



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

Testimony

Donna E. Shalala

U.S. Secretary of Health and Human Services

at

Committee on Finance

United States Senate

March 10, 1995

Thank you Mr. Chairman, Senator Moynihan, and members of the Committee for the invitation to appear before you today.

I'm pleased to be with you today to talk about welfare reform. This committee has a great tradition of bipartisan leadership on this issue. You were instrumental in designing the Family Support Act of 1988, the landmark measure that began to change the welfare system to one that encourages work, not dependency.

I am confident that you will once again lead the way toward a reform effort that is built on the basic values of work and responsibility that all Americans share.

In the last two elections -- the presidential election of 1992 and the congressional elections of 1994 -- the American people sent Washington a crystal clear message: They want change.

They want us to stop the gridlock, stop the infighting, and make sure that everything we do makes a positive difference in people's lives.

They want us to end a welfare system that they know has failed. They want a welfare system that is tough on work, but not on children.

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That is why we are here today.

To write a new chapter in bipartisan government.

One that begins with a conclusion -- And that is to make sure that at the end of the day, we have taken action to improve the lives and prospects of every American.

I am here to pledge the commitment of the Clinton Administration to this approach.

I want to talk today about our vision for welfare reform, and our hope that we can work with you in a constructive and bipartisan way to pass bold welfare legislation.

A Vision for Welfare Reform

After consulting with members of Congress, people on welfare, business leaders, welfare experts, governors, and other state and local officials all across the country, President Clinton submitted the Work and Responsibility Act to the Congress last year.

Our proposal grew out of the President's long-standing commitment to welfare reform. As governor of Arkansas, he worked closely with national and state officials from both parties -- including members of this committee -- to pass the Family Support

Act of 1988.

I know the President shares my hope that with the leadership of this committee, the same level of bipartisan cooperation will exist again on this critical issue.

The Administration's approach to welfare reform is based on both the successes and the failures of state welfare reform efforts over the last seven years.

Rooted in the bedrock American values of work and responsibility, it would fundamentally change this country's approach to helping young parents move from dependence to independence. Our approach has a few simple goals:

WORK. Parents should move off welfare and into jobs as quickly as possible so that they can support themselves and their families. We should offer opportunity and expect work in return.

RESPONSIBILITY. We must insist that both parents meet their responsibilities to their children, and that non-custodial parents pay child support.

TEEN PREGNANCY. Within a framework of local and community decision making, we must do everything we can to reduce teen pregnancy and out-of-wedlock childbearing.

STATE FLEXIBILITY WITH ACCOUNTABILITY. We must encourage the creativity and responsiveness of states, while recognizing national goals and the need for standards and national accountability.

Mr. Chairman, I believe we all share these goals.

They are based on widely-shared values -- American values -- values that built this country in the past and are critical to our future.

Today, the welfare system is not advancing these values. We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Let's talk about work first.

Work

We strongly believe that welfare as we know it will not end until we fundamentally change the system: Welfare must be about earning a paycheck, not collecting a welfare check.

As the President has said, "Work is still the best social program ever invented, and it gives hope and structure and meaning to people's lives."

To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement would be provided to help people who are willing to work to make the move to independence. We will support working people so they can stay independent. But time limits on cash assistance will ensure that welfare in fact serves as a hand up, not a way of life.

We are committed first and foremost to ensuring that everybody who can work does work. The American people want a government that honors their values and rewards people who play by the rules. They also want to assure that those who play by the rules do not suffer from factors over which they have no control. If we want to help welfare recipients become taxpayers, we must challenge individuals to take responsibility for their own lives -- and help them get ahead when they do.

That is what this great national debate on welfare reform must be about. The status quo is not the answer. And merely passing the problem back to the states with reduced resources is not the answer. Work is the answer.

Our approach to welfare reform puts work first. It sends a critical message to people from the very first day they go on welfare: We expect you to work and we will help you prepare for work so you can stay off welfare for good.

To prepare people to work and support their families, those who are employable would move into work as quickly as possible. Those who would benefit from having more skills would engage in job search, education, and training -- and we would expect states to hold up their end of the bargain by building on the current JOBS program. Indeed, we believe, as many states believe, that people on welfare ought to sign a personal responsibility agreement, and with a caseworker, develop a plan that commits them to the actions that will get them into work.

Most single parents on AFDC will welcome the opportunity to move rapidly to work and support their children. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences should be clear: Cash assistance will first be reduced, then eliminated.

If someone has not found a job within two years, then cash welfare should end. And continuing aid should come through work. We hope most people will find jobs quickly in the private sector. But for those who do not, we should take the money which would have been spent on welfare checks and use it to find a subsidized job, preferably in the private sector.

And we will support work. Under President Clinton's leadership, we have already expanded the Earned Income Tax Credit, which reduces taxes for 15 million working families and creates a

powerful incentive to work and stay off welfare. We should provide more child care support for low income working families. With these supports, we can make sure that working families can stay off welfare.

Responsibility

The second key value in our approach is responsibility.

We believe that both parents should be required to support their children.

That's why we proposed last year the toughest child support enforcement measures ever. Child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year.

That's just \$8 dollars a day for a parent who's lucky enough to get child support, and nothing at all for the majority of single parents and children who have been financially abandoned.

These are startling statistics.

Overall, the potential for child support collections is estimated at \$48 billion per year. Yet, currently, only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion.

That gap must be closed.

We proposed a comprehensive child support strategy to help custodial parents escape welfare and stay in the workforce.

It included a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment.

We also would have imposed tough new penalties for those who refuse to pay: Wage withholding, suspension of drivers' and professional licenses, and even property seizure.

I am pleased to say that there is bipartisan consensus on this issue. In the past few months, major legislation has been introduced by Senator Bill Bradley, and by Senators Bob Dole and Olympia Snowe. Bipartisan measures have been filed in the House as well. All of these bills are very similar to the child support enforcement measures the President introduced last year. There is nearly complete agreement here -- proof that we really can work in a bipartisan way on values that we all share.

I hope we can continue to work together with members of this committee to make sure that tough child support is a central part of welfare reform.

Teen Pregnancy

The third bedrock value in our approach to welfare reform is reducing teen pregnancy and out-of-wedlock childbearing by reaching the next generation.

Senator Moynihan has again proven that he is one of the nation's most visionary thinkers. Thirty years ago this month, he authored a report that first called the country's attention to the breakdown of family and the alarming increase in births outside of marriage. A central part of welfare reform must be a serious commitment to reducing teen pregnancy and out-of-wedlock childbearing.

Every boy and girl in this country must hear and believe that until they are ready to nurture and support children, they should not have sex, they should not have babies.

That message needs to be delivered at every level of our society. By the President, by members of Congress, by the clergy, and by educators, parents, siblings, and peers. It must be reinforced by our social institutions, especially the welfare and

child support enforcement systems.

We propose a national teen pregnancy initiative. It should include all levels of society, business and government, and the media. It should recognize that we don't know all the answers about how to deal with this critical problem, and should include both local flexibility and careful research, demonstrations and evaluations.

Fundamentally changing the welfare system also is critical to reducing teen pregnancy. The worst possible message to send to young people is that if they get pregnant, they can drop out of school, set up their own households, and receive welfare support.

The message to teen parents should be one of clear responsibility. The President's approach says: live at home, stay in school, identify the fathers, and, ultimately, go to work, or you get no benefits.

And we should not stop with the mothers. Fathers bear just as much responsibility and we must hold them accountable. Yet paternity gets established in only 1/3 of all out-of-wedlock births. That is the worst possible message.

Every boy and every girl must know that if they parent a child, they will bear a heavy responsibility. But if they do

behave responsibly we are willing to offer a helping hand. Time limits, work requirements, and tougher child support enforcement would send a strong message to young people that welfare will never be the same. From now on, welfare must be a second chance, not a way of life.

State Flexibility with Accountability

As a former governor, President Clinton knows that the states are a source of great creativity in designing welfare reforms that meet the needs of their own citizens. Reforms like those in Oregon can change the culture of the welfare system and involve the private sector in creating jobs for welfare recipients.

In the last two years, we have worked with governors and elected officials to give twenty-five states the flexibility to design welfare reform strategies that meet their specific needs.

Half the states. That is more waiver demonstrations than all previous Administrations combined.

And we believe that states should have more flexibility to design their own welfare reforms and get them operating quickly. Our approach eliminated the need for waivers in almost all cases. It would give the states more flexibility in operating work programs, in setting rules about assets, in deciding how much of

their earnings welfare recipients can keep, and in designing other aspects of their programs.

But we also must make sure that our national objectives for welfare reform are met. All states must focus on work, parental responsibility and reducing teen pregnancy. The welfare system must provide the same opportunities and demand the same responsibilities in every state. Children must be protected, wherever they live. Our approach would increase state flexibility in important ways, but would also define and measure progress toward national goals.

And we must have national accountability, so that taxpayers will know their money is being well spent in every state. That's why our approach required states to work with the federal government in implementing new, state-of-the-art anti-fraud measures.

These new systems were designed to detect and prevent many types of fraud and abuse, such as unreported employment and earnings, misrepresentation of the numbers of children in a family, and duplicate receipt of welfare, food stamps, unemployment compensation, and other government benefits. These new systems also would help to locate absent parents who are not paying their child support.

Working together, states and the federal government can make sure we have a welfare system that meets local needs and achieves national goals.

The House Republican Approach

I have described the President's approach and my hope for genuine bipartisanship on this issue. But I must add that I have grave concerns about the welfare reform measures that emerged from committees in the House of Representatives over the past few weeks. In our opinion, this legislation has the values all wrong. It is weak on work and tough on kids, when it should be the other way around.

Weak on Work

Last year, there seemed to be bipartisan recognition in the House of the simple realities of welfare reform. Serious welfare reform has real work requirements, but also provides new resources for training, child care, and job creation. Serious welfare reform recognizes that someone with young children and an eighth grade education can't be expected to leave welfare without some temporary help. Even the original bill contained in the Contract With America had serious work requirements and \$10 billion more than current law over the next five years for work, training, and child care.

But something has happened on the House side this year. The talk of work remains but the substance has vanished. The measures reported by House committees repeal the amendments made by the Family Support Act, and much of the original Social Security Act. They eliminate any requirements that states provide education, training, job placement or child care. Indeed, a state does not have to do anything to help people move from welfare to work.

Though there are "work requirements" in the bill, they are more figurative than real. In the first year, 4 percent of the caseload is required to work. But even now, before reform, 7 percent of the single parents on welfare are already working.

In the year 2000, the participation requirements rise to 17 percent. But even then there is a peculiar twist: if someone is off welfare for any reason at all, they count as meeting the "work requirement." This is not only misleading and wrong, it also makes no sense: cutting someone off welfare is not the same as ensuring that they get a job and can support their families.

And the House proposal does cut people off. The children of mothers under 18 are denied cash assistance in the first place. Additional children born to welfare mothers are as well. Nearly everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off--even if they are ill, caring for a disabled child, or willing to work but cannot find a job. And the states

could cut off even more people. But ironically, every person removed from the rolls counts as meeting the work requirements.

Indeed, the best evidence that work is not what the House Republican plan is all about can be seen from its funding. There is less for training, less for child care, less for job placement. The \$10 billion fund for work in the original Contract with America has vanished, replaced by cuts in the funds for income support, cuts in funds for education and training, and cuts in the funds for child care.

The cuts in child care funding are particularly counterproductive. I don't know anyone who claims we can get more single parents working by spending less on child care. Forty percent of mothers on welfare have a child under three. Time after time, mothers on and off welfare told us stories about how the lack of child care kept them on welfare, or drove them back onto the rolls after they had managed to get a job.

