE OTHER PROPOSALS, PARTICULARLY REPRESENTATIVE MICHEL'S BILL (H.R. 3500) AND REPRESENTATIVE MCCURDY'S BILL (H.R. 4414), THAT WOULD CUT BENEFITS TO LEGAL IMMIGRANTS EVEN FURTHER AND WOULD SHIFT MORE COSTS TO COUNTY AND STATE GOVERNMENTS.

NACO HAS LONG STANDING POLICY OPPOSING CAPS ON ENTITLEMENT PROGRAMS. IN THE INTEREST OF TIME, HOWEVER, I WILL ONLY REFER TO THE PROPOSED CAP ON EMERGENCY ASSISTANCE. COUNTIES AND STATES USE EMERGENCY ASSISTANCE PROGRAM FUNDS FOR A VARIETY OF PURPOSES. IN SOMERSET COUNTY WE USE THIS PROGRAM TO PREVENT HOMELESSNESS BY HELPING PAY OVERDUE RENT AND UTILITY BILLS. WE ALSO USE IT TO HELP HOMELESS FAMILIES FIND PERMANENT HOUSING BY PAYING RENT AND UTILITY DEPOSITS.

IN MANY INSTANCES THE USE OF EMERGENCY ASSISTANCE HELPS PREVENT THE USE OF MORE COSTLY FEDERAL PROGRAMS. IN CALIFORNIA, WHICH IS JUST STARTING TO USE THIS PROGRAM, COUNTIES ARE USING EMERGENCY ASSISTANCE TO HELP CHILDREN IN CRISIS BEFORE THE PROBLEM ESCALATES TO A SITUATION THAT REQUIRES MORE DRASTIC AND EXPENSIVE MEASURES SUCH AS INCARCERATION OR GROUP HOME PLACEMENTS. A CAP ON A PROGRAM SUCH AS THIS WOULD RESTRICT LOCAL GOVERNMENTS' ABILITY TO RESPOND IN TIMES OF CRISIS AND WOULD HURT THE VERY PEOPLE THE PROGRAM SEEKS TO HELP.

NACO POLICY SUPPORTS THE CONCEPT OF TIME-LIMITED ASSISTANCE FOLLOWED BY WORK. OUR POLICY FURTHER STATES THAT ANY WELFARE REFORM THAT INCLUDES TIME-LIMITED ELIGIBILITY FOR ASSISTANCE AND TRANSITIONAL SUPPORT SERVICES, MUST ALSO PROVIDE ADEQUATE FEDERAL FUNDING FOR THE NECESSARY JOB TRAINING, JOB PLACEMENT, CONTINUED SUBSISTENCE GRANTS, HEALTH CARE COVERAGE, CHILD CARE, TRANSPORTATION, AND ADMINISTRATION.

THE ABILITY OF COUNTY AND STATE GOVERNMENTS TO MOVE PARTICIPANTS INTO UNSUBSIDIZED JOBS IS DEPENDENT ON THE AVAILABILITY OF JOBS IN THE AREA. IN ORDER FOR TIME LIMITS TO WORK, WELFARE REFORM MUST INCLUDE AN AGGRESSIVE FEDERAL STRATEGY TO CREATE JOBS THAT PROMOTE DURABLE SELF-SUFFICIENCY.

COUNTIES AND STATES WILL HAVE TO MAKE SIGNIFICANT CHANGES IN THE WAY PROGRAMS ARE OPERATED, CHANGES THAT REQUIRE STAFF TRAINING AND ACQUISITION OF NEW EQUIPMENT WHICH COULD ADVERSELY AFFECT THE DELIVERY OF THESE SERVICES OR CAUSE AN INCREASE IN THE STATE AND/OR LOCAL FISCAL RESPONSIBILITY. COUNTIES AND STATES NEED THE FLEXIBILITY TO DESIGN AND IMPLEMENT PROGRAMS THAT MEET THE NEEDS OF THEIR POPULATION AND RESPOND TO LOCAL LABOR MARKET CHARACTERISTICS.

MANY COUNTIES THAT DO NOT HAVE RESPONSIBILITY FOR WELFARE PROGRAMS HAVE EXPRESSED CONCERN ABOUT THE "WORK" PROGRAM, PARTICULARLY NEW RESPONSIBILITIES THAT MAY BE REQUIRED OF THEM. THESE INCLUDE SUPERVISION, WORKMEN'S COMPENSATION, JOB PLACEMENT AND JOB CREATION. FEDERAL FUNDS FOR ADMINISTRATION SHOULD BE AN IMPORTANT COMPONENT OF THE NEW "WORK" PROGRAM.

MANY STATE AND LOCAL GOVERNMENTS ARE DOWNSIZING THEIR OPERATIONS. IN MANY AREAS THERE ARE LARGE NUMBERS OF POSITIONS THAT HAVE BEEN UNFILLED FOR MONTHS AND EVEN YEARS. WE ARE SENSITIVE TO THE NEED TO PREVENT DISPLACING OTHER WORKERS, BUT MANY AREAS OF THE COUNTRY WOULD NOT BE ABLE TO MEET THE REQUIREMENTS OF THE NEW LEGISLATION UNLESS THEY ARE ALLOWED TO TAKE ADVANTAGE OF THE LARGE NUMBER OF EXISTING UNFILLED POSITIONS.

WE CANNOT STRESS ENOUGH THE NEED FOR HEALTH CARE COVERAGE. IF THE JOBS AVAILABLE TO THE POPULATION WE ARE TRYING TO HELP DO NOT PROVIDE HEALTH INSURANCE, THEY WILL BE AT RISK OF FALLING BACK INTO THE SYSTEM.

CHILD CARE AVAILABILITY FOR THE WORKING POOR ALSO FALLS INTO THIS CATEGORY. FOR THIS REASON, WE STRONGLY SUPPORT THE PROPOSED INCREASE IN THE AT-RISK CHILD CARE PROGRAM. NACO HAS LONG-STANDING POLICY THAT SUPPORTS MAKING THE DEPENDENT CARE TAX CREDIT REFUNDABLE.

NACO IS VERY PLEASED THAT THE ADMINISTRATION'S BILL INCLUDES SEVERAL WELFARE SIMPLIFICATION PROPOSALS. WE WOULD GO FURTHER, HOWEVER, AND URGE THE ENACTMENT AND IMPLEMENTATION OF THE PROGRAM SIMPLIFICATION RECOMMENDATIONS OF THE WELFARE SIMPLIFICATION AND COORDINATION ADVISORY COMMITTEE AND THE AMERICAN PUBLIC WELFARE ASSOCIATION'S PROGRAM COORDINATION TASK FORCE.

ON A PERSONAL NOTE, I WOULD LIKE TO DISCUSS THE EXCLUSION OF CHILDREN BORN TO MOTHERS ON WELFARE. NACO DOES NOT HAVE A POSITION ON THIS ISSUE, BUT I WOULD LIKE TO EXPRESS MY STRONG OPPOSITION TO FAMILY CAPS. AS YOU KNOW, NEW JERSEY OBTAINED A WAIVER A FEW YEARS AGO TO IMPLEMENT FAMILY CAPS. MY COUNTY OPPOSED THE FAMILY CAPS BECAUSE OF THE EFFECT THAT THEY COULD HAVE ON CHILDREN'S WELL-BEING. WE REMAIN OPPOSED TO THE CAPS AND ALSO HAVE SERIOUS DOUBTS ABOUT THEIR CONSTITUTIONALITY.

IN CONCLUSION, I WANT TO THANK YOU AGAIN FOR THIS OPPORTUNITY. AS CO-CHAIR OF NACO'S WELFARE REFORM TASK FORCE I WAS ABLE TO PARTICIPATE IN SEVERAL MEETINGS WITH THE ADMINISTRATION, IN WHAT I THINK WAS AN UNPRECEDENTED EFFORT TO INVOLVE AND CONSULT WITH STATE AND LOCAL ORGANIZATIONS. I LOOK FORWARD TO WORKING WITH THIS SUBCOMMITTEE IN THE SAME SPIRIT OF COOPERATION AND BIPARTISANSHIP AS MUCH NEEDED WELFARE LEGISLATION MOVES FORWARD.

HUMAN SERVICES AND EDUCATION STEERING COMMITTEE

RESOLUTION ON FEDERAL WELFARE REFORM

WHEREAS, President Clinton has submitted legislation to Congress for major restructuring of the welfare system that includes principles long supported by National Association of Counties in The American County Platform; and

WHEREAS, the legislation's principles include:

- Making Work Pay, with incentives that encourage families to work and not stay on welfare, and that help is available to ensure that they can work and adequately support a family;
- Improved Child Support Enforcement, with responsibility of both parents to support their children and stronger systems for identifying fathers and ensuring their support;
- Education, Training, and other Services to help people get off welfare and stay off, building on the Family Support Act of 1988 as a base;
- Time-limited Transitional Support System, in which those who are healthy and able to work will be expected to move off welfare quickly, and those who cannot find jobs should be provided with work and expected to support their families; and

WHEREAS, the Administration had extensive consultation process with the National Association of Counties and other national organizations; and

WHEREAS, many of the proposals pending before Congress would finance welfare reform through reductions or caps in entitlement programs and would reduce or eliminate immigrants' eligibility for a number of federal programs and these financing mechanisms would shift costs to county and state governments; and

WHEREAS, counties and states will have to make significant changes in the way programs are operated, changes that require staff training and acquisition of new equipment which could adversely affect the delivery of these services or cause an increase in the state and/or local fiscal responsibility; and

WHEREAS, in order for welfare reform to succeed, every effort must be made to ensure that employment is available to those making the transition to work:

THEREFORE, BE IT RESOLVED that the National Association of Counties commends the Clinton Administration for making comprehensive welfare reform a legislative priority, to end the current, unworkable system of public assistance programs, and for their extensive consultation process; and

BE IT FURTHER RESOLVED that any welfare reform that includes time-limited eligibility for assistance and transitional support services, must also provide adequate federal funding for the necessary job training, job placement, continued subsistence grants, health care coverage, child care, transportation, and administration; and

BE IT FURTHER RESOLVED that welfare reform must include an aggressive federal strategy to create jobs that promote durable self-sufficiency; and

BE IT FURTHER RESOLVED that the entitlement nature of public assistance and social services programs should be preserved in restructuring welfare, both for payments to states, and for individual benefits; and

BE IT FURTHER RESOLVED that the National Association of Counties reaffirms its strong opposition to proposals that would shift costs to county governments, such as entitlement program caps and reductions, and eliminating or reducing immigrants' eligibility for federal programs; and

BE IT FURTHER RESOLVED that counties and states must have the flexibility and adequate time to design and implement a program that will meet the needs of the local population and the local employment market; and

BE IT FURTHER RESOLVED that the National Association of Counties urges the Congress and the Administration to enact and implement the program simplification recommendations of the Welfare Simplification and Coordination Advisory Committee and the American Public Welfare Association's Program Coordination Task Force; and

BE IT FURTHER RESOLVED that the National Association of Counties strongly supports waiving the state matching requirement for the Job Opportunities and Basic Skills program, and substantially increasing the federal match for the At-Risk Child Care program, and Child Support Enforcement; and

BE IT FURTHER RESOLVED that federal welfare reform should incorporate electronic technology improvements, especially electronic benefit transfers, in revising and restructuring public assistance benefit programs; and

BE IT FURTHER RESOLVED that in order to encourage experimentation and improvements in the welfare system, as an interim step, the federal government should remove the "cost neutral" criterion for waivers and demonstration programs and simplify the procedures for approving state and county applications for such waivers; and

BE IT FURTHER RESOLVED that in order to encourage the success of welfare reform the National Association of Counties supports the inclusion of the job training delivery system as the workforce development vehicle for major coordination among the partners, including human services, education, and local elected officials; and

BE IT FURTHER RESOLVED that the National Association of Counties supports the Administration proposed elimination of the current JOBS targeting requirement, but is concerned about the proposed penalties for failure to meet new performance standards. New standards must be phased-in and counties must be involved in their development.