Federal child care help now goes to three groups: middle and upper income families through the dependent care tax credit, low income working families, and welfare recipients who are moving from welfare to work. The House bill eliminates the child care guarantee for welfare recipients moving to work. And the cap on funds means that if the states try to move more people off welfare by providing them with child care, the states will in all

likelihood have to provide less child care for low income working families. So working families may lose their child care and risk being forced onto welfare. This is the opposite of the kind of seamless system we should have, one that provides child care to help working families at all income levels. And it is not welfare reform.

Child support also is crucial for working families. Initially, the Contract with America did virtually nothing about child support. That was a terrible mistake. But I am happy to report that last week, at the urging of the President, the Ways and Means Committee finally inserted child support enforcement measures into the Committee bill. That was a success not just for the Administration, but also for the members of both parties in the House who said parental responsibility is essential.

Most of the child support provisions are very close to those included in the President's bill and in the other child support bills, including those introduced by members of this Committee.

Unfortunately, there is one glaring omission--a provision for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results. We estimate that this provision could increase collections by as much as \$2.5 billion over ten years, and CBO estimates that we could save the federal government \$146 million in the first five

years alone. I urge you to ensure that the provision is included when these issues are considered by your Committee.

Tough on Kids

While the House bill is soft on work, it is very tough on kids.

The cuts in child care could mean that children might be left home alone or in unsafe situations.

Benefit cuts pose even more dangers. The children of mothers under 18 get no cash benefits, period. Instead of letting states decide for themselves whether to deny benefits for additional children born to a mother on welfare, the House bill imposes a one-size-fits-all mandate. No benefits can be paid to children whose parent has received welfare for more than five years, whether or not a job is available or the parent is unable to work.

Some of these children could well be pushed into a child protection system that is already seriously overburdened and that is failing to provide the most essential services. But rather than increasing funds for services to protect children, the legislation repeals the funding guaranteed for poor children in foster care and for the adoption of special needs children. It also eliminates federal oversight of state child protection systems -- many of which are generally acknowledged to be functioning very badly --

and caps spending at levels considerably lower than projected needs.

Even benefits to disabled children on SSI are cut way back. Most of the children who enter SSI now would no longer be able to do so. Many seriously disabled children would no longer be eligible for cash benefits and would only receive services provided under a capped block grant.

Unfair to States

The House bill relies on the states to solve the problems of requiring work and protecting children. It would completely scrap the shared state and federal partnership, cut funding, eliminate the state match, and block grant most programs. Not even school lunch or WIC is spared.

The House bill would create a system in which opportunities and responsibilities vary dramatically from one state to another. Where children are protected in some states but not in others. Where accountability for the money that taxpayers pay into the federal Treasury rests almost entirely with the states.

We strongly believe in state flexibility. But every time the Republicans have put forward their block grant approach, it just doesn't add up to welfare reform. The current House bill is not

welfare reform; it neither protects children nor does it protect state taxpayers.

Real reform began in most states with the passage of the Family Support Act, when the federal government set some standards and provided funding to the states to move people to work. If we are serious about bringing the values of work and responsibility into welfare offices across this nation, we need national standards and states need the means to meet those standards. We won't have real work requirements OR state flexibility if all we do is shift problems from one bureaucracy to another.

As the President said earlier this week, budget cutting shouldn't be wrapped in a cloak of welfare reform. Let's reform welfare. Let's cut the deficit. But let's not mix up the two and pretend that one is the other.

If a block grant repals the JOBS program, it will remove any real responsibility for states to provide training, job placement, and work -- which are at the very heart of moving people off welfare. The experience with the Family Support Act is quite revealing. Even with a very large federal match, many states did not draw down their entire allocation of JOBS money.

In contrast to the automatic stabilizer function provided by the shared federal system now in place, block grants that do not

make adjustments for recession or population growth also would create real problems for states in times of economic or demographic change. Under the House proposal, a state facing a recession could encounter a double problem: reduced revenues and increased caseloads. And while demand for assistance would inevitably rise, federal funds would not.

In these cases, the people most likely to be hurt will be the working poor. It is the working poor who need temporary welfare when the economy goes into recession.

It is the working poor who will lose their child care when the child care block grant money runs out.

It is the working poor who may not be able to even get subsidized school lunches in times of financial stress.

We recognize the need for more state flexibility within the welfare system. But we can provide that flexibility without dismantling the structure that was set up by the Social Security Act, a structure that ensures that federal funds are there when families and states need them. We need to continue the funding mechanism that ensures that children receive benefits regardless of the time of year their parents apply, the prevailing economic condition in the state, or some artificial and inflexible cap on funds.

Our approach does that. It reforms welfare. It provides state flexibility with accountability. It protects children. And it protects state taxpayers.

Conclusion

In closing, I want to raise with this Committee a fact that we all must face with great candor. Bringing about fundamental changes in the welfare system--helping long-term welfare recipients become self-sufficient--is not an easy task. Nobody knows that better than the members of this Committee, many of whom have worked for years developing policies to improve the system.

There are no magic bullets, or simple answers. The causes of dependency are complex, and so are the solutions.

We must make major changes. But we also must make sure that we do not take unnecessary risks with the lives of our most vulnerable citizens. As the President has said, we must reform the broken welfare system in a way that lifts people up from dependence to independence -- not in a way that merely punishes them for being poor.

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues to put in place a system that moves people from welfare to work, that protects children, and that holds parents accountable.

The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

We stand ready to work with this Committee and this Congress to make these values the centerpiece of welfare reform.

I believe that we have a rare opportunity to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it is time to end welfare as we know it, we also must end the use of this issue to divide America.

We are ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.

EXECUTIVE OFFICE OF THE PRESIDENT

07-Mar-1995 04:53pm

TO: Christopher J. Mustain
FROM: Bruce N. Reed
Domestic Policy Council
CC: Jeremy D. Benami
SUBJECT: Changes to Shalala Testimony

Here are some edits to Shalala's testimony:

p. 9, graph 3, 2nd line: Replace "His message of nearly 30 years ago has proven true etc" with "Thirty years ago this month, he authored a report that first called the country's attention to the breakdown of family and the alarming increase of births outside marriage. A central part..."

p. 15, last sentence on the page: Strike the phrase "While not limiting the child care tax credit for middle and upper-income families" (that makes it sound like we're for limiting that credit, which we're not)

p. 17, 3rd full graph, 3rd sentence: Replace sentence "States cannot pay benefits etc" with: "Instead of letting states decide for themselves whether to deny benefits for additional children born to a mother on welfare, the House bill imposes a one-size-fits-all mandate."

p. 18, last sentence on the page: Replace sentence "But it is becoming increasingly clear..." with: "But every time the Republicans have put forward a block grant approach, it just doesn't add up to welfare reform."

p. 19, top of the page: Change the first full sentence to read: "The current House block grant is not welfare reform, it does not protect children etc."

p. 19, 1st full graph, last three sentences: Replace the last 3 sentences with the following: "If we are serious about bringing the values of work and responsibility into welfare offices across this nation, we need national standards, and states need the means to meet those standards. We won't have real work requirements OR state flexibility if all we do is shift problems from one bureaucracy to another." Then insert a new graph, as follows: "As the President said earlier this week, budget cutting shouldn't be wrapped in a cloak of welfare reform. Let's reform welfare."

Let's cut the deficit. But let's not mix up the two and pretend that one is the other."

p. 19, 2nd full graph, 1st sentence: Replace the first sentence with the following: "If a block grant repeals the JOBS program, it will remove any real responsibility for states to provide training, job placement, and work -- which are at the very heart of moving people off welfare."

p. 19, last sentence: Change to read "Equally important, block grants that do not make adjustments for recession or population growth create real problems etc."

p. 20, last paragraph: Strike the existing graph, and replace it with the following: "We embrace the need for more state flexibility, and we urge Congress to provide it. But let us not mistake the current House bill for flexibility. Putting states and children at additional risk of economic downturn is not state flexibility, and it's not welfare reform. Expecting states to transform the current system while dramatically cutting their resources is not flexibility, and it's not welfare reform. That approach is just a way to shift the problem from one place to another. Our approach is about solving the problem. It reforms welfare. It provides state flexibility etc."

p. 22, next to last graph: Replace "end politics as we know it" with "end the use of this issue to divide America"

Thanks -- sorry for all the changes.

ORAL VERSION

WR S. H. Finance
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Thank you Mr. Chairman, Senator Moynihan, and members of the Committee for the invitation to appear before you today.

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In the last two elections -- the presidential election of 1992 and the congressional elections of 1994 -- the American people sent Washington a crystal clear message: They want change.

And they want us to end a welfare system that they know has failed. They want a welfare system that is tough on work, but not on children.

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Our proposal grew out of the President's long-standing commitment to welfare reform. As governor of Arkansas, he worked closely with national and state officials from both parties -- including members of this committee -- to pass the Family Support Act of 1988.

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WORK. Parents should move off welfare and into jobs as quickly as possible so that they can support themselves and their families. We should offer opportunity and expect work in return.

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pregnancy and out-of-wedlock childbearing.

STATE FLEXIBILITY WITH ACCOUNTABILITY. We must encourage the creativity and responsiveness of states, while recognizing national goals and the need for standards and national accountability.

Mr. Chairman, I believe we all share these goals.

But today, the welfare system is not advancing these goals. We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Let's talk about work first.

We strongly believe that welfare as we know it will not end until welfare is about earning a paycheck, not collecting a welfare check.

To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement would be provided to help people who are willing to work to make the move to independence. But time limits on cash assistance will ensure that welfare in fact serves as a hand up, not a way of life.

That is what this great national debate on welfare reform must

be about. The status quo is not the answer. And merely passing the problem back to the states with reduced resources is not the answer. Work is the answer.

Most single parents on AFDC will welcome the opportunity to move rapidly to work and support their children. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences should be clear: Cash assistance will first be reduced, then eliminated.

If someone has not found a job within two years, then cash welfare should end. And continuing aid should come through work. We hope most people will find jobs quickly in the private sector. But for those who do not, we should take the money which would have been spent on welfare checks and use it to find a subsidized job, preferably in the private sector.

The second key value in our approach is responsibility.

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I am pleased to say that there is bipartisan consensus on this issue. In the past few months, major legislation has been introduced by Senator Bill Bradley, and by Senators Bob Dole and Olympia Snowe. Bipartisan measures have been filed in the House as well. All of these bills are very similar to the child support enforcement measures the President introduced last year. There is nearly complete agreement here -- proof that we really can work in

a bipartisan way on values that we all share.

The third bedrock value in our approach to welfare reform is reducing teen pregnancy and out-of-wedlock childbearing by reaching the next generation.

Senator Moynihan has again proven that he is one of the nation's most visionary thinkers. Thirty years ago this month, he authored a report that first called the country's attention to the breakdown of family and the alarming increase in births outside of marriage. A central part of welfare reform must be a serious commitment to reducing teen pregnancy and out-of-wedlock childbearing.

Every boy and girl in this country must hear and believe that until they are ready to nurture and support children, they should not have sex, they should not have babies -- and that message needs to be delivered at every level of society.

In addition, we believe that expanding state flexibility must be a part of any reform bill.

As a former governor, President Clinton knows that the states are a source of great creativity in designing welfare reforms that meet the needs of their own citizens.

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In the last two years, we have worked with governors and elected officials to give twenty-five states the flexibility to design welfare reform strategies that meet their specific needs.

Half the states! That is more waiver demonstrations than all previous Administrations combined.

But while we are absolutely committed to state flexibility, we also must make sure that our national objectives for welfare reform are met. The welfare system must provide the same opportunities and demand the same responsibilities in every state. And children must be protected, wherever they live. Our approach would increase state flexibility in important ways, but would also define and measure progress toward national goals.

I have described the President's approach and my hope for genuine bipartisanship on this issue. But I must add that I have grave concerns about the welfare reform measures that emerged from committees in the House of Representatives over the past few weeks. In our opinion, this legislation has the values all wrong. It is weak on work and tough on kids, when it should be the other way around.

Last year we all agreed that serious welfare reform must contain real work requirements, and provide resources for training, child care, and job creation. Even the original bill contained in

the Contract With America had serious work requirements and \$10 billion more than current law over the next five years for work, training, and child care.

But something has happened on the House side this year. The talk of work remains but the substance has vanished. The measures reported by House committees eliminate any requirements that states provide education, training, job placement or child care.

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Most of the child support provisions are very close to those included in the President's bill and in the other child support bills, including those introduced by members of this Committee.

Unfortunately, there is one glaring omission -- our recommendation for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results. We estimate that this provision could increase collections by as much as \$2.5 billion over ten years, and CBO estimates that we could save the federal government \$146 million in

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the first five years alone. I urge you to ensure that the provision is included when these issues are considered by your Committee.

And while the House bill is soft on work, it is very tough on kids.

The legislation's proposed cuts in child care could mean that children might be left home alone or in unsafe situations.

Benefit cuts pose even more dangers. The children of mothers under 18 get no cash benefits, period. Instead of letting states decide for themselves whether to deny benefits for additional children born to a mother on welfare, the House bill imposes a one-size-fits-all mandate. And nearly everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off--even if they are ill, caring for a disabled child, or willing to work but cannot find a job.

Some of these children could well be pushed into a child protection system that is already seriously overburdened. But rather than increasing funds for services to protect children, the legislation repeals the funding guaranteed for poor children in foster care and for the adoption of special needs children.

The House bill would also completely scrap the shared state

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and federal partnership by cutting funding, eliminating the state match, and block granting most programs. Not even school lunch or WIC is spared.

We strongly believe in state flexibility. But every time the Republicans have put forward their block grant approach, it just doesn't add up to welfare reform. The current House bill is not welfare reform; it neither protects children nor does it protect state taxpayers.

Real reform began in most states with the passage of the Family Support Act, when the federal government set some standards and provided funding to the states to move people to work.

If we are serious about bringing the values of work and responsibility into welfare offices across this nation, we need national standards and states need the means to meet those standards.

We won't have real work requirements OR state flexibility if all we do is shift problems from one bureaucracy to another.

If a block grant repeals the JOBS program, it will remove any real responsibility for states to provide training, job placement, and work -- which are at the very heart of moving people off welfare.

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The experience with the Family Support Act is quite revealing. Even with a very large federal match, many states did not draw down their entire allocation of JOBS money.

We believe we can provide more state flexibility without dismantling the structure that was set up by the Social Security Act, a structure that ensures that federal funds are there when families and states need them.

We need to continue the funding mechanism that ensures that children receive benefits regardless of the time of year their parents apply, the prevailing economic condition in the state, or some artificial and inflexible cap on funds.

Our approach does that. It reforms welfare. It provides state flexibility with accountability. It protects children. And it protects state taxpayers.

In closing, let me remind this committee that bringing about fundamental changes in the welfare system--helping long-term welfare recipients become self-sufficient--is not an easy task. But it can be done.

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues to put in place a system that moves people from welfare to work, that protects children, and that

holds parents accountable.

We are ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 583

FILE NO: 15

3/7/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): 25

TO: Legislative Liaison Officer - See Distribution below
FROM: Janet FORSGREN (for) *C. Mustain (Sec)*
Assistant Director for Legislative Reference
OMB CONTACT: Chris MUSTAIN 395-3923
Legislative Assistant's line (for simple responses): 395-7382

URGENT

SUBJECT: HEALTH AND HUMAN SERVICES Proposed Testimony on Welfare Reform

DEADLINE: TODAY 4:00 pm Tuesday, March 07, 1995

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

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

COMMENTS: Secretary Shalala will give the attached testimony on Friday, March 10th, before the Senate Finance Committee.

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**LRM NO: 583
FILE NO: 16**

If your response to this request for views is simple (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet.

If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

You may also respond by:

- (1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
- (2) sending us a memo or letter.

Please include the LRM number shown above, and the subject shown below.

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SUBJECT: HEALTH AND HUMAN SERVICES Proposed Testimony on Welfare Reform

The following is the response of our agency to your request for views on the above-captioned subject:

- _____ Concur
- _____ No Objection
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Testimony

Donna E. Shalala

U.S. Secretary of Health and Human Services

at

Committee on Finance

United States Senate

March 10, 1995

Thank you Mr. Chairman, Senator Moynihan, and members of the Committee for the invitation to appear before you today.

I'm pleased to be with you today to talk about welfare reform. This committee has a great tradition of bipartisan leadership on this issue. You were instrumental in designing the Family Support Act of 1988, the landmark measure that began to change the welfare system to one that encourages work, not dependency.

I am confident that you will once again lead the way toward a reform effort that is built on the basic values of work and responsibility that all Americans share.

In the last two elections -- the presidential election of 1992 and the congressional elections of 1994 -- the American people sent Washington a crystal clear message: They want change.

They want us to stop the gridlock, stop the infighting, and make sure that everything we do makes a positive difference in people's lives.

They want us to end a welfare system that they know has failed. They want a welfare system that is tough on work, but not on children.

That is why we are here today.

To write a new chapter in bipartisan government.

One that begins with a conclusion -- And that is to make sure that at the end of the day, we have taken action to improve the lives and prospects of every American.

I am here to pledge the commitment of the Clinton Administration to this approach.

I want to talk today about our vision for welfare reform, and our hope that we can work with you in a constructive and bipartisan way to pass bold welfare legislation.

A Vision for Welfare Reform

After consulting with members of Congress, people on welfare, business leaders, welfare experts, governors, and other state and local officials all across the country, President Clinton submitted the Work and Responsibility Act to the Congress last year.

Our proposal grew out of the President's long-standing commitment to welfare reform. As governor of Arkansas, he worked closely with national and state officials from both parties -- including members of this committee -- to pass the Family Support

Act of 1988.

I know the President shares my hope that with the leadership of this committee, the same level of bipartisan cooperation will exist again on this critical issue.

The Administration's approach to welfare reform is based on both the successes and the failures of state welfare reform efforts over the last seven years.

Rooted in the bedrock American values of work and responsibility, it would fundamentally change this country's approach to helping young parents move from dependence to independence. Our approach has a few simple goals:

WORK. Parents should move off welfare and into jobs as quickly as possible so that they can support themselves and their families. We should offer opportunity and expect work in return.

RESPONSIBILITY. We must insist that both parents meet their responsibilities to their children, and that non-custodial parents pay child support.

TEEN PREGNANCY. Within a framework of local and community decision making, we must do everything we can to reduce teen pregnancy and out-of-wedlock childbearing.

STATE FLEXIBILITY WITH ACCOUNTABILITY. We must encourage the creativity and responsiveness of states, while recognizing national goals and the need for standards and national accountability.

Mr. Chairman, I believe we all share these goals.

They are based on widely-shared values -- American values -- values that built this country in the past and are critical to our future.

Today, the welfare system is not advancing these values. We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Let's talk about work first.

Work

We strongly believe that welfare as we know it will not end until we fundamentally change the system: Welfare must be about earning a paycheck, not collecting a welfare check.

As the President has said, "Work is still the best social program ever invented, and it gives hope and structure and meaning to people's lives."

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To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement will be provided to help people who are willing to work to make the move to independence. We will support working people so they can stay independent. But time limits on cash assistance will ensure that welfare in fact serves as a hand up, not a way of life.

We are committed first and foremost to ensuring that everybody who can work does work. The American people want a government that honors their values and rewards people who play by the rules. They also want to assure that those who play by the rules do not suffer from factors over which they have no control. If we want to help welfare recipients become taxpayers, we must challenge individuals to take responsibility for their own lives -- and help them get ahead when they do.

That is what this great national debate on welfare reform must be about. The status quo is not the answer. More orphanages are not the answer. And merely passing the problem back to the states with reduced resources is not the answer. Work is the answer.

Our approach to welfare reform puts work first. It sends a critical message to people from the very first day they go on welfare: We expect you to work and we will help you prepare for work so you can stay off welfare for good.

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To prepare people to work and support their families, those who are employable would move into work as quickly as possible. Those who would benefit from having more skills would engage in up front job search, education, and training -- and we would expect states to hold up their end of the bargain by building on the current JOBS program. Indeed, we believe, as many states believe, that people on welfare ought to sign a personal responsibility agreement, and with a caseworker, develop a plan that commits them to the actions that will get them into work.

Most single parents on AFDC will welcome the opportunity to move rapidly to work and support their children. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences should be clear: Cash assistance will first be reduced, then eliminated.

If someone has not found a job within two years, then cash welfare should end. And continuing aid should come through work. We hope most people will find jobs quickly in the private sector. But for those who do not, we should take the money which would have been spent on welfare checks and use it to find a subsidized job, preferably in the private sector.

And we will support work. Under President Clinton's leadership, we have already expanded the Earned Income Tax Credit, which reduces taxes for 15 million working families and creates a

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powerful incentive to work and stay off welfare. We should provide more child care support for low income working families. With these supports, we can make sure that working families can stay off welfare.

Responsibility

The second key value in our approach is responsibility.

We believe that both parents should be required to support their children.

That's why we have proposed the toughest child support enforcement measures ever. Child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year.

That's just \$8 dollars a day for a parent who's lucky enough to get child support, and nothing at all for the majority of single parents and children who have been financially abandoned.

These are shocking statistics.

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Overall, the potential for child support collections is estimated at \$48 billion per year. Yet, currently, only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion.

We must close that gap -- and we will.

We have proposed a comprehensive child support strategy to help custodial parents escape welfare and stay in the workforce.

It includes a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment.

We also would impose tough new penalties for those who refuse to pay: Wage withholding, suspension of drivers' and professional licenses, and even property seizure.

I am pleased to say that there is bipartisan consensus on this issue. In the past few months, major legislation has been introduced by Senator Bill Bradley, and by Senators Bob Dole and Olympia Snowe. Bipartisan measures have been filed in the House as well. All of these bills are very similar to the child support enforcement measures the President introduced last year. There is nearly complete agreement here -- proof that we really can work in a bipartisan way on values that we all share.

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I hope we can continue to work together with members of this committee to make sure that tough child support is a central part of welfare reform.

Teen Pregnancy

The third bedrock value in our approach to welfare reform is reducing teen pregnancy and out-of-wedlock childbearing by reaching the next generation.

Senator Moynihan has again proven that he is one of the nation's most visionary thinkers. *Twenty years ago this month, he authored a report* His message of nearly 30 years ago has proven true: the decline of families and the growth of out-of-wedlock childbearing has dangerous consequences for our country. A central part of welfare reform must be a serious commitment to reducing teen pregnancy and out-of-wedlock childbearing.

Every boy and girl in this country must hear and believe that until they are ready to nurture and support children, they should not have sex, they should not have a babies.

That message needs to be delivered at every level of our society. By the President, by members of Congress, by the clergy, and by educators, parents, siblings, and peers. It must be reinforced by our social institutions, especially the welfare and

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child support enforcement systems.

We propose a national teen pregnancy initiative. It should include all levels of society, business and government and the media. It should recognize that we don't know all the answers about how to deal with this critical problem, and should include both local flexibility and careful research, demonstrations and evaluations.

Fundamentally changing the welfare system is also critical to reducing teen pregnancy. The worst possible message to send to young people is that if they get pregnant, they can drop out of school, set up their own households, and receive welfare support.

The message to teen parents should be one of clear responsibility. The President's approach says: stay at home, stay in school, identify the fathers, and, ultimately, go to work, or you get no benefits.

And we should not stop with the mothers. Fathers bear just as much responsibility. Indeed, for very young teens, the pregnancy is often the result of forced sex--rape and incest. We must find ways to reduce the violence. And we must hold men accountable. Yet paternity gets established in only 1/3 of all out-of-wedlock births. That is the worst possible message.