Adopted by Human Services and Education Steering Committee
(unanimous)
August 1, 1994

Adopted by the NACo Board of Directors
August 2, 1994

Adopted by the NACo Membership
August 4, 1994

STATEMENT OF GEORGE W. LIEBMANN
TO THE SUBCOMMITTEE ON HUMAN RESOURCES
HOUSE WAYS AND MEANS COMMITTEE - JULY 29, 1994

For The Record

I served as counsel to the Maryland State Department of Social Services in 1968-70 and in that capacity successfully argued the case of Dunridge v. Williams, 397 U.S. 471 (1970). I also drafted some early legislation relating to subsidized adoptions and termination of parental rights in adoption. I have had a continuing interest in welfare issues and am the author of The AFDC Conundrum: A New Look at an Old Institution, 38 Social Work 36-43 (January 1993) and Bad Incentives, The Family in America (Summer 1993), pp. 6-8. I represent no organization with an interest in these matters.

Any new legislation on welfare must decisively address the central problem: The rising tide of illegitimate births, and should not constitute merely an effort, largely foredoomed, to mitigate damage after the fact. Any new legislation must also be largely self-executing: it must send an unmistakable message which influences individual behavior and the culture of dependency and must not primarily rely on bureaucratic tinkering.

New legislation, in its application to recipients under the age of 21, must embody one central, unmistakable principle: no cash benefits as of right. It must send one unmistakable message: unattached childbirth means increased supervision, not increased independence. It must have as its central focus not guaranteed employment or public day care on the one hand, nor orphanages and abortions on the other, but training in parenting skills, mutual aid, adoption services, maternity homes and moral and religious training in the voluntary sector. Its focus must be not on the labor market but on the upbringing of the young; its concern not parsimony but the loss of another generation.

These proposals are not radical. They represent a return to the approach to unwed motherhood that prevailed in law until 1935 and in practice until 1960, and that successfully dealt with the dislocations caused by mass immigration, the depression, and two world wars. The application of AFDC to unwed mothers was an historical and legal accident, which must now be corrected.

As applied to the pending bills, this means the following:

1. AFDC in its application to unwed mothers under the age of 21 should be converted into a program of per capita grants to the states for social services to unwed mothers. The states should be encouraged to contract for delivery of these services by voluntary sector agencies. So long as grants are made to secular and religious agencies alike and individuals are excused from compelled religious observance, there should be no restrictions (such as those in section 2008(j) of the Administration Bill) on the religious content of programs.

2. Individual recipients under 21 should have an entitlement, as proposed by Senator Bradley, to a period of residence in a maternity home (such an entitlement is currently provided under California law). They should also have an entitlement, as proposed in section 503 of the Administration bill, to case management services. Allocation of the remaining grants to the states and of their matching funds, should be left to the states and the voluntary organizations with whom they contract, who would be free to make payments to guardians, protective payments to providers, and assistance in kind or, to a limited degree, in cash.

3. As proposed by Senator Bradley, there should be a program of capital grants for new maternity homes. These should be pursued with urgency during the lead time provided before new rules become effective. The focus of public policy should be on the re-involvement of the private sector in the care of this vulnerable population, and the abandonment of direct cash assistance to individuals.

4. The states should be encouraged to simplify their adoption laws, by limiting the rights of natural parents and the rights of children to identify natural parents, once adoption has taken place. As in recent British government proposals, which should be taken as a model, restrictions on interracial adoptions should be eliminated. Programs of subsidies for adoptive parents should be expanded, and funds provided for enhanced social work in support of adoptions.

NATIONAL CONFERENCE OF STATE LEGISLATURES

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STATEMENT OF
REPRESENTATIVE JANE CAMPBELL
MAJORITY WHIP, OHIO HOUSE OF REPRESENTATIVES
PRESIDENT-DESIGNATE, NCSL

ON BEHALF OF THE
NATIONAL CONFERENCE OF STATE LEGISLATURES

CONCERNING
THE ROLE OF STATES IN WELFARE REFORM

BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES

OF THE
U.S. COMMITTEE ON WAYS AND MEANS

AUGUST 9, 1994

Mr. Chairman and Members of the House Ways and Means Subcommittee on Human Resources, I am Jane Campbell, State Representative from Cleveland, Ohio where I serve as House Majority Whip and am Vice Chair of the House's Children and Youth Committee and am a member of the House Finance and Appropriations Committee. I am the President-Designate of the National Conference of State Legislatures (NCSL), Vice Chair of NCSL's Human Services Committee and a member of NCSL's Welfare Reform Task Force and the State and Local Officials Advisory Group on Welfare Reform.

I appear today on behalf of NCSL to discuss the concerns of state legislators that need to be addressed in order to truly create a new system to foster independence and self-sufficiency for all low-income families and to reduce child poverty. My statement is based on NCSL's policy, "State-Federal Partnership for Federal Welfare Reform", passed unanimously at our Annual Meeting two weeks ago in New Orleans. The policy is the result of a bipartisan consensus of our task force on welfare reform, which examined this complex issue for two years.

Mr. Chairman, I would be remiss if I did not begin by applauding your work along with the Ways and Means Committee and the Clinton Administration to find ways to improve our current welfare system. NCSL's welfare reform task force had unprecedented consultation with the President's working group on welfare reform and commented extensively on various working drafts. The nation's state legislatures stand ready to work with you and members of this Committee to enact welfare reform that promotes self-sufficiency and ends dependence. We are committed to working closely with you to fashion legislation that will comprehensively provide education, training and employment for welfare recipients, ensure that those who work can rise above poverty and improve child support collections.

Our current system was created with one goal in mind: to provide a minimum level of support to families, mostly widows and orphans. In other words, to provide an inexpensive way to make sure that poor children did not starve. The system was designed to support long-term dependence and efforts to work were considered fraudulent.

Today, we expect our public assistance system to serve a variety of needs while not changing its design. The majority of children on AFDC are not orphans, they reside in single parent families with divorced, abandoned or never-married mothers. Most women now work outside the home and our economy has changed the type of job opportunities available to low-skilled workers. We believe that all recipients should work, yet the current rules penalize recipients who do.

We all agree that reforming welfare is imperative. We agree the current system must change. The public hates it; recipients hate it; politicians hate it; business hates it. Yet, most of the public is unaware that, comparatively, AFDC is a small program compared to Medicaid and Social Security.

NCSL strongly believes that concern for children and their well-being must be paramount. But in order to support these children, we must find ways with dignity to enable their parents to support themselves. The child welfare system, including foster care, may be inadvertently impacted by welfare reform if parents are unable to support their children. Foster care is more costly to both the states financially and to children in personal terms. **Welfare reform proposals that include whole family sanctions, as in the Clinton proposal, will raise these concerns as children will lose their benefits as well. I urge you to consider the impact of any policies in light of their connection to the child welfare system.**

Unfortunately, there is no quick fix for this program. Families become destitute for a variety of reasons. These include job loss, spousal abuse, the failure of our educational system, addiction, the recession, and the lack of child care and other support services. Self-sufficiency for these families will require a variety of solutions including child support enforcement, education and training programs and employment. Additionally, we need to invest in family formation, which this Subcommittee began by adopting the Family Preservation and Support Services program. **However, many federal rules, such as the 100 hour rule, work history rule and the marriage penalty, impede family formation. We urge the Subcommittee to allow these requirements to be waived in state plans.**

Mr. Chairman, state legislators believe that recipients who play by the rules and leave public assistance should not be worse off than those on welfare. I hear too often from mothers who leave public assistance for work that their first promotion, a ten-cents per hour raise, often eliminates their eligibility for child care assistance. They also tell me that, after their transitional year of health care benefits, they must return to welfare for coverage of their children. **If our goal is fostering family independence, we must ensure that employment is always better than welfare. This includes part-time employment.**

True welfare reform will only come in a partnership between the federal government, states, localities, recipients and the private sector. For state legislators, this means a new welfare reform policy we can implement; that takes into account how state laws are enacted, that gives the states the flexibility to innovate and address local needs and that does not shift costs to the states.

INVESTING IN FAMILY INDEPENDENCE

Welfare recipients want to work. Mr. Chairman, I understand that in Tennessee you have reached the federal participation rate on volunteers alone. Every month, more than 400 women in Memphis and 200 women in Nashville volunteer to participate in JOBSWORK.

Too often, people who leave welfare cycle back into the system. **The federal government should give the states the flexibility to expand the amount that recipients earn without penalty of loss. Currently for every dollar a welfare recipient earns, she loses a dollar. By changing our incentive system through expanding earned income disregards, increasing the asset limit and fill the gap budgeting, we would change the incentives. A study commissioned by the Washington State Legislature found that welfare recipients who work while on AFDC have a much better change of long-term self-sufficiency. The federal government should allow the states to make these changes without the need for a federal waiver application.**

Conflicting federal rules for AFDC, Medicaid and Food Stamps often dissuade recipients to work. NCSL strongly supports efforts to simplify these rules and apply them consistently. We also must examine rules that may inadvertently limit the ability of recipients to work. For example, we have treated recipient ownership of automobiles as an asset rather than a means of finding and securing employment. Recipients are often penalized for vehicle ownership. **States should be allowed to alter the vehicle asset limit of \$1,500 without having to apply for a federal waiver; this should be handled by a state plan amendment consistent with state laws. States also should be allowed to choose to reimburse reasonable transportation costs for participants in employment and training, transitional assistance and employment, both to and from work and to and from child care.**

MUTUAL RESPONSIBILITY AND TRANSITIONAL ASSISTANCE

We concur with the Clinton administration that welfare should be a temporary program for employable individuals when or where work is available. States should be accorded maximum flexibility in implementing policies that must meet local needs. **NCSL supports a time-limited or transitional period of public assistance and training followed by employment or federally subsidized work with support services. Unlike the Clinton proposal, state legislators believe that the time-limit should begin when a participant is enrolled in JOBS or another approved employment and training program. States should have the flexibility to provide services that remove the barriers to employment for recipients prior to the JOBS program. However, we did not agree on an absolute amount of time (two years in the majority of federal proposals). State legislators believe that a cookie-cutter approach will not address local needs. States should have the flexibility to determine the appropriate amount of time available for these families.**

NCSL believes that work opportunities for those recipients after a time-limit must be developed in conjunction with the private sector (similarly, training must be developed with an understanding of local job markets -- the private sector is critical to this activity as well). **We support employment opportunities in the private and not-for-profit sector with community work experience as a last resort. Work requirements must be developed and defined at the state level, taking into account the needs of the local communities and the private sector. Many states, like Ohio, have pockets of extremely high unemployment that are not revealed in state unemployment figures. Therefore, state unemployment figures alone cannot be a mitigating factor in determining state**

participation rates. Work requirements for community service must be designed without displacing existing public employees.