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Every boy and every girl must know that if they parent a child, they will bear a heavy responsibility. But if they do behave responsibly we are willing to offer a helping hand. Time limits, work requirements, and tougher child support enforcement send a strong message to young people that welfare will never be the same. From now on, welfare will be a second chance, not a way of life.

State Flexibility with Accountability

As a former governor, President Clinton knows that the states are a source of great creativity in designing welfare reforms that meet the needs of their own citizens. Reforms like those in Oregon can change the culture of the welfare system and involve the private sector in creating jobs for welfare recipients.

In the last two years, we have worked with governors and elected officials to give twenty-five states the flexibility to design welfare reform strategies that meet their specific needs.

Half the states. That is more waiver demonstrations than all previous Administrations combined.

And we believe that states should have more flexibility to design their own welfare reforms and get them operating quickly. Our approach would eliminate the need for waivers in almost all

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cases. It would give the states more flexibility in operating work programs, in setting rules about assets, in deciding how much of their earnings welfare recipients can keep, and in designing other aspects of their programs.

But we must also make sure that our national objectives for welfare reform are met. All states must focus on work, parental responsibility and reducing teen pregnancy. The welfare system must provide the same opportunities and demand the same responsibilities in every state. Children must be protected, wherever they live. Our approach would increase state flexibility in important ways, but would also define and measure progress toward national goals.

And we must have national accountability, so that taxpayers will know their money is being well spent in every state. That's why our approach requires states to work with the federal government in implementing new, state-of-the-art anti-fraud measures.

These new systems are designed to detect and prevent many types of fraud and abuse, such as unreported employment and earnings, misrepresentation of the numbers of children in a family, and duplicate receipt of welfare, food stamps, unemployment compensation, and other government benefits. These new systems also will help to locate absent parents who are not paying their

child support.

Working together, states and the federal government can make sure we have a welfare system that meets local needs and achieves national goals.

The House Republican Approach

I have described the President's approach and my hope for genuine bipartisanship on this issue. But I must add that I have grave concerns about the welfare reform measures that emerged from committees in the House of Representatives over the past few weeks. In our opinion, this legislation has the values all wrong. It is weak on work and tough on kids, when it should be the other way around.

Weak on Work

Last year, there seemed to be bipartisan recognition in the House of the simple realities of welfare reform. Serious welfare reform has real work requirements, but also provides new resources for training, child care, and job creation. Serious welfare reform recognizes that someone with young children and an eighth grade education can't be expected to leave welfare without some temporary help. Even the original bill contained in the Contract With America had serious work requirements and \$10 billion more than

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current law over the next five years for work, training, and child care.

But something has happened on the House side this year. The talk of work remains but the substance has vanished. The measures reported by House Committees repeal the amendments made by the Family Support Act, and much of the original Social Security Act. They eliminate any requirements that states provide education, training, job placement or child care. Indeed, a state does not have to do anything to help people move from welfare to work.

Though there are "work requirements" in the bill, they are more illusory than real. In the first year, 4 percent of the caseload is required to work. But even now, before reform, 7 percent of the single parents on welfare are already working.

In the year 2000, the participation requirements rise to 17 percent. But even then there is a peculiar twist: if someone is off welfare for any reason at all, they count as meeting the "work requirement." This is not only misleading and wrong, it also makes no sense: cutting someone off welfare is not the same as ensuring that they get a job and can support their families.

And the House proposal does cut people off. The children of mothers under 18 are denied cash assistance in the first place. Additional children born to welfare mothers are as well. Nearly

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everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off--even if they are ill, caring for a disabled child, or willing to work but cannot find a job. And the states could cut off even more people. But ironically, every person removed from the rolls counts as meeting the work requirements.

Indeed, the best evidence that work is not what the House Republican plan is all about can be seen from its funding. There is less for training, less for child care, less for job placement. The \$10 billion fund for work in the original Contract with America has vanished, replaced by cuts in the funds for income support, cuts in funds for education and training, and cuts in the funds for child care.

The cuts in child care funding are particularly counterproductive. I don't know anyone who claims we can get more single parents working by spending less on child care. Forty percent of mothers on welfare have a child under three. Time after time, mothers on and off welfare told us stories about how the lack of child care kept them on welfare, or drove them back onto the rolls after they had managed to get a job.

Federal child care help now goes to three groups: middle and upper income families through the child care tax credit, low income working families, and welfare recipients who are moving from welfare to work. [While not limiting the child care tax credit for

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middle and upper income families, } the House bill eliminates the child care guarantee for welfare recipients moving to work. And the cap on funds means that if they states try to move more people off welfare by providing them with child care, they will inevitably have to provide less child care for low income working families. So working families will lose their child care and be forced onto welfare. This is the opposite of the kind of seamless system we should have, one that provides child care help to working families at all income levels. And it is not welfare reform.

Child support also is crucial for working families. Initially, the Contract with America did virtually nothing about child support. That was a terrible mistake. But I am happy to report that last week, at the urging of the President, the Ways and Means Committee finally inserted child support enforcement measures into the Committee bill. That was a success not just for the Administration, but also for the members of both parties in the House who said parental responsibility is essential.

Most of the child support provisions are very close to those included in the President's bill and in the other child support bills, including those introduced by members of this Committee.

Unfortunately, there is one glaring omission--a provision for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results.

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We estimate that this provision could increase collections by as much as \$2.5 billion over ten years, and CBO estimates that we could save the federal government \$146 million in the first five years alone. I urge you to ensure that the provision is included when these issues are considered by your Committees.

Tough on Kids

While the House bill is soft on work, it is very tough on kids.

The cuts in child care could mean that children might be left home alone or in unsafe situations.

Benefit cuts pose even more dangers. The children of mothers under 18 get no cash benefits, period. *Instead of leaving the states to decide whether to* States ^{don't} cannot pay benefits to additional children born to a mother on welfare, *the bill imposes a one-size-fits-all mandate.* No benefits can be paid to children whose parent have received welfare for more than five years, whether or not a job is available or the parent is unable to work.

Some of these children could well be pushed into a child protection system that is already seriously overburdened and that is failing to provide the most essential services. But rather than increasing funds for services to protect children, the legislation repeals the funding guaranteed for poor children in foster care and for the adoption of special needs children. It also eliminates

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federal oversight of state child protection systems -- many of which are generally acknowledged to be functioning very badly -- and caps spending at levels considerably lower than projected needs.

Even benefits to disabled children on SSI are cut way back. Most of the children who enter SSI now would no longer be able to do so. Many seriously disabled children would no longer be eligible for cash benefits and would only receive services provided under a capped block grant.

Unfair to States

The House bill relies on the states to solve the problems of requiring work and protecting children. It would completely scrap the shared state and federal partnership, cut funding, eliminate the state match, and block grant most programs. Not even school lunch or WIC is spared.

The House bill would create a system where opportunities and responsibilities vary dramatically from one state to another. Where children are protected in some states but not in others. Where accountability for the money that taxpayers pay into the federal Treasury rests almost entirely with the states.

We strongly believe in state flexibility. ~~But it is becoming~~
*But every time the House Republicans have put forward a new ~~variant~~
 block grant approach, it just doesn't add up.*

The current GOP block grant

~~increasingly clear that the block grant approach just will not work. It is not welfare reform, it does not protect children-- and it does not protect state taxpayers either.~~

WR / Defeat reduction - don't pretend

Real reform began in most states with the passage of the Family Support Act, when the federal government set some standards and provided funding to the states to move people to work. If we are serious about bringing the values of work and responsibility into welfare offices across this nation, ~~then federal standards, and states~~ *we need national* ~~resources will have to be part of the partnership.~~ *need the means to meet those standards* ~~Real work requirements, and real resources are involved. Block grants as~~ *we won't have real work requirements or state flex if we all we do* ~~they are set up in the House bill mean less of both.~~ *is shift push from our bureau to another*

~~If a block grant combines JOBS, AFDC and other resources, there is real danger that many states will not make the crucial up front investments in training, support services and job creation.~~ *JOBS program* *repeals the FSA, it will remove any real responsibility* *not be required to*

The experience with the Family Support Act is quite revealing. Even with a very large federal match many states did not draw down their entire allocation of JOBS money. They almost universally told us that their budget situation did not allow it. With a block grant, every new dollar for welfare to work programs will have to come entirely from state funds. Welfare recipients in some states may have real opportunities to become self-sufficient, but in other states they will not.

very best of money goes off w.

that do not make a big difference in the necessity of population growth

Equally important, block grants create real problems for

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states in times of economic or demographic change. It is informative to look at what would have happened had a block grant like the one proposed in the House bill had been in place over the past five years. All but two states would have received significantly less resources. Why? Because many states went into a recession and welfare rolls increased. The shared federal support provided a critical automatic stabilizer function.

Under block grants like those proposed, a state facing a recession could encounter a double problem: reduced revenues and increased caseloads.

In these cases, the people most likely to be hurt will be the working poor. It is the working poor who need temporary welfare when the economy goes into recession.

It is the working poor who will lose their child care when the child care block grant money runs out.

It is the working poor who may not be able to even get subsidized school lunches in times of financial stress.

and we urge Congress to provide it.
 We ^{embrace} recognize the need for more state flexibility within the welfare system. *But let us not mistake the current phase bill for flexibility.* But we can provide that flexibility without dismantling the structure that was set up by the Social Security Act, a structure that ensures that federal funds are there when

Putting states and children at risk of economic downturn is not ~~flex~~ flex, and it's not WR. Asking states to transfer the current system while dramatically cutting their resources is not flex., and it's not WR.

families and states need them. We need to continue the funding mechanism that ensures that all eligible children receive benefits in every state, regardless of the time of year their parents apply, the prevailing economic condition in the state, or some artificial and inflexible cap on funds.

NO

Our approach ^{is about solving the prob, not} does that. It reforms welfare. It provides state flexibility with accountability. It protects children. And it protects state taxpayers.

Let's not to solve the problem

It's just a way to shift the prob from one place to another without solving it instead of making a real effort a real plan that has a chance to solve it.

Conclusion

In closing, I want to raise with this Committee a fact that we all must face with great candor. Bringing about fundamental changes in the welfare system-- helping long-term welfare recipients become self-sufficient--is not an easy task. Nobody knows that better than the members of this Committee, many of whom have worked for years developing policies to improve the system.

There are no magic bullets, or simple answers. The causes of dependency are complex, and so are the solutions.

We must make major changes. But we also must make sure that we do not take unnecessary risks with the lives of our most vulnerable citizens. As the President has said, we must reform the broken welfare system in a way that lifts people up from dependence to independence -- not in a way that merely punishes them for being poor.

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues to put in place a system that moves people from welfare to work, that protects children, that rewards people who work hard and play by the rules, and that holds parents accountable.

The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

We stand ready to work with this Committee and this Congress to make these values the centerpiece of welfare reform.

I believe that we have a rare opportunity to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it is time to end welfare as we know it, we also must end politics as we know it.

We are ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.



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

Testimony

Donna E. Shalala

U.S. Secretary of Health and Human Services

at

Committee on Finance

United States Senate

March 10, 1995

Thank you Mr. Chairman, Senator Moynihan, and members of the Committee for the invitation to appear before you today.

I'm pleased to be with you today to talk about welfare reform. This committee has a great tradition of bipartisan leadership on this issue. You were instrumental in designing the Family Support Act of 1988, the landmark measure that began to change the welfare system to one that encourages work, not dependency.

I am confident that you will once again lead the way toward a reform effort that is built on the basic values of work and responsibility that all Americans share.

In the last two elections -- the presidential election of 1992 and the congressional elections of 1994 -- the American people sent Washington a crystal clear message: They want change.

They want us to stop the gridlock, stop the infighting, and make sure that everything we do makes a positive difference in people's lives.

They want us to end a welfare system that they know has failed. They want a welfare system that is tough on work, but not on children.

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The Administration's approach to welfare reform is based on both the successes and the failures of state welfare reform efforts over the last seven years.