Critical to our vision of federal welfare reform is mutual responsibility between government and welfare recipients. We support the concept of an employability plan and personal responsibility agreement. NCSL supports meaningful sanctions for those who do not comply. However, we are concerned about sanctioning children for their parents' noncompliance. States must have the flexibility to design employability plans and personal responsibility agreements.

Renewing the social contract means that penalties for non-performance must be considered. However, sanctions for non-compliance must be viewed in terms of unintended consequences. There are contradictions in how we allocate resources. Many children have entered our foster care system because their parents do not have the funds for housing and heat. Yet, we pay foster parents more than public assistance to care for these same children. An unintended consequence of a too eager or rigorous sanction may be an influx of children into our more expensive foster care system.

Mr. Chairman, renewing the social contract between recipients and government has much support from state legislators. **However, a real contract must hold both parties accountable.** Government's role must be to find ways for recipients to be productive participants. Otherwise, the public's confidence will be destroyed and they will believe that once again government has failed to reform our welfare system.

BUILD ON THE FAMILY SUPPORT ACT'S JOBS PROGRAM

Mr. Chairman, we would like to see further welfare reform build on the consensus in The Family Support Act of 1988. States appreciated the flexibility of the current JOBS program and have developed programs to suit local needs. Unfortunately, the majority of states were unable to draw down our full allocation of JOBS funds.

In Cuyahoga County, Ohio, we currently have 45,000 adults dependent on public assistance. In our current welfare reform program, 11,000 have been through jobs assessment and found to need education and training. Since we do not have the funds to provide these services, they are not being served. In the past, public expectations have been raised by welfare reform, but federal funding has either had too high a match or too little available.

The Family Support Act is an example of this. Implementation of the JOBS program was a top priority in our legislatures. However, in 1988, we did not envision that the combination of a recessionary economy and simultaneous state fiscal crisis would lead to dramatic welfare caseload growth and our inability to provide the state dollars necessary to match all appropriated JOBS funds.

NCSL strongly supports expanding the JOBS program and increasing the federal matching rate. Any new welfare reform must build on the current program. We are especially appreciative of Representative Matsui's efforts to expand the JOBS program and make job development a legitimate JOBS expenditure.

EMPLOYMENT

As policymakers, we are concerned that federal welfare reform must be accomplished with a corresponding national economic policy and employment strategy. The federal government cannot make welfare policy in a vacuum. Structural economic issues such as interest rates, unemployment, seasonal employment, part time work and economic development intrude on our goal of self-sufficiency for welfare recipients.

The federal government must understand the diversity of our welfare population and its potential impact on long-term employment. **States must have the ability to choose different strategies for families receiving welfare.** A continuum of self-sufficiency might include different strategies: job search for those with skills and work histories, treatment for heads of households with substance abuse problems, mandatory work for those unable to find employment, part-time work with increased earnings disregards, and support for the employed so their work is better than public assistance.

The federal government must ensure that welfare policy matches economic policy. Otherwise we will continue impoverishing children while blaming parents for situations they do not control.

State legislators believe that welfare reform must address these new realities. A new partnership must be developed between the states, local governments, the private sector, welfare recipients and the federal government.

We have grappled with how to implement job training and employment programs that make sense. Cleveland is not Dayton and is not Belmont County down on the river. The job market in Cincinnati is markedly different than Appalachians. In one of our county's in Ohio we have had two major employers close, a factory and a mine. In one five county area, the only major employer is a maximum security prison. Full time employment is not available. We believe that flexibility is needed so that localities can determine what was best for themselves. Areas with large populations of dislocated workers might choose differently than those with low areas of unemployment.

NCSL strongly believes that any education, employment and training program must allow states to develop their own plans to reflect local needs. A one-size fits all or cookie-cutter approach will stifle state innovation and recipients will suffer. Allow us to determine what kinds of programs are appropriate.

I am concerned, however, that we think about any new employment and training program in concert with the myriad of state and federal programs that provide education, training and employment. Too often we are duplicating what is already there. The U.S. General Accounting Office reported approximately 150 different employment and training programs. The federal government could assist the states by rethinking how these programs could better fit together and eliminating existing barriers to coordination.

Additionally, NCSL believes that technical assistance must be made available to the states on how best to invest in training. The entry level jobs that we ordinarily train for are shrinking at an alarming rate. The private and public sectors must work together to identify emerging areas of employment and consider how best to train recipients for those jobs.

This does not mean that jobs are not available today or that only investment in education is appropriate. In some areas, fewer employment opportunities are available. Some recipients will need more assistance than others. NCSL supports efforts that would allow states to provide upfront employment search and supportive services (like child care and health care) so that some recipients will never enter the welfare rolls.

In our view, welfare reform must focus on community economic development first with community work experience as a last resort. Work requirements for community service should be designed without displacing public employees. The private sector should be encouraged to participate and must be at the table. Job creation and the development of employment opportunities are vital to our success. The need for community development in concentrated areas of poverty is a barrier to self-sufficiency. NCSL has long supported tax incentives for this purpose. The Targeted Jobs Tax Credit and the more recent tax incentive in the Empowerment Zones legislation encourage the private sector to hire within distressed communities.

NCSL believes that all federal rules should be repealed that put low income working people at a disadvantage as compared to welfare recipients. NCSL strongly believes that part-time employment with some support is preferable to nonwork. NCSL believes that federal rules that create financial disincentives for work should be repealed. Working should always improve a family's financial and economic situation. Federal barriers to employment should be changed, for example:

- Allowing states the option to use fill-the-gap budgeting;
- Allowing states the option to increase earnings disregards;
- Eliminating the 100 hour rule;
- Allowing flexibility to states to change or exempt resource and asset limits including the vehicle allowance;
- Flexibility for states to increase transitional child care and health care (medicaid) for more than the current one year with federal financial participation.

SUPPORT SERVICES

NCSL believes that front-end services to avoid welfare participation are critical to the success of national reform. These might include the provision of child care or transitional health care to the working poor who may be at risk of entering the welfare system.

Mr. Chairman, lack of health care is often cited as the reason families return to welfare after leaving for employment. Women on welfare are often faced with a stark choice --

the dignity of employment that offers no health insurance or dependence on AFDC with its assurance of Medicaid for their children. Health care reform is a vital component of welfare reform.

Child care is another integral component of welfare reform.

Mr. Chairman, we cannot fool ourselves. Providing child care for an expanded numbers of recipients in education and training, work experience and in the transition from welfare to full time employment is very expensive. Adequate resources and an improved infrastructure is critical so that children have access to quality care.

We cannot ignore the issues of child care quality and increasing child care supply. Informal, unregulated care is still used predominantly in rural areas where child care choices are limited. As part of our program, we work to educate clients on how to identify good quality care. **NCSL strongly believes that funds should be available to the states to improve the supply of quality affordable care. The JOBS and Transitional child care funding streams have no funding available for any activities other than reimbursement. A welfare reform plan must allow states more flexibility to allocate some resources toward expansion of care.**

The public and private sectors can work together to expand the availability of child care. NCSL supports efforts to increase the federal match for child care.

We should not only focus on reimbursement for child care for welfare recipients. Careful analysis is needed of the impact of an expanded child care system for transitional welfare recipients on the working poor. Most states have waiting lists for our programs for families in need of child care who are at risk of entering the welfare system.

Transportation is another barrier to employment. Transportation assistance, including the option of increasing or eliminating the vehicle allotment, must be part of any federal welfare reform plan. Too often, work opportunities are provided at a distance from where recipients live. This assistance must take into account transportation needs for child care.

Work expenses are an additional barrier to employment. Uniforms, tools and texts are especially costly for those beginning employment. NCSL believes that the federal government must provide adequate funds and eligibility disallowance for work expenses. There is little coordination between the various programs that assist low-income families with their housing needs and self-sufficiency efforts. We urge the federal government to link these systems so that those who return to employment are not in danger of losing their housing assistance and can earn their way out of poverty.

FLEXIBILITY FOR STATE INNOVATION

Legislators, whether state or federal, must make difficult choices, usually within fiscal constraints. We must best decide how to spend tax dollars. Should we spend funds on developing jobs for employable adults or providing more education and training to recipients? Or providing the infrastructure to develop or monitor public work experience to AFDC recipients who cannot find jobs in the public sector after a time-limit?

The federal government, along with the states, needs to rank-order these goals, understanding the fiscal constraints we face. We probably cannot tackle them all at once. States should be allowed within federal parameters to create programs that address their local circumstances.

Additionally, the federal government must provide flexibility to the states in any employment program to help states meet the variety of local employment markets and gear education and training to those needs.

TEEN PARENTS

Teen parents need special assistance and early intervention beyond education and training to become self-sufficient. While only 7% of our welfare population, teen parents are particularly at risk for long-term welfare dependency and education deficiencies. States must be allowed to include programs to promote better parenting as well. **We believe that the new Family Preservation and Support Services program, which NCSL strongly supported, is an important first step in this area. We believe that it is essential that a link be made between this program and welfare reform. Teen fathers also must not be left out of these programs. If we do not include them, we will have a continuation of the break-up of these families.**

Mr. Chairman, Ohio's Learning, Earning and Parenting (LEAP) program's evaluation results reveal that teen parents need special assistance to stay in school and, ultimately, improve their job opportunities. LEAP rewarded teen parents for participation in high school or GED programs. Our LEAP students are staying in and graduating from school at much higher rates than the non-LEAP parent. I attribute our success, as does our evaluation, to the comprehensive counseling available to LEAP teens (called GRADS). GRADS provided these teens with a case manager who intervened and guided them through the system. What truly mattered was that somebody cared for these teens, many of whom have never lived with a stable family. **State legislators believe that young welfare recipients need intensive case management.**

State legislators are uncomfortable, however, with proposals that mandate states to require teen parents to reside with their families. This requirement is an option under the Family Support Act of 1988 which five states have adopted. We believe that each legislature is capable of adopting this legislation if they so chose. Some have not due to studies illustrating a high incidence of physical and sexual abuse among teen parents.

NCSL strongly supports a nationwide campaign at the federal level to combat out-of-wedlock births as suggested by President Clinton. We urge a role for states in this campaign and the teen pregnancy prevention grant program will be established during congressional consideration.

We also support the Clinton proposal to target federal welfare reform on teen parents initially. Welfare reform must be implemented gradually for it to work. We believe that focusing our resources on teen parents will begin our effort with those on whom we can have a significant effect.

Our welfare reform task force did not find a research link between the availability of welfare and the occurrence of teen pregnancy. NCSL opposes the elimination of welfare benefits to young parents. However, we believe that over time teen parents have much more difficulty remaining self-sufficient and are more vulnerable to economic shifts in the labor market.

FINANCING

NCSL will oppose any financing proposals that will shift the costs of welfare further to the states. As a state legislator, I understand the difficulties of raising funds and the trade-offs involved in funding initiatives. It is our belief, clearly shared by members of Congress and the Administration, that a full scale revision of our existing welfare reform system will be expensive but worth the investment. The proof will be the results over time.

Mr. Chairman, welfare reform is not cheap. We learned implementing the JOBS program that employment and training programs, child care for participants and transitional benefits and a new infrastructure to monitor job participation is costly. Many states can not make their match even today. Ohio still serves very few eligibles.

I urge you to provide significant resources for this effort. If the federal government does not, welfare reform will fail.

States cannot afford welfare reform on their own. Community work experience, while considered a cheaper option, still requires a significant influx of funds for development and monitoring of work requirements. A major expansion, even phased-in over time, cannot be supported by states alone.

NCSL opposes financing welfare reform by unfunded mandates or by transferring needy populations to state government through the elimination of program and benefit funding by the federal government. Mr. Chairman, the federal government cannot eliminate their responsibility for legal immigrants, substance abusers, homeless families or families in crisis. This does not provide a solution for legitimate needs, instead it transfers the need to state and locally-funded programs and non-profit programs and public hospitals.

We are deeply troubled by proposals to finance federal welfare reform through elimination of benefits to legal immigrants. NCSL strongly believes that it is the responsibility of the federal government to fund its policy decisions. Since the federal government has sole jurisdiction over immigration policy, it must bear the responsibility to serve the immigrants that it allows to enter states and localities.

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Federal decisions have increased admissions and reduced targeted funding to states and localities for immigrants, shifting the costs to state and local budgets. For these reasons, we will oppose any financing that eliminated federal benefits for legal immigrants.

The majority of legal immigrants, refugees included, are employed and contribute to federal, state and local revenues. However, according to the Urban Institute, these revenues are heavily skewed towards the federal government while states and localities bear disproportionate shares of the costs of services to newly arrived immigrants. New York cannot and should not bear any further costs.

The federal government may find savings through eliminating SSI benefits to elderly, needy and disabled legal immigrants. Unfortunately, that savings will just shift the costs to states (in particular our general assistance program). The indigent elderly that are the 30 percent of the caseload that go on the rolls after their American citizen children cease to be legally responsible for them are no different than other indigent elderly who apply for SSI. 20 percent of the caseload were here at least 10 years before applying for SSI. 25% of the SSI population are refugees, the largest of which are elderly Soviet Jews. Eliminating federal aid will not eliminate the need, and state and local budgets and taxpayers will bear the burden.

Although the Clinton Administration's proposal shifts less cost than the House Republican or Mainstream Forum welfare reform proposals, NCSL strongly opposes expanding deeming from three to five years for SSI, Food Stamps and AFDC. As the Committee is aware, sponsorship is not legally-binding and approximately half of legal immigrants are admitted without sponsors at the discretion of the US counselor abroad. States have had difficulty locating sponsors and when we do, we cannot compel them for support. Legally, states do not have the Constitutional ability to treat legal immigrants differently than citizens (unlike the federal government which can under its foreign policy powers). Many states are also prohibited by their own state constitutions. So, the cost of serving needy legal immigrants will be shifted to the states and localities.

Mr. Chairman, state legislators do not believe that welfare reform legislation is the appropriate place for the immigration debate. We cannot pit legal immigrants against welfare recipients. This thinking has led to resentment and disturbances in our inner cities.

Capping AFDC-Emergency Assistance is also opposed by NCSL. No state plan for AFDC-EA has ever been denied and many states use these funds for families in crisis from those needing emergency housing to those needing intensive family counseling services. NCSL opposes capping open-ended entitlement programs to fund welfare reform.

Time-limiting SSI/SSDI for substance abusers also shifts costs to the states. States are currently unable to treat targeted groups, especially pregnant women, with appropriated funds for substance abuse treatment. Unfortunately, we do not have the funds to treat all who need services. Returning those on SSI/SSDI to the street will increase those relying on state general assistance, public hospitals and, even worse, the homeless.

We are also extremely concerned about the financial penalties and maintenance of effort in the Clinton proposal. The maintenance of effort requirement that states spend no less than their FY94 or FY93 nonfederal expenditure for JOBS, WORK, and the related child care programs does not allow for flexibility for other related expenditures and is too broadly drawn. States need the flexibility to address other critical needs, especially as the welfare population decreases. States should, at a minimum, be able to expend funds in other related programs. The penalty for not meeting JOBS' participation rates is severe: if less than 45% participate, the state loses 25% of its federal match for AFDC. There are similar penalties for the WORK program. This will hurt recipients as other human services programs will be reduced. The penalty does not take into account state program goals, accessibility to JOBS, state financial conditions or localized unemployment figures. Work participation rates do not take into account the amount necessary to locate or create WORK positions, which we believe will vary from state to state and within states. These penalties will force us to consider the lowest cost, fastest way to move recipients off of public assistance, not the way to move a family to long-term self-sufficiency.

CHILD SUPPORT ENFORCEMENT

Child support enforcement is a critical component of welfare reform. Our separate policy on Child Support Enforcement details NCSL's position. State legislators have been at the forefront of innovative efforts to improve paternity establishment, including in-hospital paternity establishment, collect and enforce child support orders, find new penalties for non-custodial parents who refuse to provide support, use mediation and expedited administrative procedures, provide a guaranteed level of child support, and outreach to teen non-custodial parents. **We are concerned, however, about unfunded mandates and preemption of state law in any new federal child support law. Family law must remain in the state's jurisdiction.**

While NCSL believes states should adopt uniform interstate child support enforcement procedures, NCSL opposes federal legislation which would preempt this authority of the states. Similarly, preemption of state authority to determine child support collection. We are also concerned about the cost of new automated systems and other changes in the child support system. There must be enhanced match rates for these automated systems. We reiterate our concern that as states update their child support legislation that technical assistance is needed to assist the states as they come into compliance with federal goals. State legislators should have the option of extending child support benefits beyond the age of majority for those children in college.

FEDERAL WAIVERS FOR WELFARE REFORM

State legislators are pleased with the Administration's expedited waver review process. **As I have repeated often in our testimony, we believe that options are preferable to waiver authority. For many potential policy initiatives from the 100 hour rule to expanded earnings disregards, we no longer need to test new ideas. Instead, states should have the option of choosing them as amendments to their state plans. NCSL strongly believes, however, that too often legislators are not consulted about federal waiver requests that require changes in state laws. Where applicable, NCSL strongly believes that waivers should not be granted with the passage of state laws.**

On behalf of the National Conference of State Legislatures, thank you for consideration of my remarks. I would be happy to answer any questions you may have.

TESTIMONY OF

**LARRY LOCKHART
ASSOCIATE COMMISSIONER
NEW JERSEY DEPARTMENT OF HUMAN SERVICES**

ON

EMERGENCY ASSISTANCE

BEFORE

**THE SUBCOMMITTEE ON HUMAN RESOURCES
HOUSE WAYS AND MEANS COMMITTEE**

AUGUST 9, 1994

GOOD AFTERNOON, I AM LARRY LOCKHART, ASSOCIATE COMMISSIONER OF THE NEW JERSEY DEPARTMENT OF HUMAN SERVICES. I WOULD LIKE TO COMMENT ON THE ADMINISTRATION'S PROPOSED CAP ON FEDERAL EMERGENCY ASSISTANCE EXPENDITURES AS A METHOD TO FINANCE WELFARE REFORM AND IMPRESS UPON YOU THE POSSIBLE DIRE IMPACTS OF SUCH ACTION.

THE ADMINISTRATION PROPOSES TO CAP EMERGENCY ASSISTANCE(EA) BASED ON A VARIABLE WEIGHTED AVERAGE OF A STATE'S EA EXPENDITURES AND ITS TOTAL AFDC EXPENDITURES FOR THE PREVIOUS YEAR. THE CAP IS ADJUSTED ANNUALLY FOR INFLATION. IF A STATE EXCEEDS THAT CAP, AS NEW JERSEY DOES, IT WOULD RECEIVE UP TO THE SAME ALLOCATION IT RECEIVED IN 1991, IF IT HAD A PROGRAM IN 1991. STATES THAT ENACTED AN EA PROGRAM AFTER 1991 WOULD NOT EVEN HAVE THAT PROTECTION FROM DRAMATIC REDUCTIONS IN ITS ALLOCATION. THE 1991 AMOUNT WOULD NOT BE ADJUSTED FOR INFLATION.

IN NEW JERSEY THAT MEANS WE WOULD BE PERMANENTLY CAPPED AT ABOUT \$23 MILLION. HOWEVER, WE EXPECT TO SPEND AT LEAST \$29 MILLION IN FY 1995 ASSUMING NO EXPANSION IN ELIGIBILITY. THESE FUNDS ARE USED ONLY TO SERVE PERSONS RECEIVING AID TO FAMILIES WITH DEPENDENT CHILDREN. CURRENTLY WE PROVIDE PREVENTIVE SERVICES AND SHELTER TO ABOUT 28,000 RECIPIENTS A MONTH, MOST OF WHOM ARE CHILDREN.

SUCH FAMILIES ARE ASSISTED IN MEETING HOUSING COSTS, INCLUDING BOTH TEMPORARY RENTAL COSTS AND PERMANENT HOUSING PLACEMENT EXPENDITURES COMPRISED OF SECURITY DEPOSITS, MONTHLY RENTAL COSTS, BACK RENT OR MORTGAGE PAYMENTS, TO AVOID EVICTION OR LOSS OF PROPERTY, AS WELL AS UTILITY EXPENSES. WE ARE ALSO STARTING TO PROVIDE SERVICES TO MAINTAIN INTACT FAMILIES BY PROVIDING COUNSELLING, PARENTING PROGRAMS, TUTORING, AND PAYMENT FOR SUBSTANCE PROGRAMS TO AVOID PLACEMENT OF CHILDREN IN FOSTER HOMES. HOWEVER, THESE LATTER SERVICES MAY HAVE TO BE ELIMINATED IF A CAP ON EA IS ADOPTED.

A REDUCTION OF ABOUT \$6 MILLION IN OUR STATE'S ALLOCATION WOULD JEOPARDIZE ASSISTANCE TO ALLEVIATE HOMELESSNESS FOR ABOUT 2000 FAMILIES A MONTH.