Rooted in the bedrock American values of work and responsibility, it would fundamentally change this country's approach to helping young parents move from dependence to independence. Our approach has a few simple goals:

WORK. Parents should move off welfare and into jobs as quickly as possible so that they can support themselves and their families. We should offer opportunity and expect work in return.

RESPONSIBILITY. We must insist that both parents meet their responsibilities to their children, and that non-custodial parents pay child support.

TEEN PREGNANCY. Within a framework of local and community decision making, we must do everything we can to reduce teen pregnancy and out-of-wedlock childbearing.

STATE FLEXIBILITY WITH ACCOUNTABILITY. We must encourage the creativity and responsiveness of states, while recognizing national goals and the need for standards and national accountability.

Mr. Chairman, I believe we all share these goals.

They are based on widely-shared values -- American values -- values that built this country in the past and are critical to our future.

Today, the welfare system is not advancing these values. We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Let's talk about work first.

Work

We strongly believe that welfare as we know it will not end until we fundamentally change the system: Welfare must be about earning a paycheck, not collecting a welfare check.

As the President has said, "Work is still the best social program ever invented, and it gives hope and structure and meaning to people's lives."

To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement would be provided to help people who are willing to work to make the move to independence. We will support working people so they can stay independent. But time limits on cash assistance will ensure that welfare in fact serves as a hand up, not a way of life.

We are committed first and foremost to ensuring that everybody who can work does work. The American people want a government that honors their values and rewards people who play by the rules. They also want to assure that those who play by the rules do not suffer from factors over which they have no control. If we want to help welfare recipients become taxpayers, we must challenge individuals to take responsibility for their own lives -- and help them get ahead when they do.

That is what this great national debate on welfare reform must be about. The status quo is not the answer. And merely passing the problem back to the states with reduced resources is not the answer. Work is the answer.

Our approach to welfare reform puts work first. It sends a critical message to people from the very first day they go on welfare: We expect you to work and we will help you prepare for work so you can stay off welfare for good.

To prepare people to work and support their families, those who are employable would move into work as quickly as possible. Those who would benefit from having more skills would engage in job search, education, and training -- and we would expect states to hold up their end of the bargain by building on the current JOBS program. Indeed, we believe, as many states believe, that people on welfare ought to sign a personal responsibility agreement, and with a caseworker, develop a plan that commits them to the actions that will get them into work.

Most single parents on AFDC will welcome the opportunity to move rapidly to work and support their children. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences should be clear: Cash assistance will first be reduced, then eliminated.

If someone has not found a job within two years, then cash welfare should end. And continuing aid should come through work. We hope most people will find jobs quickly in the private sector. But for those who do not, we should take the money which would have been spent on welfare checks and use it to find a subsidized job, preferably in the private sector.

And we will support work. Under President Clinton's leadership, we have already expanded the Earned Income Tax Credit, which reduces taxes for 15 million working families and creates a

powerful incentive to work and stay off welfare. We should provide more child care support for low income working families. With these supports, we can make sure that working families can stay off welfare.

Responsibility

The second key value in our approach is responsibility.

We believe that both parents should be required to support their children.

That's why we proposed last year the toughest child support enforcement measures ever. Child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year.

That's just \$8 dollars a day for a parent who's lucky enough to get child support, and nothing at all for the majority of single parents and children who have been financially abandoned.

These are startling statistics.

Overall, the potential for child support collections is estimated at \$48 billion per year. Yet, currently, only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion.

That gap must be closed.

We proposed a comprehensive child support strategy to help custodial parents escape welfare and stay in the workforce.

It included a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment.

We also would have imposed tough new penalties for those who refuse to pay: Wage withholding, suspension of drivers' and professional licenses, and even property seizure.

I am pleased to say that there is bipartisan consensus on this issue. In the past few months, major legislation has been introduced by Senator Bill Bradley, and by Senators Bob Dole and Olympia Snowe. Bipartisan measures have been filed in the House as well. All of these bills are very similar to the child support enforcement measures the President introduced last year. There is nearly complete agreement here -- proof that we really can work in a bipartisan way on values that we all share.

I hope we can continue to work together with members of this committee to make sure that tough child support is a central part of welfare reform.

Teen Pregnancy

The third bedrock value in our approach to welfare reform is reducing teen pregnancy and out-of-wedlock childbearing by reaching the next generation.

Senator Moynihan has again proven that he is one of the nation's most visionary thinkers. Thirty years ago this month, he authored a report that first called the country's attention to the breakdown of family and the alarming increase in births outside of marriage. A central part of welfare reform must be a serious commitment to reducing teen pregnancy and out-of-wedlock childbearing.

Every boy and girl in this country must hear and believe that until they are ready to nurture and support children, they should not have sex, they should not have babies.

That message needs to be delivered at every level of our society. By the President, by members of Congress, by the clergy, and by educators, parents, siblings, and peers. It must be reinforced by our social institutions, especially the welfare and

child support enforcement systems.

We propose a national teen pregnancy initiative. It should include all levels of society, business and government, and the media. It should recognize that we don't know all the answers about how to deal with this critical problem, and should include both local flexibility and careful research, demonstrations and evaluations.

Fundamentally changing the welfare system also is critical to reducing teen pregnancy. The worst possible message to send to young people is that if they get pregnant, they can drop out of school, set up their own households, and receive welfare support.

The message to teen parents should be one of clear responsibility. The President's approach says: live at home, stay in school, identify the fathers, and, ultimately, go to work, or you get no benefits.

And we should not stop with the mothers. Fathers bear just as much responsibility and we must hold them accountable. Yet paternity gets established in only 1/3 of all out-of-wedlock births. That is the worst possible message.

Every boy and every girl must know that if they parent a child, they will bear a heavy responsibility. But if they do

behave responsibly we are willing to offer a helping hand. Time limits, work requirements, and tougher child support enforcement would send a strong message to young people that welfare will never be the same. From now on, welfare must be a second chance, not a way of life.

State Flexibility with Accountability

As a former governor, President Clinton knows that the states are a source of great creativity in designing welfare reforms that meet the needs of their own citizens. Reforms like those in Oregon can change the culture of the welfare system and involve the private sector in creating jobs for welfare recipients.

In the last two years, we have worked with governors and elected officials to give twenty-five states the flexibility to design welfare reform strategies that meet their specific needs.

Half the states. That is more waiver demonstrations than all previous Administrations combined.

And we believe that states should have more flexibility to design their own welfare reforms and get them operating quickly. Our approach eliminated the need for waivers in almost all cases. It would give the states more flexibility in operating work programs, in setting rules about assets, in deciding how much of

their earnings welfare recipients can keep, and in designing other aspects of their programs.

But we also must make sure that our national objectives for welfare reform are met. All states must focus on work, parental responsibility and reducing teen pregnancy. The welfare system must provide the same opportunities and demand the same responsibilities in every state. Children must be protected, wherever they live. Our approach would increase state flexibility in important ways, but would also define and measure progress toward national goals.

And we must have national accountability, so that taxpayers will know their money is being well spent in every state. That's why our approach required states to work with the federal government in implementing new, state-of-the-art anti-fraud measures.

These new systems were designed to detect and prevent many types of fraud and abuse, such as unreported employment and earnings, misrepresentation of the numbers of children in a family, and duplicate receipt of welfare, food stamps, unemployment compensation, and other government benefits. These new systems also would help to locate absent parents who are not paying their child support.

Working together, states and the federal government can make sure we have a welfare system that meets local needs and achieves national goals.

The House Republican Approach

I have described the President's approach and my hope for genuine bipartisanship on this issue. But I must add that I have grave concerns about the welfare reform measures that emerged from committees in the House of Representatives over the past few weeks. In our opinion, this legislation has the values all wrong. It is weak on work and tough on kids, when it should be the other way around.

Weak on Work

Last year, there seemed to be bipartisan recognition in the House of the simple realities of welfare reform. Serious welfare reform has real work requirements, but also provides new resources for training, child care, and job creation. Serious welfare reform recognizes that someone with young children and an eighth grade education can't be expected to leave welfare without some temporary help. Even the original bill contained in the Contract With America had serious work requirements and \$10 billion more than current law over the next five years for work, training, and child care.

But something has happened on the House side this year. The talk of work remains but the substance has vanished. The measures reported by House committees repeal the amendments made by the Family Support Act, and much of the original Social Security Act. They eliminate any requirements that states provide education, training, job placement or child care. Indeed, a state does not have to do anything to help people move from welfare to work.

Though there are "work requirements" in the bill, they are more figurative than real. In the first year, 4 percent of the caseload is required to work. But even now, before reform, 7 percent of the single parents on welfare are already working.

In the year 2000, the participation requirements rise to 17 percent. But even then there is a peculiar twist: if someone is off welfare for any reason at all, they count as meeting the "work requirement." This is not only misleading and wrong, it also makes no sense: cutting someone off welfare is not the same as ensuring that they get a job and can support their families.

And the House proposal does cut people off. The children of mothers under 18 are denied cash assistance in the first place. Additional children born to welfare mothers are as well. Nearly everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off--even if they are ill, caring for a disabled child, or willing to work but cannot find a job. And the states

could cut off even more people. But ironically, every person removed from the rolls counts as meeting the work requirements.

Indeed, the best evidence that work is not what the House Republican plan is all about can be seen from its funding. There is less for training, less for child care, less for job placement. The \$10 billion fund for work in the original Contract with America has vanished, replaced by cuts in the funds for income support, cuts in funds for education and training, and cuts in the funds for child care.

The cuts in child care funding are particularly counterproductive. I don't know anyone who claims we can get more single parents working by spending less on child care. Forty percent of mothers on welfare have a child under three. Time after time, mothers on and off welfare told us stories about how the lack of child care kept them on welfare, or drove them back onto the rolls after they had managed to get a job.

Federal child care help now goes to three groups: middle and upper income families through the dependent care tax credit, low income working families, and welfare recipients who are moving from welfare to work. The House bill eliminates the child care guarantee for welfare recipients moving to work. And the cap on funds means that if the states try to move more people off welfare by providing them with child care, the states will in all

likelihood have to provide less child care for low income working families. So working families may lose their child care and risk being forced onto welfare. This is the opposite of the kind of seamless system we should have, one that provides child care to help working families at all income levels. And it is not welfare reform.

Child support also is crucial for working families. Initially, the Contract with America did virtually nothing about child support. That was a terrible mistake. But I am happy to report that last week, at the urging of the President, the Ways and Means Committee finally inserted child support enforcement measures into the Committee bill. That was a success not just for the Administration, but also for the members of both parties in the House who said parental responsibility is essential.

Most of the child support provisions are very close to those included in the President's bill and in the other child support bills, including those introduced by members of this Committee.

Unfortunately, there is one glaring omission--a provision for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results. We estimate that this provision could increase collections by as much as \$2.5 billion over ten years, and CBO estimates that we could save the federal government \$146 million in the first five

years alone. I urge you to ensure that the provision is included when these issues are considered by your Committee.

Tough on Kids

While the House bill is soft on work, it is very tough on kids.

The cuts in child care could mean that children might be left home alone or in unsafe situations.

Benefit cuts pose even more dangers. The children of mothers under 18 get no cash benefits, period. Instead of letting states decide for themselves whether to deny benefits for additional children born to a mother on welfare, the House bill imposes a one-size-fits-all mandate. No benefits can be paid to children whose parent has received welfare for more than five years, whether or not a job is available or the parent is unable to work.

Some of these children could well be pushed into a child protection system that is already seriously overburdened and that is failing to provide the most essential services. But rather than increasing funds for services to protect children, the legislation repeals the funding guaranteed for poor children in foster care and for the adoption of special needs children. It also eliminates federal oversight of state child protection systems -- many of which are generally acknowledged to be functioning very badly --

and caps spending at levels considerably lower than projected needs.