HOMELESSNESS IS ONE OF THE MOST SERIOUS PROBLEMS FACING LOW INCOME FAMILIES IN OUR STATE AND CREATES THE GREATEST NEED FOR THE UTILIZATION OF EMERGENCY ASSISTANCE FUNDS. THIS PROBLEM STARTED TO ESCALATE IN THE LATE 1980'S. WITHIN ONLY A FEW YEARS, OUR EA EXPENDITURES INCREASED BY OVER 400 PERCENT. IN 1987 WE WERE PROVIDING EA TO ABOUT TWO THOUSAND PERSONS ON WELFARE; BY 1993 THAT NUMBER INCREASED TO ABOUT THIRTY THOUSAND.

LIKE THE FEDERAL GOVERNMENT, WE ALSO ARE CONCERNED ABOUT THESE HIGH COSTS BECAUSE OUR STATE SHARE IS ABOUT FIFTY PERCENT. WE HAVE THEREFORE TAKEN MEASURES TO LIMIT THE GROWTH OF SUCH COSTS WHILE AT THE SAME TIME MAINTAINING ESSENTIAL SERVICES.

AS WE FACED THIS ENORMOUS INCREASE IN THE NUMBER OF AFDC FAMILIES EXPERIENCING THE NEED FOR EMERGENCY ASSISTANCE, WE HAD LITTLE HELP AND GUIDANCE FROM THE FEDERAL GOVERNMENT. IF ANYTHING, FEDERAL POLICY IN THIS AREA WAS EITHER NON-EXISTENT OR CONFUSING.

FOR EXAMPLE, THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) IN THE 1980'S HAD NO CLEAR POLICY ON HOW LONG SHELTER COULD BE PROVIDED UNDER EA OR WHETHER EA COULD BE USED FOR MEASURES DESIGNED TO PREVENT HOMELESSNESS AND THE DISSOLUTION OF INTACT FAMILIES THROUGH OUT-OF-HOME PLACEMENTS OF CHILDREN. IN NEW JERSEY WE HAD TO ANSWER THE CRITICAL QUESTIONS ON OUR OWN.

THE INCREASE IN HOMELESSNESS IS LARGELY BEYOND THE STATE'S CONTROL. OTHER PROBLEMS IN OUR SOCIETY SUCH AS THE ECONOMY, HIGH UNEMPLOYMENT, THE INCREASE IN SINGLE PARENT HOUSEHOLDS, AND THE RISING ALCOHOL AND DRUG ABUSE PROBLEM CONTRIBUTED TO THE SUDDEN RISE IN HOMELESS FAMILIES AND TO THE BREAKUP OF FAMILY UNITS.

WE APPLAUD THE ADMINISTRATION FOR TRYING TO GRAPPLE WITH SOME OF THESE PROBLEMS BY PROPOSING CHANGES IN THE WELFARE SYSTEM, BUT OBVIOUSLY MANY OF THESE PROBLEMS WILL BE WITH US FOR SOME TIME. AS SUCH, CAPPING FEDERAL EMERGENCY ASSISTANCE WILL ONLY INTENSIFY THE PROBLEM OF HOMELESSNESS IN NEW JERSEY.

I CAN ASSURE YOU THAT WE WOULD NOT HAVE BEEN ABLE TO ADDRESS THE PROBLEM OF HOMELESSNESS IN OUR STATE WITHOUT FULL FEDERAL SUPPORT. WHILE WE NOW HAVE CLEARER POLICY FROM HHS ON WHAT EA CAN BE SPENT ON, THE PROPOSED CAP SENDS A SIGNAL TO NEW JERSEY AND OTHER STATES THAT THE FEDERAL GOVERNMENT WILL NO LONGER BE AN EQUAL PARTNER WITH THE STATES AND LOCALITIES TO ADDRESS THE NEEDS OF HOMELESS FAMILIES.

THIS IS IMPORTANT BECAUSE WE HAVE BEEN ABLE TO BUILD A FRAGILE COALITION IN NEW JERSEY TO ASSIST THE HOMELESS ONLY BECAUSE ALL PARTIES WERE AWARE OF THE FEDERAL GOVERNMENT'S EQUAL FINANCIAL SUPPORT. THE PROPOSED CAP NOW JEOPARDIZES THAT COALITION AND UNDERMINES THE PROGRESS WE HAVE MADE TO ADDRESS THIS VERY COMPLICATED PROBLEM. AT A MINIMUM, STATES WILL THINK TWICE BEFORE TAKING ANY RISKS TO ASSIST THE HOMELESS IF THE CAP IS ADOPTED.

THE PROPOSED CAP ALSO CONTRADICTS THE GOAL OF WELFARE REFORM -- TO FOSTER SELF-SUFFICIENCY. WE SUPPORT EXPANDED EDUCATION AND TRAINING OPPORTUNITIES THAT CAN LEAD TO PERMANENT JOBS IN THE PRIVATE SECTOR. HOWEVER, IT IS UNREALISTIC TO EXPECT PARENTS TO PARTICIPATE IN THESE ACTIVITIES IF THEY ARE HOMELESS.

IRONICALLY, THERE MAY BE A GREATER NEED FOR EMERGENCY ASSISTANCE UNDER THE PROPOSED BILL TO REFORM WELFARE BECAUSE OF THE SANCTIONS THAT WILL BE IMPOSED FOR NON-COMPLIANCE. WE MUST ATTEND TO A FAMILY'S PRIMARY NEEDS FIRST BEFORE WE CAN REQUIRE THAT THE ABLE-BODIED MEMBERS TAKE OTHER ACTIONS WHICH ULTIMATELY WILL LEAD TO THEIR INDEPENDENCE.

WE THEREFORE STRONGLY URGE YOU NOT TO CAP EA. IF A CAP IS UNAVOIDABLE THEN CERTAIN CHANGES IN THE PROPOSAL SHOULD BE ADOPTED TO MAKE IT FAIRER.

FOR EXAMPLE, IF A STATE IS HELD TO ITS 1991 FEDERAL FUNDING LEVEL IT SHOULD BE ADJUSTED FOR INFLATION. ALSO, A STATE SHOULD BE ABLE TO CARRY OVER FUNDS INTO THE NEXT FISCAL YEAR IF IT DOES NOT USE ITS FULL ENTITLEMENT. AND, IF A STATE DOES NOT PLAN TO USE ITS FULL EA FUNDS THOSE FUNDS SHOULD BE REALLOCATED TO OTHER STATES FOR THEIR USE. FURTHERMORE, WE UNDERSTAND SOME STATES UNDER THE PREPARED CAP WOULD SEE A DECREASE IN THEIR FEDERAL ALLOCATION AS THEY ARE NOT PROTECTED BY THE 1991 "HOLD HARMLESS". THE CAP SHOULD BE ADJUSTED TO PROVIDE EQUAL PROTECTION AMONG ALL STATES WITH EA PROGRAMS.

WE WOULD ALSO NOT OBJECT TO A STATE'S MAINTENANCE OF EFFORT REQUIREMENT TO ASSURE THE EA FUNDS WERE USED ONLY TO EXPAND SERVICES TO LOW-INCOME PERSONS. WE PREFER THIS APPROACH RATHER THAN LIMITING A STATE'S FLEXIBILITY TO ADMINISTER THIS PROGRAM.

IN CONCLUSION, WE BELIEVE WE HAVE MADE MUCH PROGRESS IN ASSISTING HOMELESS FAMILIES IN NEW JERSEY. WE HAVE LEARNED THAT IT MAKES MORE SENSE TO PREVENT HOMELESSNESS THAN TO ASSIST FAMILIES WHO HAVE BECOME HOMELESS. FOR THOSE FAMILIES THAT DO BECOME HOMELESS WE PROVIDE TEMPORARY SHELTER IN MORE APPROPRIATE, COST-EFFECTIVE SETTINGS. WHILE UNFORTUNATELY THE NUMBER OF HOMELESS FAMILIES CONTINUES TO INCREASE, IT IS AT A SLOWER RATE. WHAT WAS ONCE A CRISIS IS NOW A MANAGEABLE PROBLEM. IN OTHER WORDS, WE ARE STARTING TO SEE SOME LIGHT AT THE END OF THE TUNNEL.

WE ASK THAT YOU NOT EXTINGUISH THAT LIGHT BY CAPPING THIS MUCH
NEEDED PROGRAM. WE CAN MAKE FURTHER PROGRESS TO ASSIST THE
HOMELESS BUT ONLY IF WE CAN CONTINUE TO RELY ON THE FEDERAL
GOVERNMENT AS AN EQUAL PARTNER TO ADDRESS THIS NATIONAL PROBLEM.

I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Chairman and Members of the Subcommittee on Human Resources:

My name is Eloise Anderson. I am the Director of the California Department of Social Services. I am pleased to have the opportunity to speak to you today on California's experience with the State's JOBS program, known as Greater Avenues for Independence, or GAIN, and on our record with respect to welfare reform.

GAIN provides a comprehensive package of services, ranging from job clubs to basic education to various forms of training and work experience. Services are offered under the terms of a participant contract, with child care and other supportive services provided as needed to ensure participation. Since it was implemented, it has served over half a million participants.

Our experience has shown that the GAIN Program can be an effective approach in assisting AFDC recipients in obtaining job placements and leaving welfare. As you probably know, GAIN has been subject to a rigorous evaluation conducted by the Manpower Demonstration Research Corporation (MDRC). MDRC's findings show that the program has had success in increasing employment and earnings, and in reducing welfare grants. However, there has been a wide variation among the research counties in this respect, as there has been throughout the state as a whole. The MDRC data is clear that by far the highest impacts - indeed higher than in any previous

evaluation of welfare to work programs - were achieved in Riverside County, which places a strong employment focus on all aspects of its program. The data also shows that this approach is highly cost effective. According to MDRC's data, Riverside County returned \$2.84 for every dollar invested by the government over a five year period.

We believe this is a very important message - and one that must be incorporated into federal welfare reform efforts. Particularly in the context of a time-limited program, it is crucial that the employment and training services that are offered be oriented towards the participant obtaining a job as quickly as possible. Everyone involved in the program, including program administrators, service providers, and participants, must maintain a clear understanding of that goal.

We believe a strong, employment-oriented program would provide an important step toward implementing a time-limited welfare strategy. However, an effective time-limited proposal must have much more. It is crucial that employment-services be offered together with easily understood financial work incentives; and that the overall approach be truly based on the principle of mutual obligation, by which recipients have an equal responsibility for taking advantage of those incentives and supporting themselves and their families.

California has already made substantial progress in reforming its welfare system to achieve these goals, and any national reform effort should take our experience into account. Governor Wilson has proposed to eliminate aid for able-bodied adults after two years, although the children would remain on aid and the adults would remain eligible for Food Stamps, Medi-Cal and child care. Unlike some of the federal proposals, this would apply to all able-bodied adults. This reform does not make the government the "employer of last resort". Instead, it relies on the recipient to replace the lost welfare income with a real job. Even a half-time minimum-wage job would be enough to replace the grant reductions we are proposing for able-bodied adults on aid over two years.

In addition, one of the broad goals that the President has laid out for national welfare reform is to ensure that families with working heads of household are not poor. You will likely be considering a variety of strategies to accomplish this purpose. In California, Governor Wilson's welfare package has already achieved this goal. Specifically, our federally approved statewide demonstration project increases work incentives in the AFDC program and allows working recipients with even minimum wage jobs to retain enough of their earnings so that, when combined with food stamps, their AFDC grant and Earned Income Tax Credit, they will have spendable incomes substantially over the federal poverty level, even after taking into account work expenses. Despite the fact that litigation has recently threatened these important waivers, the

Governor and I remain firmly committed to these programs and believe that they will be continued.

We have also greatly expanded available day care and expanded resource limits to encourage recipients to save for their futures. In addition, we have put in place a major new program to help pregnant and parenting teenagers finish high school, avoid further pregnancies, cement relationships with their own parents and the fathers of their children and take steps to ensure adequate health care for their families. This new program, known as Cal-Learn, will combine financial rewards and penalties with case management and supportive services to encourage teen parents to stay in school and prepare for a better future.

There are fundamental differences between California's welfare reform strategy and the proposals at the federal level. We believe that there can be a mutual obligation between the AFDC recipient and the government, but that to achieve it fully we have to reject the philosophy of entitlement, which places all the responsibility with government. Unfortunately, most of the federal proposals seem to spring from a willingness to leave the balance of responsibility in welfare and the role of government substantially unchanged.

These proposals would replace the existing entitlement with one even more expensive to the taxpayer and arguably no better for the recipient by calling for government to be the employer of last resort. The most significant implication of President Clinton's approach is that, given the cost of providing government-subsidized jobs, it must be severely limited in terms of the population affected. The costs associated with creating and monitoring work slots would preclude a large scale application of this provision. In contrast, Governor Wilson's strategy would apply to all able-bodied adults, would provide strong incentives for recipients to enter the real workforce, and would provide significant welfare savings to local, state and federal taxpayers.

People of good faith can always disagree on philosophy. Congress and the President may or may not be able to agree on a federal strategy for welfare reform. But I urge you, to leave room for innovative states like California to find their own solutions and not to lose sight of the reality that our proposals constitute a substantive and powerful alternative to "welfare reform as we know it".

Thank You.

TESTIMONY OF

JOHN W. WALLACE

VICE PRESIDENT AND REGIONAL MANAGER

MANPOWER DEMONSTRATION RESEARCH CORPORATION

before the

SUBCOMMITTEE ON HUMAN RESOURCES

of the

HOUSE WAYS AND MEANS COMMITTEE

August 9, 1994

TESTIMONY OF JOHN W. WALLACE, VICE PRESIDENT AND REGIONAL MANAGER
MANPOWER DEMONSTRATION RESEARCH CORPORATION
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES
HOUSE WAYS AND MEANS COMMITTEE
AUGUST 9, 1994

SUMMARY OF KEY POINTS

The various proposals under discussion to time limit welfare and follow it with work are tough and extraordinarily ambitious. If enacted, they would represent the most radical reform of welfare since its establishment nearly 60 years ago. Any one of them would demand unprecedented change in the welfare system. The proposals confront two, and possibly three, core challenges, each of which is itself enormous -- and sobering. Meeting them will require sharply expanded levels of resources for welfare employment programs and unparalleled changes in public institutions and people in a short period of time.

The first challenge is to create a sufficient number of useful community service jobs that will be required for those who reach the end of the time limit. A range of hard issues would have to be confronted just to create the jobs. Welfare staff will also need to find acceptable and appropriate job matches between the welfare recipient and the agency providing the job slot. The hiring process could leave many recipients -- and possibly the most disadvantaged among them -- without community service positions.

The second challenge is to run far more effective JOBS programs during the initial two-year window-of-opportunity for services. This challenge must be met in order to reduce as much as possible the number of people reaching the time limit and needing community service jobs. There is some strong, credible guidance -- particularly from Riverside County, California -- on how to do this for most segments of the welfare population, but even with the best efforts, many will still reach the time limit.

The third major challenge comes if a phase-in of time limits begins with recipients under age 25. The goal of preventing long-term dependency among the young is unquestionably critical to pursue. Yet this group will likely require the greatest upfront investment, largely to the exclusion, in the first few years, of services to other groups who we know can benefit substantially from JOBS. Further, we know little about effective services for younger mothers. It is also unclear how these mothers will fare in the hiring process for community service jobs after the time limit. By definition, they will be the least employable and most disadvantaged -- and therefore especially vulnerable to the tough demands and sanctioning rules in many of the proposals being considered.

Taken separately, each of these three challenges is enormous in its own right and would take several years to accomplish. However, for time-limited welfare to work, at least the first two challenges -- creating community service positions and significantly improving the JOBS program -- must be met simultaneously. Taken together, serious questions of feasibility must be raised: Can local welfare agencies across the country successfully undertake two major reform efforts at the same time? Finally, given the enormity of these two tasks, a plan to phase-in those subject to the time limit seems prudent, but one might not want to begin exclusively with younger members of the caseload. Other alternatives may offer more realistic approaches.

The first option might be to select a number of "lead communities" across the country to implement time limits. Their experiences and lessons could be used by other locations for large-scale implementation.

The second option might be to ensure that the front-end (JOBS) is in place and working well before the back-end (time limits) starts up. JOBS programs -- fully funded to provide services to, and enforce a participation requirement on, their full mandatory caseloads -- could be required to adopt employment strategies of proven effectiveness. Once this was done, time limits could then be phased in for different segments of the caseload.

The third option recognizes the very strong intellectual and social policy rationale for focusing on young mothers at the outset, but balances it against the likely realities of real-world implementation. Given the importance of having early successes, it may be wise to begin with a broadly targeted phase-in strategy that does not focus exclusively on young, single mothers, who are likely to have the youngest children, the least work history, and be the least employable, thereby running the serious risk of alienating the agencies providing the community service slots.

The fourth option is to learn as soon as possible what works for the most disadvantaged younger mothers (high school dropouts) and those with very young children so that, when turning to this population, JOBS programs will have clearer guidance where very little currently exists.

These alternatives would give welfare agencies a reasonable, ordered plan and timeframe for implementing massive change, one major reform at a time, and it would allow for thoughtful mid-course adjustments.

Good afternoon. I am John Wallace, Vice President and Regional Manager for the Manpower Demonstration Research Corporation (MDRC). I appreciate having the opportunity to address the Subcommittee today as it considers proposals to reform the welfare system by giving welfare recipients a maximum of two years of education, employment and training services, after which, if they are not working in a regular job, they would receive no support unless they worked in a community service job created by the government.

Much of what I say draws directly on two recently published sources: first is an article entitled, "The Route to Welfare Reform," written by MDRC President Judy Gueron for *The Brookings Review*. The second is MDRC's final report on California's ambitious JOBS program, called GAIN; the report is entitled, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program*, by James Riccio, Daniel Friedlander, and Stephen Freedman.

Summary

The overall point I would like to make to you is that the various proposals under discussion to time limit welfare and follow it with work are tough and extraordinarily ambitious. If enacted, they would represent the most radical reform of welfare since its establishment nearly 60 years ago. Any one of them would demand unprecedented change in the welfare system.

I say this because the proposals confront two, and possibly three, core challenges, each of which is itself enormous – and sobering. Meeting them will require sharply expanded levels of resources for welfare employment programs and unparalleled changes in public institutions and people in a short period of time.

The first challenge is to create a sufficient number of useful and acceptable community service jobs that will be required for those who reach the end of the time limit. The research evidence, based on limited experience in creating jobs on a large scale, is mixed. The second challenge is to run far more effective JOBS programs during the initial two-year window-of-opportunity for services. This challenge must be met in order to reduce as much as possible the number of people reaching the time limit and requiring community service jobs. Indeed, many would argue that operating high performance, employment-oriented JOBS programs is a precondition for a successful time-limited welfare system. There is some strong, credible guidance on how to do this for most segments of the welfare population, but even with the best efforts, many will still reach the time limit. The third major challenge comes if the phase-in of time limits begins with recipients under age 25, since this targeting strategy will likely significantly complicate both the pretime-limit JOBS program and the posttime-limit community service program.

Alone, each challenge is daunting:

- Creating community service jobs after the time limit, and placing welfare recipients in them. Working with public and private agencies to create the large number of community service jobs that are almost certain to be required under a time-limited welfare plan is itself major welfare reform. It is a task no welfare or other governmental agency has undertaken since the public service employment program under CETA expired over a decade ago. Those that have operated since then have been small in comparison to what we can reasonably anticipate under time-limited welfare. On a massive scale, a range of hard issues will have to be confronted: work standards, working conditions, work hours,

infant and child care arrangements, transportation, supervision and training, substitution rules, new management and data systems, new monitoring systems, new payment systems, union negotiations, union agreements, and many other political and operational issues that each local welfare agency will have to address in the context of its own local environment.

But that is just half of this first challenge. The other part will be the need for welfare staff to find acceptable and appropriate job matches between the welfare recipient and the agency providing the job slot. These agencies will decide whom to hire and, later, whom to retain or let go, without interference from the welfare agency. The selection process used by agencies providing the community service slots could leave many recipients – and possibly the most disadvantaged among them – without community service positions.

- Operating effective JOBS programs before the time limit. Learning how to run high performance JOBS programs is an equally imposing challenge that continues along another, very different, track of welfare reform. In 1988, the Family Support Act was passed. Complicated and demanding, it called for substantial institutional change in order to implement a new vision of the responsibility of both parents to support their children. The centerpiece of the act, the Job Opportunities and Basic Skills Training Program (JOBS), was intended to require that about half of the heads of welfare families, largely single mothers, participate in education, employment, and training services leading to work. Participation in the program was to be mandatory, with financial penalties for nonparticipation.

Six years later, we now have strong, credible evidence that -- at its best, and given enough resources to work with the entire mandatory population -- the JOBS program can have strikingly positive results for most groups of welfare recipients, ranging from very long-term recipients and those with low literacy levels to short-term recipients and new applicants. It also can be an unusually smart investment for the taxpayer, paying them back nearly triple their investment and actually saving the government money in the process. If one agrees that running more effective JOBS programs is a critical ingredient in any time-limited welfare plan, then the lessons from the most successful program studied to date (in Riverside County, California) could serve as a springboard to broader success for JOBS programs. A serious effort by welfare agencies across the country to adopt and adapt the successful approaches could well have substantial benefits for welfare recipients and savings for the government -- but it would take time.

The information from Riverside's JOBS program is nevertheless sobering as well. Riverside reduced by over 7 percentage points (from 55.7 percent for the control group to 48.2 percent for GAIN enrollees) the proportion of recipients who, over a 4-year period, would have reached the two-year time limit and required a community service position. While this is an important accomplishment, it still means that about half (and possibly more) would eventually reach the two-year limit. The proportion might be less than half in the context of time limits and changes in recipients' expectations of welfare, especially when combined with enhanced child support enforcement, an expanded Earned Income Tax Credit (EITC) and national health care. But even assuming a high degree of synergy

among these simultaneous policy changes, as well as the operation of the most effective JOBS programs, it can be expected that a sizeable proportion of recipients will nevertheless require government-created jobs.