Even benefits to disabled children on SSI are cut way back. Most of the children who enter SSI now would no longer be able to do so. Many seriously disabled children would no longer be eligible for cash benefits and would only receive services provided under a capped block grant.

Unfair to States

The House bill relies on the states to solve the problems of requiring work and protecting children. It would completely scrap the shared state and federal partnership, cut funding, eliminate the state match, and block grant most programs. Not even school lunch or WIC is spared.

The House bill would create a system in which opportunities and responsibilities vary dramatically from one state to another. Where children are protected in some states but not in others. Where accountability for the money that taxpayers pay into the federal Treasury rests almost entirely with the states.

We strongly believe in state flexibility. But every time the Republicans have put forward their block grant approach, it just doesn't add up to welfare reform. The current House bill is not

welfare reform; it neither protects children nor does it protect state taxpayers.

Real reform began in most states with the passage of the Family Support Act, when the federal government set some standards and provided funding to the states to move people to work. If we are serious about bringing the values of work and responsibility into welfare offices across this nation, we need national standards and states need the means to meet those standards. We won't have real work requirements OR state flexibility if all we do is shift problems from one bureaucracy to another.

As the President said earlier this week, budget cutting shouldn't be wrapped in a cloak of welfare reform. Let's reform welfare. Let's cut the deficit. But let's not mix up the two and pretend that one is the other.

If a block grant repals the JOBS program, it will remove any real responsibility for states to provide training, job placement, and work -- which are at the very heart of moving people off welfare. The experience with the Family Support Act is quite revealing. Even with a very large federal match, many states did not draw down their entire allocation of JOBS money.

In contrast to the automatic stabilizer function provided by the shared federal system now in place, block grants that do not

make adjustments for recession or population growth also would create real problems for states in times of economic or demographic change. Under the House proposal, a state facing a recession could encounter a double problem: reduced revenues and increased caseloads. And while demand for assistance would inevitably rise, federal funds would not.

In these cases, the people most likely to be hurt will be the working poor. It is the working poor who need temporary welfare when the economy goes into recession.

It is the working poor who will lose their child care when the child care block grant money runs out.

It is the working poor who may not be able to even get subsidized school lunches in times of financial stress.

We recognize the need for more state flexibility within the welfare system. But we can provide that flexibility without dismantling the structure that was set up by the Social Security Act, a structure that ensures that federal funds are there when families and states need them. We need to continue the funding mechanism that ensures that children receive benefits regardless of the time of year their parents apply, the prevailing economic condition in the state, or some artificial and inflexible cap on funds.

Our approach does that. It reforms welfare. It provides state flexibility with accountability. It protects children. And it protects state taxpayers.

Conclusion

In closing, I want to raise with this Committee a fact that we all must face with great candor. Bringing about fundamental changes in the welfare system--helping long-term welfare recipients become self-sufficient--is not an easy task. Nobody knows that better than the members of this Committee, many of whom have worked for years developing policies to improve the system.

There are no magic bullets, or simple answers. The causes of dependency are complex, and so are the solutions.

We must make major changes. But we also must make sure that we do not take unnecessary risks with the lives of our most vulnerable citizens. As the President has said, we must reform the broken welfare system in a way that lifts people up from dependence to independence -- not in a way that merely punishes them for being poor.

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues to put in place a system that moves people from welfare to work, that protects children, and that holds parents accountable.

The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

We stand ready to work with this Committee and this Congress to make these values the centerpiece of welfare reform.

I believe that we have a rare opportunity to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it is time to end welfare as we know it, we also must end the use of this issue to divide America.

We are ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.

PRELIMINARY IMPACTS OF THE CURRENT HOUSE REPUBLICAN PROPOSAL

BUDGETARY IMPACTS

- ▶ This proposal will result in federal savings of over \$65 billion between fiscal years 1996 and 2000 as funding for many federal programs is capped. The preliminary five year estimates (from CBO, HHS, and Agriculture) of savings for each title are shown below:

5 Year Federal Savings

House Ways and Means Committee Reported Bill

▶ Title I	Cash Assistance Block Grant (Does not include child care repealers)	\$8.7 billion
▶ Title II	Child Protection Block Grant	\$2.9 billion
▶ Title III	Restricting Welfare For Aliens	\$10.2 billion
▶ Title IV	Supplemental Security Income Reform	\$10.7 billion
▶ Title V	Child Support Enforcement	\$.1 billion

House Education and Economic Opportunities Committee Reported Bill

▶ Title I	Child Care Block Grant	\$2.4 billion
▶ Title II	Family and School-Based Nutrition Block Grants	\$6.6 billion
▶ Title III	Restricting Welfare for Aliens	\$.1 billion

House Agriculture Committee Reported Bill

▶ Section 551	Reduce COLA For Thrifty Food Plan to 2% per year	\$4.7 billion
▶ Section 552	Freeze Standard Deduction	\$4.3 billion
▶ Section 552	Energy Assistance	\$1.3 billion
▶ Section 554	Restrictions for Aliens	\$3.7 billion
▶ Section 555	Work for Able-Bodied Adults With No Dependents	\$8.9 billion
▶	Remainder of Mark Provision	\$1.4 billion

GRAND TOTAL **\$66.1 billion**

CHILDREN AFFECTED

Cash Assistance

- ▶ When this proposal is fully implemented, states will not be able to use federal funds to support 4.5 million to 5 million children because they were born to a young mother, born to current AFDC recipients, or were in a family that received AFDC for longer than five years.
- ▶ The numbers of children affected by the primary provisions in which states are required to deny eligibility are:
 - ▶ Benefits denied to children born to unmarried mothers under 18 70,000 children
 - ▶ Benefits denied to children born to current AFDC recipients 2.2 million children
 - ▶ Benefits denied to families who have received AFDC for five years or longer 4.1 million children
- ▶ States are also required to reduce benefits for children without paternity established until the state establishes paternity. This provision would affect 3.2 million children at full implementation.
- ▶ If states were to deny eligibility to families who had been on AFDC for two or more years, 7.3 million children would be denied eligibility by this provision alone.

SSI Reforms

- ▶ Based on a preliminary analysis of 812,411 children with disabilities who were determined eligible for SSI between February 1991 and December 1994, 251,108 (31 percent) would lose all SSI benefits. It is possible that, if allowed, approximately 103,000 of them might be able to requalify for SSI by meeting one of the listings.
- ▶ If the current House Republican proposal had been in effect in 1991, 70 percent to 94 percent of current eligibles who meet the listings would lose all cash benefits; states would have the discretion to serve them using block grant funds.

Child Care

- ▶ Under this proposed block grant, federal funding for child care would be cut by 20 percent over five years. In FY2000, this proposal would result in a 25 percent cut in funding which would mean that 400,000 children would lose federal child care assistance.

IMPACTS ON STATES

Cash Assistance

- ▶ If the current House Republican cash assistance block grant had been enacted in FY1990 and distributed funds according to FY1985-FY1987 spending levels, states would have received 33 percent less funding than they received under current law.

Child Protection

- ▶ If the current House Republican child welfare block grant had been enacted in FY1988 using FY1987 levels of funding, states would have received 59 percent less funding than they would have received under current law in FY1993.

SSI Reforms

- ▶ States would receive block grants; the amount of each state's block grant would be the product of the number of children who meet the listings but not the criteria to receive cash times 75 percent of the average SSI payment to a child in that state. States would have to offer every eligible child the opportunity to apply for block grant services.

Food Stamp Changes

- ▶ The provision will take away benefits from 1.2 million participants within 3 months of implementation unless the states create an equal number of workfare slots (at \$2700 per slot), unemployment rates exceed 10 percent, or the Secretary determines that sufficient jobs are not available.

IMPACTS ON IMMIGRANTS

- ▶ The current House Republican proposal will eliminate eligibility for benefits and services for approximately 2.5 million **legal** immigrants.

PRELIMINARY ESTIMATES (Subject to Change) OF FEDERAL SAVINGS ACHIEVED BY THE CURRENT HOUSE REPUBLICAN PROPOSAL
(In Billions of Dollars)

		1996	1997	1998	1999	2000	5 YEAR TOTAL
HOUSE WAYS AND MEANS COMMITTEE REPORTED BILL							
TITLE I	CASH ASSISTANCE BLOCK GRANT/a	0.8	1.3	1.7	2.2	2.7	8.7
TITLE II	CHILD PROTECTION BLOCK GRANT/a	0.3	0.4	0.5	0.7	0.9	2.9
TITLE III	RESTRICTING WELFARE FOR ALIENS (SSI and Medicaid)	0.04	2.4	2.5	2.5	2.8	10.2
TITLE IV	SUPPLEMENTAL SECURITY INCOME REFORMS/a	1.2	2.0	2.2	2.4	2.9	10.7
TITLE V	CHILD SUPPORT ENFORCEMENT REFORMS	0.08	0.03	-0.04	0.01	0.05	0.1
SUBTOTAL	HOUSE WAYS AND MEANS COMMITTEE REPORTED BILL	2.5	6.1	6.9	7.8	9.3	32.7
HOUSE EDUCATION AND ECONOMIC OPPORTUNITIES REPORTED BILL							
TITLE I	CHILD CARE BLOCK GRANT	0.3	0.4	0.5	0.6	0.6	2.4
TITLE II	FAMILY AND SCHOOL-BASED NUTRITION BLOCK GRANTS	1.1	1.2	1.3	1.4	1.6	6.6
TITLE III	RESTRICTING WELFARE FOR ALIENS	0.00	0.02	0.04	0.04	0.04	0.1
SUBTOTAL	HOUSE EDUCATION AND ECONOMIC OPPORTUNITIES COMMITTEE REPORTED BILL	1.4	1.6	1.8	2.0	2.2	9.1
AGRICULTURE REPORTED BILL							
SECTION 551	REDUCE COLA FOR THRIFTY FOOD PLAN TO 2% PER YEAR	0.2	0.5	0.9	1.3	1.8	4.7
SECTION 552	FREEZE STANDARD DEDUCTION	0.2	0.6	1.0	1.1	1.4	4.3
SECTION 552	ENERGY ASSISTANCE	0.3	0.3	0.3	0.3	0.3	1.3
SECTION 554	NO FOOD STAMPS FOR ALIENS	0.0	0.9	0.9	0.9	1.0	3.7
SECTION 555	THREE MONTH ELIGIBILITY FOR ABLE-BODIED ADULTS WITH NO DEPENDENTS	1.6	1.7	1.8	1.9	1.9	8.9
	REMAINDER OF PROVISIONS	0.03	0.03	0.4	0.5	0.5	1.4
SUBTOTAL	HOUSE AGRICULTURE COMMITTEE REPORTED BILL	2.3	4.0	5.2	6.0	6.8	24.3
TOTAL CURRENT HOUSE WELFARE REFORM PROPOSALS		6.2	11.8	13.9	15.8	18.4	66.1

SOURCE:

Ways and Means Titles I and II - preliminary HHS estimates; Titles III, IV, and V - preliminary CBO Estimates.

Education and Economic Opportunities Titles I and IV - preliminary HHS estimates; Title II - preliminary Agriculture estimate; Title III - preliminary CBO estimate.

Agriculture - preliminary Department of Agriculture estimates.

NOTE:

a. There are no Medicaid savings estimates for Ways and Means Titles I and II.

b. Negative sign equals a cost to the federal government.

c. These estimates assume that there are food and nutrition (excluding Food Stamps), cash assistance, and foster care block grants in place.



SENATE FINANCE COMMITTEE HEARING ON WELFARE REFORM

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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-8200

LINDY L. PAULL, STAFF DIRECTOR AND CHIEF COUNSEL
LAWRENCE O'DONNELL, JR., MINORITY STAFF DIRECTOR

March 1, 1995

The Honorable Donna E. Shalala, Ph. D.
Secretary of Health and Human Services
615F Hubert H. Humphrey Building
200 Independence Avenue, S. W.
Washington, D. C. 20201

Dear Secretary Shalala:

This will confirm that you are scheduled to testify before the Senate Finance Committee on Friday, March 10, 1995, beginning at 10:00 a.m., in Room 215 Dirksen Senate Office Building.

I would like you to concentrate your testimony on the following issues:

1. A brief overview of Federal welfare programs and whether these programs are a cost effective means of assisting Americans in achieving long-term employment.
2. What goals should Congress set for reforming Federal welfare programs? Do you believe states should be given greater flexibility in Federal welfare programs?
3. What are your specific recommendations to improve the Federal welfare programs?

Please provide 150 copies of your testimony to the Senate Finance Committee, Room 219 Dirksen Senate Office Building by noon, Wednesday, March 8, 1995. The testimony should also be submitted on diskette in a format that can be read by personal computers (plain ASCII text is preferred; other formats will be accepted).

I look forward to seeing you at the hearing.

Sincerely,

Bob Packwood

BOB PACKWOOD
Chairman

UNITED STATES SENATE
COMMITTEE ON FINANCE

Hearing on Administration's Views on Welfare Reform

Friday, March 10, 1995; 10:00 a.m.
Room SD-215 Dirksen Senate Office Building

WITNESS LIST

The Honorable Donna E. Shalala, Ph. D., Secretary of
Health and Human Services; Washington, D. C.

MARCH 9, 1995

NEW ADDITIONAL QUESTIONS AND ANSWERS

SHOULD AFDC REMAIN AN ENTITLEMENT

PRESIDENTIAL VETO

FLORIDA PROJECT INDEPENDENCE EVALUATION

EFFECTS OF WELFARE REFORM ON RURAL AREAS

SSA ADMINISTRATIVE EXPENSES

UNEMPLOYMENT INSURANCE AS A STABILIZER

ANTI-DISPLACEMENT PROVISIONS

UNWED MOTHERS -- REBECCA BLANK OP-ED

CHILD SUPPORT ENFORCEMENT AND TRIBES

WELFARE REFORM WAIVERS

TREATMENT OF TRIBES IN WELFARE REFORM

LARRY MEAD'S PAPER ON JOBS

DID DEPARTMENT UNDERMINE MULTIETHNIC PLACEMENT

JOB TRAINING VOUCHERS AND WELFARE RECIPIENTS

WEAK WORK VS. LOW WORK REQUIREMENTS

STATE PERFORMANCE IN FOSTER CARE & CHILD PROTECTION

ADVISORY BOARD ON WELFARE INDICATORS

OUT-OF-WEDLOCK CHILDBEARING IN NORTHERN EUROPE

SHOULD AFDC REMAIN AN ENTITLEMENT

QUESTION:

Should AFDC remain an entitlement?

ANSWER:

- ▶ Yes. As I said in my testimony, the Administration has serious concerns about block-granting AFDC and shifting the program to the states with less money. First, it runs the risk of really hurting states in recessions -- when state revenues drop even as welfare caseloads rise. Second, it hurts the working poor - people who hit hard times and need help for only a few months. So while a block grant approach is one way to provide states with more flexibility, I think on balance we should not do it. Our legislative proposal, as you know, maintained the individual entitlement structure that was set up by the Social Security Act 35 years ago. If you keep that approach, you get the benefit of maintaining a system that has worked well for people who only need assistance temporarily, and you are more able to protect states as economic conditions change.

PRESIDENTIAL VETO

QUESTION:

Would the President veto a bill that ended the entitlement status of AFDC?

ANSWER:

- ▶ It is way too early for the President to issue any veto threats on welfare reform. We genuinely believe that there is a good possibility of bipartisan agreement on welfare reform. We have certainly laid out our principles, and areas in which we disagree with the House Republican bill. And the President is certainly not going to sign a bill that is unfair to children and weak on work and responsibility, just to sign a bill. But we don't think it will come to that. There's a long way to go, and we look forward to working with this committee on a bill that promotes work and responsibility. We continue to believe that Congress will pass a strong, bipartisan bill that the President can sign.

FLORIDA PROJECT INDEPENDENCE EVALUATION

QUESTION:

What does the Florida Project Independence (JOBS) Evaluation, which was released on Thursday, tell us about states' ability to implement JOBS?

ANSWER:

- ▶ In the last few days, we received an Executive Summary of the report prepared by the Manpower Demonstration Research Corporation (MDRC). While we do not have the full report yet, this study is one source of information about the JOBS program in one state for a particular period of time. As such, it adds to our knowledge, but is not generally representative of all state efforts.
- ▶ Our quick review suggests that from the taxpayers' perspective, the program was cost effective and reduced AFDC and Food Stamps costs.
- ▶ With respect to effects on increasing earnings, the findings were more mixed, depending on the period an individual was enrolled in the program. Thus, higher earnings impacts were observed for those who enrolled earlier in Project Independence, especially for those with younger children (under six). This appears to be correlated with the fact that over time less resources for case management and child care were available, which particularly affected those with younger children.
- ▶ Overall, the report provides further evidence that government expenditures for work and training programs for welfare recipients are a good investment for the taxpayer. But they also suggest that where resources are spread too thinly, we will not be able to achieve significant, long term increases in individuals' earnings.

EFFECTS OF WELFARE REFORM PROPOSALS ON RURAL AREAS

QUESTION:

What are the effects of the House Republican Bill and the resident's proposal on rural areas?

ANSWER:

- ▶ The President's proposal would set a national set of standards and accountability within which states would be given broad latitude. As such, it would set requirements and protections such that individuals in both urban and rural areas would be subject to a reasonable set of expectations about achieving self-sufficiency.
- ▶ The Republican bill would create a block grant that both allows and requires states to cut individuals off AFDC without regard to the availability of jobs for them. In rural areas with poor economies this could mean that individuals who were perfectly willing to work, but were unable to find it would simply lose benefits.
- ▶ In addition, since in the block grant the individual entitlement and the requirement that AFDC operate statewide are removed, states could simply decide not to have AFDC in certain parts of the state. Thus, a state might elect not to have AFDC available in an isolated, rural part of the state that had little political clout.

SSA ADMINISTRATIVE EXPENSES

QUESTION:

Would you agree that the reserves in SSA's trust funds are adequate to absorb SSA's Limitation on Administrative Expenses (LAE) Account? Further, would you favor removing the SSA administrative budget from the domestic spending caps?

ANSWER:

- ▶ As you know, Congress has authorized a mix of funding for SSA's principle administrative account -- the Limitation on Administrative Expenses (LAE) account. The LAE account provides resources for SSA to administer the Social Security (OASDI) programs, certain health insurance functions and the SSI program for the aged, blind and disabled. Funds for annual reporting of earnings and certain activities related to pension reform also are included, as well as automated data processing and telecommunications expenses.
- ▶ Currently, administrative expenses are financed from several different sources. In FY 1994, for example, nearly 48 percent of the LAE account was financed by the Medicare trust funds and SSI program, while about 52 percent was financed by the OASDI trust funds. Congress has authorized this mix of funding because the Social Security trust funds and SSI service delivery mechanisms are so integrated -- and we continue to support that approach.
- ▶ We also believe that keeping SSA's administrative expenses in the discretionary spending category provides a healthy tension that results in incentives for efficiency and encourages SSA to continue to provide service in the most productive, cost effective manner.

(These are the questions that Representative Bunning asked Secretary Shalala at the House Ways and Means Budget hearing)

DURING RECESSION IS UNEMPLOYMENT INSURANCE ADEQUATE AS AN AUTOMATIC STABILIZER?

QUESTION:

If we block grant welfare to the states, why wouldn't the Unemployment Insurance system offer sufficient counter-cyclical support to low-income working families?

ANSWER:

- ▶ I have argued that the working poor will be hurt more by the welfare block grant proposals than non-working, low-income families will be. During times of recession, state tax revenues will decline and Federal financial support will be more constant at the same time that demand for financial support from poor working families will increase.

--For example, during the 1990/1991 recession, the welfare rolls increased significantly. Much of the increase was due to the number of families whose primary wage earner had lost a job.
- ▶ The Unemployment Insurance (UI) system does not always cover low-income, low skilled workers very well-- particularly people who work part-time full-year, many of whom are women. These are the people that are often the first to lose their jobs in a recession. And since UI ends after 26 to 39 weeks, some will eventually need more support.
- ▶ Given that the UI system will not provide sufficient financial support for low wage workers, those who need public assistance during a recession will have to look to welfare programs. If states have a fixed budget, they will have much more difficulty meeting the financial needs of these newly needy working poor families. Either the states will be hurt or the families will be hurt, or both.
- ▶ Under current law, AFDC, Food Stamps, and UI all respond during a time of recession and provide needed support. Not having these supports hurts families and retards economic stability.

ANTI-DISPLACEMENT PROVISIONS

QUESTION:

What are the anti-displacement provisions in the Administration's work proposal?

ANSWER:

- ▶ The Administration's proposal last year included strong anti-displacement provisions that applied to Work program employees in both the private and public sector. Assignments to positions created by layoff, strikes and lockouts were prohibited. Assignments that would result in displacement or infringement on the promotional opportunities of any currently employed worker were also prohibited. Furthermore, states were required to establish a grievance procedure to resolve complaints by regular employees that allege violations of the non-displacement provisions.
- ▶ The Administration's anti-displacement provisions were developed following consultations with a broad range of interested parties, including public employee unions.

UNWED MOTHERS -- REBECCA BLANK OP-ED

QUESTION

Madame Secretary, do you agree with the conclusions and recommendations in Dr. Rebecca Blank's op-ed piece in The Wall Street Journal entitled "Unwed Mothers Need Role Models, Not Roll Backs."

ANSWER

- ▶ Dr. Blank's conclusions do agree with several previous studies that have not shown that welfare benefits have a big impact on the childbearing decisions of teenagers. We certainly agree with her that it is cruel to deny benefits to the children of teen mothers just because their mothers are young and unmarried.
- ▶ The Administration believes instead that teen mothers should cooperate with paternity establishment efforts, stay in school, and live with a parent or responsible adult.

BACKGROUND AND SUMMARY OF BLANK ARTICLE

- ▶ "Almost no studies find a link between Aid to Families with Dependent Children benefit levels and nonmarital births among African-American women. There seems to be only a weak positive link among white women."
- ▶ The rise in births among unwed mothers has not just occurred among low income women. "While higher income single women have lower rates of unwed births, their probability of giving birth has also risen rapidly in the past 20 years."
- ▶ Denying benefits will make unwed mothers less likely to live independently. She points out that they are likely to live with husbands, boyfriends, or families who are also poor, which will not get them out of poverty. Also it could be dangerous since the incidence of domestic violence among low income women is high. A Washington State study found that 60 percent of AFDC recipients reported a history of physical or sexual abuse.
- ▶ Denying benefits to unmarried mothers will make these families poorer.
- ▶ "For those women who do become teenage mothers, the best government policy is one that ensures that teen welfare applicants are immediately placed in high-school completion programs and given strong incentives to find work once they have their degree."
- ▶ "Merely cutting public assistance to never-married mothers will leave us with out-of-wedlock birth rates far above those of a generation ago and increased rates of poverty among children."

CHILD SUPPORT ENFORCEMENT AND TRIBES

QUESTION:

What is the Department doing to ensure child support enforcement efforts on tribal lands?

ANSWER:

- ▶ Authority to administer child support enforcement services lies with the States. Given tribal sovereignty, State and local authority is limited on Tribal lands and states which have tried to provide these services on Tribal lands have been constrained in their efforts to establish paternity or establish and enforce support orders affecting absent parents who reside there.