- Targeting Younger Mothers. Finally, the third challenge is providing effective JOBS services and community service slots for younger members of the caseload (e.g., those under age 25). This targeting strategy is virtually certain to make implementation of time-limited welfare more complex. The goal of preventing long-term dependency among the young is unquestionably critical to pursue. Yet we need to recognize at the outset three important issues if we begin by focusing exclusively on this group.

First, it would likely require the greatest upfront investment, largely to the exclusion, in the first few years, of services to other groups who we know can benefit substantially from JOBS. Second, we know little about effective services for this population. The research evidence is mixed and difficult to draw firm conclusions from. On the one hand, we have few examples of programs of proven effectiveness in serving younger mothers with very young children (under age 3), and no programs with a track record of success with the most disadvantaged younger mothers -- those who are high school dropouts. On the other hand, there is clear evidence suggesting that Riverside's approach succeeded with a broader group of younger mothers with children age 3 and above. Hence, there is limited guidance on what works overall for this population. The third key issue in focusing on this group relates to their ability to secure a community service slot: it is unclear how the younger mothers who were unable to find regular jobs before the end of the two-year time limit will fare in the selection and hiring process for community service jobs after the two-year time limit. By definition, they will often be the least employable and most disadvantaged -- and therefore especially vulnerable to the tough demands and sanctioning rules in many of the proposals being considered.

Taken separately each of these three challenges is enormous in its own right and would take several years to accomplish. However, for time-limited welfare to work, at least the first two challenges -- creating community service positions and significantly improving the JOBS program -- must be met simultaneously. Taken together, serious questions of feasibility must be raised: Is it reasonable to expect local welfare agencies across the country to be able to successfully undertake two major reform efforts at the same time? Many would argue that developing the community service jobs will require the full attention of welfare agencies, and that as a result, efforts to improve JOBS will suffer, putting even greater pressures on the community service component. Finally, given the enormity of these two tasks, a plan to phase-in those subject to the time limit seems only prudent, but one might not want to begin with an exclusive focus on the younger members of the caseload.

Other alternatives, or combinations of them, may offer more realistic approaches to implementing time limits, phasing-in the enormous burdens on welfare agencies, and maximizing the opportunities for early success which could be built upon. These alternatives recognize and attempt to address the magnitude of institutional change required, the basic questions of feasibility, the knowledge we have, and the information we lack. Each of them also assumes a world of time-limited welfare followed by work.

- "Lead communities." The first option might be to select a number of "lead communities" across the country to implement time limits. These locations would have to be operating, or committed to making swift changes in order to operate, high performance, effective JOBS programs, followed by community service. Their experiences and lessons could be used by other locations for subsequent, large-scale implementation.
- "JOBS-First." The second option might be to ensure, as much as possible, that the front-end is in place and working well before the back-end starts up. Under this option, State JOBS programs would be fully funded to enable them to provide services to – and enforce a participation requirement on – their full mandatory caseloads, and they would be required to adapt and adopt employment strategies of proven effectiveness. By a date certain -- or earlier, if they reached a certain threshold – the time limits could be phased in for different segments of the caseload.
- Broad-based targeting during phase-in. There is a very strong intellectual and social policy rationale for focusing on young mothers at the outset. However, this must be balanced against the likely realities of real-world implementation. Given the importance of having a strong foundation on which success can be built, it may be wise to consider beginning with a broadly targeted phase-in strategy that does not focus exclusively on young, single mothers, for two main reasons. First, a broad-based approach will provide an opportunity to learn ways to address the different issues that are likely to confront the younger mothers and other segments of the caseload. This experience may be especially important for the community service component. Second, placing a broad range of welfare recipients in community service jobs, and not only the younger group, may be a smart strategy to secure success in the short-term. Beginning exclusively with younger mothers – who, as noted above, are likely to have the youngest children, the least work history, the greatest barriers, and be the least employable – runs a serious risk of alienating the agencies providing the community service slots. Gradually bringing in the younger population, mixed with others who confront fewer barriers, may be a wiser route to achieving the same social policy goal.
- Learning what works for the most disadvantaged younger mothers. Regardless of the phase-in plan, it seems critical to learn as soon as possible what works for the most disadvantaged younger mothers – high school dropouts – as well as those with very young children so that, when turning to this population, JOBS programs will have clearer guidance where very little currently exists.

Importantly, these options would not radically alter the time frames presented in various proposals. Early on, most of these options could well capture the potential synergistic interactions mentioned earlier – that is, among the message of two-year limits, the enhanced EITC, enhanced child support enforcement, and possibly national health care. (We have seen, for example, that already the message of time limits, even before passage, is affecting the behavior of welfare administrators and recipients.) The alternatives would also give state and local welfare agencies a reasonable, ordered plan and timeframe for implementing massive change, one major reform at a time, and it would allow for thoughtful mid-course assessments and adjustments.

The Overall GAIN Results

I would like to turn to the evidence we now have to support my summary statements about California's GAIN program and Riverside County's results. These results have not been presented to your subcommittee before today. I would like to point to several key findings that I will briefly summarize here. I will address the overall findings, and then turn to the exceptional ones.

First, the three-year findings provide convincing evidence that welfare employment programs for single mothers offering a combination of job search, education, and skills training can increase the earnings of welfare recipients and save government tax dollars at the same time. Over the six counties, average earnings for those enrolled in GAIN compared to a control group were 22 percent higher, and welfare payments were 6 percent lower. In all counties, the impact on earnings grew or held steady in each of the three years of follow-up in spite of deteriorating economic conditions, and we believe they will continue to grow or hold steady into -- and in some cases, perhaps beyond -- the fourth year.

Second, different counties experienced success with some of the most disadvantaged segments of the welfare population, although not all counties succeeded with all groups. For example, for long-term recipients (who had not fared well in prior programs), three counties realized sizeable three-year impacts and four had significant levels of welfare savings. Alameda County, where the City of Oakland is located, served largely inner-city, long-term recipients, and raised their earnings by 30 percent. Similarly, for those with low levels of literacy, three counties had substantial earnings increases, and five recorded welfare savings.

Third, welfare recipients were financially better off as a result of GAIN in nearly all of the counties. Five of the six counties recorded reductions in poverty. Such statements could not be made about most welfare employment programs of the 1980s, where recipients typically ended up about even. Further, in spite of significantly higher costs than the simpler programs of the 1980s, the GAIN program in two counties proved to be cost-effective for the government as viewed from a strictly fiscal perspective; one additional county broke even. This evidence shows that it can be wiser -- for budgetary reasons alone -- for the government to operate than not operate this program. This is an unusually stringent test to apply to any government program.

Fourth, welfare recipients themselves by and large viewed the program positively. When asked about GAIN two-to-three years after enrollment, two-thirds of recipients thought that a mandate to participate in the program was a good or a very good idea; three-fourths did not agree with the statement that "making welfare mothers work if they don't want to is bad for their children." Two-thirds rated their lives better or much better than it was two years earlier, and just over two-thirds would strongly encourage a friend to enroll in the program. These findings are important in part because they can help to correct misimpressions of the welfare population, and in part because they indicate, in some counties, effects directly attributable to the GAIN program.

Finally, the general findings also show that welfare employment programs alone are not going to end the need for welfare or greatly reduce poverty. While over the three years GAIN consistently increased the proportion of those working and reduced the proportion on welfare,

only about 40 percent had a job at any point during in the third year, and over half (55 percent) were on welfare at then end of the third year. Perhaps more concerning, even though GAIN reduced the rate of poverty in the third year, just a fifth of those studied had incomes above the federal poverty level.

Riverside's Results

As you know, the findings from the first two years of follow-up clearly identified Riverside as an early leader and superior performer to watch carefully over a longer period of time. Would their impacts hold up, especially for the more disadvantaged and the longer-term welfare population? How would recipients view their lives two or three years after enrollment? Would Riverside's approach benefit recipients or be cost-effective for the government? And, finally, What is the final assessment of the Riverside approach, and is it replicable? I'd like briefly to summarize for you the answers to the first three questions and then turn to the last one at more length.

The three-year results confirm that Riverside is the most successful large-scale welfare-to-work program that has been rigorously studied to date. We knew from previous reports that it substantially increased earnings and saved welfare dollars. We now know that Riverside also returned nearly \$3 for every net dollar the government invested. It did so in part by increasing recipients' earned income by nearly 50 percent over three years (compared to a control group), in part by producing a 17 percent rate of welfare savings over the same period, and in part by operating the lowest-cost program of the six counties (but one that was, at a net cost of about \$1,600 per enrollee, notably higher than the mandatory welfare-to-work programs MDRC has studied in the past decade). Further, the analysis showed that both welfare recipients and the larger society ended up substantially ahead. Riverside alone had a significantly positive impact on the proportion of enrollees who rated their life as a whole better than it had been two years prior, in comparison to the control group.

Riverside succeeded with nearly all segments of the mandatory caseload, including very long-term recipients who had been on welfare continuously for at least six years, those with low literacy skills, single mothers with preschool children ages 3-5, and nearly all ethnic groups. It also succeeded with the less disadvantaged, such as new applicants and short-term recipients. Indeed, as the report authors note, it is both the magnitude and the consistency of Riverside's impacts that stand out.

Riverside's approach, however successful, is nonetheless not a panacea for ending welfare dependency or substantially reducing poverty. Nearly half of the GAIN participants were on welfare at the end of two years after enrolling in the program. ~~More than 70 percent of those who were on welfare at the end of the two-year period returned to welfare in the third year, and more than half did not work at all in the third year.~~ And while Riverside produced a statistically significant reduction in poverty among its enrollees in the third year (19.4 percent for the enrollees vs. 15.7 percent for the control group), four-fifths of the Riverside enrollees had incomes below the poverty level (in the third year).

Riverside's Approach

What, then, is the "Riverside approach?" In many ways, it is both simpler and more complex than is widely appreciated or understood, and across many program dimensions.

Above all, Riverside staff repeatedly and consistently relayed two messages to recipients and built their services, staffing, and management systems around reinforcing and supporting these messages at all levels throughout the organization and within other agencies with whom they worked.

- Employment. Riverside emphasized that the goal of the program was employment in any job, even a low-wage job. This message was conveyed positively – focusing on the value of work not only monetarily but in terms of the enhanced self-esteem derived from working, and the guiding role model a working parent provided her children. Better jobs, in this message, could be gotten after success on the first job, when there was a resume and work history to build on.

It is notable that this message was clearly "heard" by their enrollees: two to three years after enrolled in GAIN, over half of them (52 percent) strongly agreed with the statement that, "Even a low-wage job is better than being on welfare" – a significantly greater percentage than those in the control group who strongly agreed with the statement (43 percent). It is also reflected in the fact that the average wages of those Riverside enrollees who worked were, at \$5.79 an hour, well above the minimum wage but somewhat lower than those in the control group who worked (and who earned, on average, \$6.20 per hour).

Riverside also went well beyond the "message" and put in place staffing patterns and management systems and procedures to support the message. Job developers spoke at strategic group sessions with clients; they established close linkages with employers and employer organizations; and they found jobs for people. Case managers, called "Employment Service Counselors," were expected to meet monthly job placement and other standards that served as the basis for salary increases and promotions. Supervisors and regional office managers had similar expectations. The entire office staff, from clerks to the GAIN director, sought out jobs leads and reported them to staff and clients. The culture in the GAIN offices was extraordinarily employment-focused.

In spite of this focus, however, Riverside was far from a job-search-only program. Overall, it had nearly equal levels of participation in education and training services and job search. But it did not place a high premium on post-secondary education or simply attending education programs. Progress had to be made, and this was reinforced in two ways: Riverside largely paid education agencies for actual education gains of its recipients, and recipients were pulled out of basic education classes if they were not making progress. Where did they go? ...to job search.

- Participation. The second message was that, in return for welfare benefits and GAIN services, enrollees were expected to participate in good faith, and were more readily sanctioned than in most other counties. Extensive reporting monitoring systems were established with outside agencies providing GAIN services -- weekly reporting in most cases, daily in some. Quick action was taken to contact absent recipients to determine the nature of their problem and to assess its seriousness and validity.

But Riverside's was not what one might call a "punitive program." Although about a third of the enrollees received some form of verbal or written warning, about half were excused at least temporarily from classes for reasons staff thought were legitimate, and just over one in 20 actually had their grant reduced. Although this is somewhat higher than most of the other GAIN counties, it is a lower rate than many other programs that have been studied. Further, over three-fifths of the enrollees said they'd strongly recommend the program to a friend. Together, these findings do not suggest that Riverside established a threatening or oppressive atmosphere.

- Saturation. In addition to these two messages, an additional factor was judged to be critical to Riverside's success: Riverside had enough resources to serve its entire mandatory population. Part of this was due to their management practices and strategies, and part due to the attention paid to cost, but the bottomline is that they served everyone targeted for services and did not choose to serve the most advantaged. While this was true of other counties in the GAIN study, only Riverside saturated its caseload and both delivered and implemented the two key messages on employment and participation.

Other counties enjoyed successes with certain key groups from which lessons might be learned: Alameda (Oakland) had sizeable earnings impacts (although no welfare savings) for the more literate segment of its long-term caseload, for whom they provided post-secondary education and training; San Diego had both sizeable earnings increases and welfare savings for the same group; Butte had both large earnings increases and welfare savings for the less literate portion of its caseload. But Riverside alone produced both earnings impacts and welfare savings for these and most other key subgroups.

The Implications of Riverside for Time-Limited Welfare

The sobering results from Riverside suggest that, even under the most successful program, a large number of public jobs will be needed. But the success of Riverside clearly sets a standard of performance and a challenge to JOBS programs across the country. Two main questions arise: Can Riverside's management practices and services strategies be successfully replicated or adapted in other locales, where the characteristics of the welfare population and labor market are considerably different? If they can be adopted, will they achieve the same level of success?

Although the GAIN report concludes that neither Riverside's job market nor its population were the driving factors in its success, it is not certain that its approach, if implemented elsewhere, would have the same impacts, particularly in large, urban, inner-city

areas with high concentrations of poverty and limited numbers of jobs, yet where a large proportion of the national welfare caseload resides. Regardless, adapting Riverside's approach would seem to carry very limited risks for JOBS programs and welfare recipients – in part because there is no evidence that other approaches have worked better in other areas, in part because it carries the promise of substantial success, and in part because nothing in Riverside's approach seems particularly counterintuitive, out-of-the-ordinary, or magical. Attempts to replicate or adapt Riverside's approach may represent, at worst, a "do-no-harm" approach. At best, it may transform welfare employment programs and bring about high levels of JOBS program success to a national scale.

Finally, in the context of time limits followed by mandatory government-created work, Riverside's strong, upfront employment-oriented approach seems to be a logical corollary and necessary precondition. The clear challenge to federal and state policymakers is to provide to local welfare offices the incentives, technical assistance, and training that can enable them to undertake the transformation, adaption and replication.

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APA GROUPS VOICE CONCERNS OVER ADMINISTRATION'S WELFARE REFORM FINANCING PROPOSAL

Washington, DC -- As the House Ways and Means Subcommittee on Human Resources held hearings on welfare reform financing, the Organization of Chinese Americans (OCA), the Asian Pacific American Labor Alliance (APALA), the National Asian Pacific American Legal Consortium (NAPALC) and the Japanese American Citizens League (JACL) today reiterated their concerns over President Clinton's proposal to finance nearly half of its \$9.3 billion, 5-year welfare reform package by denying aid to *legal* immigrants.

The Administrations' proposal will adversely affect a significant percentage of the Asian Pacific American (APA) community, as it will extend "deeming" in the Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC) and Food Stamps programs to five years, or, for some immigrants, until citizenship. "Deeming" means that the income and resources of an immigrant's sponsor is considered available to the immigrant, whether or not the sponsor actually can support the immigrant.

Noting that the Clinton plan is more moderate than the Republican proposal that would deny almost all government assistance to all immigrants, Ms. Karen Narasaki, Washington Representative for JACL, commented, "It is extremely unfair to target legal immigrants as a source of funding for welfare reform by denying them certain benefits, especially since non-refugee immigrants use public assistance less than the general population."

Ms. Daphne Kwok, Executive Director of OCA, pointed out that the Administration proposal will undermine family reunification, and remarked, "Having to constantly worry about the threat of job loss, illness or accidents, for themselves and for the family members they have helped reunite in this country, only will impair immigrants' efforts to be successful in this country."

"In fact," stated Mr. Phil Nash, Executive Director of NAPALC, "these same legal immigrants who will not be eligible for assistance will be paying taxes to the federal government when they work."

For those immigrants whose sponsors have above the median U.S. *family* income (\$39,500), regardless of number of family members, deeming will be extended until citizenship. This aspect of the proposal ignores the fact that many immigrant households are made up of extended families and have a larger than average number of family members working. "The problem with the whole proposal is that it legitimizes going after legal immigrants as a revenue source. This only will make it easier for the conservative Republicans and others who are engaging in a vendetta against immigrants," said Mr. Matthew Finucane, Executive Director of APALA.

Extending deeming until citizenship also will be particularly hard for elderly immigrants who must learn English to pass the naturalization exam. "The fact that about 5 million adults nationwide are on waiting lists for English as a Second Language (ESL) classes coupled with the difficulty of someone in his/her 60's to learn a second language, makes it almost impossible for elderly immigrants to become citizens," stated Ms. Kwok.

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OHIO STATE REPRESENTATIVE JANE CAMPBELL TESTIFIES ON WELFARE REFORM BEFORE U.S. HOUSE WAYS AND MEANS SUBCOMMITTEE

WASHINGTON, D.C. -- Ohio State Representative Jane Campbell today testified before the U.S. House Ways and Means Committee's Human Resources Subcommittee. Representative Campbell, speaking on behalf of the National Conference of State Legislatures (NCSL), discussed state perspectives on welfare reform. State legislators recently approved a welfare reform policy at NCSL's annual meeting in New Orleans.

Representative Campbell is from Cleveland and represents the state's 11th district. She serves as Majority Whip of the Ohio House and Vice Chair of NCSL's Human Services Committee. Representative Campbell will serve as NCSL President from January 1995 through July 1995. She also is a member of the State and Local Officials Welfare Reform Working Group.

Campbell applauded the Administration and the Ways and Means Committee for addressing the welfare reform issue. She noted that the nation's state legislators are committed to working closely with Congress and the Administration to craft a plan to provide education, training and employment to welfare recipients, ensure that those who work can rise above the poverty level and improve child support collections.

"Our welfare reform system was designed to support dependency - mostly of widows and orphans," Campbell said. "Now we are striving to create a new system that promotes independence and stable family formation. This dramatic policy change is long overdue.

"True welfare reform will only come in a partnership between the federal government, states, localities, recipients and the private sector," Campbell continued. "For state legislators, this means a new welfare reform policy we can implement, that takes into account how state laws are enacted, that gives states the flexibility to innovate and address local needs and that does not shift costs to states."

Campbell called for investment in family independence through mutual responsibility between governments and welfare recipients. She said that state legislators support the concept of an employability plan and personal responsibility agreement. NCSL also supports meaningful sanctions for those who do not comply but is concerned about sanctioning children for their parents' noncompliance.

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"In particular, we do not want to see families broken up for economic reasons alone," Campbell continued. "Poor children deserve the love and care of a parent if that parent is able. States must have the flexibility to design employability plans and personal responsibility agreements."

Campbell emphasized the importance of support services and said that "health care and child care are both vital components of welfare reform." She also said welfare reform should include transportation assistance and adequate funding for work expenses such as uniforms and tools.

"State legislators believe that recipients who play by the rules and leave public assistance - and low income families struggling to make ends meet - should not be worse off than those on welfare," Campbell said.

Campbell said state legislators support a nationwide campaign to prevent out of wedlock births and support efforts to assist teen parents to complete high school or receive a GED. State legislators also support the proposal to target federal welfare reform on teen parents initially before they become dependent on public assistance.

Campbell said financing of welfare reform remained a major issue for state legislators.

"State legislators are extremely concerned, however, about federal financing of welfare reform and strongly oppose cost-shifts such as unfunded mandates and capping open-ended entitlements," Campbell said. "State legislators support the use of less prescriptive funding sources such as block grants.

Campbell also said that state legislators were opposed to proposals to finance welfare reform through elimination of benefits to legal immigrants.

"Since the federal government has sole jurisdiction over immigration policy, the federal government must bear the responsibility to serve the immigrants that it allows to enter states and localities," Campbell continued.

Campbell said that state legislators strongly believe that the federal waiver process for welfare reform should be reevaluated and that states need flexibility for further innovation.

"State legislators believe that options are preferable to waiver authority," Campbell said. "State legislators should have the option of choosing potential policy initiatives as amendments to their state plans.

"However, too often legislators are not consulted about the federal waiver requests that require changes in state laws," Campbell noted. "Where applicable, waivers should not be granted until there is passage of state laws."

Campbell noted that state legislators have created early paternity establishment mechanisms, deadbeat parent posters, professional license withholding and other creative ways to improve child support collections. NCSL firmly believes that improved child support collections will reduce the need for welfare.

Campbell said state legislators oppose federal preemption of interstate child support enforcement procedures and are concerned about the cost of new automated systems.

"We reiterate our concern that as states update their child support legislation, technical assistance is needed to aid states as they come into compliance with federal goals," Campbell said.

NCSL represents the legislators and staffs of the nation's 50 states, its commonwealths and territories.