States often use cooperative agreements delegating authority to local courts and law enforcement to carry out child support enforcement activities and this approach is now being tested to better serve Tribes:

- o New Mexico: the State legislature appropriated funds which, through a cooperative agreement with the Navajo Nation, are being used to open two child support offices on Tribal lands. The Navajo Nation Council has also recently enacted a comprehensive child support enforcement statute.
- o North and South Dakota: HHS is working with representatives of the Sioux, Arapaho and Shoshone Tribes to design an agreement aimed at providing child support services on Tribal lands.
- ▶ HHS' Office of Child Support Enforcement (OCSE), in conjunction with the ABA, is developing model agreements which may be used by other States and Tribes to provide child support services. OCSE has also recently hired a specialist who will specifically address jurisdictional differences affecting child support collections and will build relationships with the broader Native American community.

WELFARE REFORM WAIVERS

QUESTION:

Why does it take so long for states to get waivers for welfare reform?

ANSWER:

- ▶ The President and I strongly support state flexibility. We are proud of our record. Our Administration has granted 26 waivers in 25 States, more than all the other Administrations combined. That means that half the states in the nation are now engaged in testing new approaches to rewarding work and strengthening parental responsibility.

We work very closely with the states to achieve these demonstrations, which often require considerable discussion to ensure that we can help the states achieve their goals consistent with the objectives of the Social Security Act.

- ▶ In fact, the President's welfare reform proposal incorporates considerable state flexibility in the areas in which states have been most interested.

TREATMENT OF TRIBES IN WELFARE REFORM

QUESTION

How does the House welfare reform bill as passed by the Ways and Means Committee differ from the President's Work and Responsibility Act in its treatment of tribes?

ANSWER

- ▶ The House bill does nothing to promote work in tribes. Rather, it would eliminate the Tribal JOBS program.
- ▶ In contrast, The Work and Responsibility Act (WRA) included several provisions for Tribes. It provided that tribes:
 - a) would receive 2 percent of the total funding under JOBS and WORK to operate programs;
 - b) would directly receive funding to provide child care for JOBS and WORK participants;
 - c) could use 10 percent of their allocation or \$5,000, whichever is less, for an economic development project.
- ▶ Block granting funds to states with no provision for Tribes retreats from the Federal government's commitment to maintain a government to government relationship with tribes.

QUESTION:

What do you think of Larry Mead's paper on the JOBS program?

ANSWER:

Mead recently completed an interesting paper on Wisconsin's JOBS program. He makes two main points:

- ▶ He stressed the importance of tough work requirements -- he particularly emphasized the need for high participation rates and work-focused activities. He believes programs with these elements can slow the growth in welfare, as well as raise the work levels of those on welfare. In his paper, he argues that effective work programs appear to be the main reason why Wisconsin has cut welfare use in recent years, despite a recession and generous welfare grants. While his conclusions may be somewhat overstated (because he did not use a rigorous research design), they are generally supported by other experimental research studies which show programs with a strong work message can substantially increase welfare recipients' employment and earnings and reduce their welfare dependency.
- ▶ His second point is that programs must be well-managed and have a strong case management component so that they keep recipients focused on work and participation in work-related activities. Overall, he argues that welfare reform is an administrative problem -- the main impediment to welfare reform is that programs are not well-implemented or focused on the right objectives.

Mead also testified before the House Ways and Means Subcommittee on Human Resources in January. In this hearing, he expressed concern over some provisions in the House Republican bill. He stated that there was little evidence that time limits per se or eligibility restrictions would have their intended effects or were what the public had in mind in its calls for welfare reform. He also stressed that block grants would lessen the effectiveness of programs because they would eliminate national standards.

DID THE DEPARTMENT SEEK TO UNDERMINE MEPA

QUESTION:

Did the Department seek to undermine MEPA?

ANSWER:

- ▶ The Department and the President are strongly committed to insuring the adoption of all children as quickly as possible. We have constantly taken the position that people should not be denied the opportunity to adopt a child of a different race or ethnicity and that placement of children in adoptive homes should not be delayed in order to find same race placements. The Department has never supported any rules that allow delay.
- ▶ The amendments suggested by the Department were designed to strengthen the MEPA. The original version of MEPA proposed an enforcement mechanism that would have been very difficult to enforce. The Department suggested enforcement under Title VI of the Civil Rights Act. This statute gives the Department a wide range of ways of enforcement mechanisms, including asking for court orders to require compliance and the option of taking a wide range of fiscal penalties, including terminating all funds to the discriminating program.
- ▶ The Department also sought to insure that the provision that Senator Metzenbaum had in his bill with respect to how race can be considered in making decisions was drafted in a way that was workable and Constitutional.

JOB TRAINING VOUCHERS AND WELFARE RECIPIENTS

QUESTION:

Under the President's employment and training initiative, individuals can receive vouchers for training and education. Can states give these job training vouchers to welfare recipients?

ANSWER:

Yes. The President's Middle Class Bill of Rights Initiative will create individual skill grants worth up to \$2,620 a year for up to two years -- to help unemployed workers and low-income adults and youth obtain technical training and education. Guided by employment information provided through the networks of One-Stop Career Centers, individuals will be able to make their own choices about what skills to learn, and what new and better jobs to go into. Low income persons, including welfare recipients, will be able to qualify for these vouchers under the same terms and conditions as they do now under Pell grants. These individual skill grants are designed to ensure that all Americans have the opportunity to finance learning new skills.

NOTE: There could be a follow up question about whether or not these grants would be counted as income which would effectively lower a family's AFDC payment. Your response should suggest that since these vouchers can only be used for education and training, they should, by statute, be excluded as income.

WEAK WORK VS. LOW WORK REQUIREMENTS

QUESTION:

Why are you criticizing the House Republican bill for having weak work requirements when the Clinton proposal itself had such low work requirements and such a slow phase-in?

ANSWER:

- ▶ The Ways and Means Committee bill not only has low participation standards, it allows states to count people cut from the rolls as "working." This is a fundamental distortion.
- ▶ In fact, in 1996, their bill would require fewer people to work than current law. According to their bill, 4 percent of the caseload must be in "work activities" in 1996. Under current law, 11.5 percent of welfare recipients would be working in 1996 - either in private sector jobs or in mandatory work programs. (Slightly more than that would be working in 1996 under the original Administration proposal, since the two-year time limit would not have been reached.)
- ▶ In the year 2000, 17 percent of the AFDC caseload, and 90 percent of the AFDC-UP caseload, would be required to be in "work activities" under the Republican bill, with "work activities" defined as mandatory work or "job search." Again, it's important to remember that caseload reductions also count as "work." By that measurement, the Republican plan would, in 2000 as well as in 1996, have slightly fewer people "working" than the original Administration proposal. In addition, our bill would require that substantial numbers of additional people participate in mandatory, time-limited education and training programs leading to work.

STATE PERFORMANCE IN FOSTER CARE AND CHILD PROTECTION

QUESTION:

Some in the House want to repeal the federal Foster Care and Adoption Assistance program and turn these activities over to the states. What has been the record of states in operating their foster care and child protective systems.

ANSWER:

- ▶ Unfortunately, states have operated these systems so poorly that in **22 States**, the courts have had to intervene in order to assure the protection of children.
 - o Like the District of Columbia that we have all read so much about, 6 States are currently operating under an injunction imposed by the court because of problems in their child welfare systems. These include **New York** (Moynihan and D'Amato), **West Virginia** (Rockefeller), and **Illinois** (Moseley-Braun)
 - o 20 States have entered into settlements or consent decrees to resolve litigation over problems with their child welfare systems. These include **Kansas** (Dole), **Rhode Island** (Chafee), **Utah** (Hatch), as well as New York, Arkansas, Florida, and Illinois.

(There are more court actions than states -- because several actions are pending in some states)

ADVISORY BOARD ON WELFARE INDICATORS

QUESTION:

Why have you not appointed members for the Advisory Board on Welfare Indicators?

ANSWER:

We have taken a number of steps to begin the work to develop welfare indicators and predictors as required by the Social Security Act Amendments of 1994.

- ▶ Since this provision was passed, we have been analyzing a wide range of valuable data as various welfare reform proposals have been developed.
- ▶ We have brought in state and local welfare officials to discuss data issues and welfare dependency.
- ▶ This past fall we held a conference which brought together many noted researchers to recommend the most important indicators for tracking the successful development of children and youth and the related issues surrounding data collection and analysis. Papers from this meeting will be published this spring.
- ▶ Early this summer we will also be publishing a databook on children and youth.
- ▶ Researchers, such as Robert Moffitt and Peter Gottschalk, who are affiliated with the Institute for Research on Poverty have prepared several papers on welfare dependency.

We are now ready to undertake the core work for this effort, which will lead to an interim report in the fall of 1996. I have instructed my staff to work as quickly as possible with the House and the Senate to put together the Advisory Board. I look forward to our future interactions on this important work.

OUT-OF-WEDLOCK CHILDBEARING IN NORTHERN EUROPE

QUESTION:

Are you aware of what has been happening to out-of-wedlock childbearing in Northern Europe? Why do you think we have seen such rises in out-of-wedlock childbearing in those countries but not in places like Switzerland and Japan?

ANSWER:

Senator Moynihan has once again confirmed his position as one of the most important social scientists and social observers, pointing out trends that should have been apparent to many, but were missed. It happened with the Moynihan Report in 1964, and it has happened again. As the Senator pointed out at Blair House and in other forums as well, the change in childbearing patterns extends far beyond the U.S., but it is not universal.

It is not only the U.S. that has seen large growth in out-of-wedlock childbearing, Scandinavian countries, France, the UK, and Canada, among others, all have had enormous growth in out-of-wedlock childbearing and all of these countries have levels as high or higher than the U.S. Yet in a few countries such as Italy, Switzerland, and Japan, there is far less out-of-wedlock childbearing.

These trends and differences seem quite important. The fact that there has been growth in so many countries, but that it has not occurred universally should provide us with a desperately needed source of new ideas and research methods for understanding these trends. One thing the evidence does make clear. Changes this large that occur in so many countries indicate it is quite unlikely that particular aspects of the AFDC system are the cause of the changes. Each country has rather different social support systems, yet we see the trend in many countries -- but not in all. Clearly we ought to look carefully at these differences, and we intend to do so.



“The Great Transformation”

**Daniel
Patrick
Moynihan**

The advent of the Kennedy administration in 1961 brought with it a much invigorated interest in full employment as national policy. Keynesian economists were securely in place, and the government was beginning to collect the kinds of data they needed to carry out their manipulations. There was now, for example, a monthly unemployment rate that became *the* number in an increasingly numerate capital.

Simultaneously, there was a movement to view full employment as social and not simply economic policy. The thought had occurred that even a high demand economy would not do much for workers with inadequate skills.

One of the early, and rare, achievements of the new administration was the Manpower Development and Training Act of 1962. It provided for an annual Manpower Report to parallel the yearly Economic Report of the president. Education and training began to be seen as national problems and national responsibilities.

The Department of Labor established an Office of Policy Planning and Research—which, as an assistant secretary of labor, I headed—and soon it was working on the edges of what would come to be known as the problem of poverty. A vast data base presented itself to us in the annual returns of the Armed Forces Qualification Test and the accompanying medical examinations given to young males of draft age. At the behest of the Department of Labor, President Kennedy on September 30, 1963, appointed a Task Force on Manpower Conservation to review this data. The idea came from the Office of Policy Planning and Research, where the work was done.

On January 5, 1964—not much more than three months later, government being a lot faster in those days—the study, *One Third of A Nation*, with its Rooseveltian reference, was released. In a statement I drafted, President Johnson reported “with utmost concern” the two principal findings:

First, that one-third of the Nation's youth would, on examination, be found unqualified on the basis of standards set up for military service and

Second, that poverty is the principal reason why these young men fail to meet those physical and mental standards.

The findings of the Task Force are dramatic evidence that poverty is still with us, still exacting its price in spoiled lives and failed expectations. For entirely too many Americans the promise of American life is not being kept. In a nation as rich and productive as ours this is an intolerable situation.

I shall shortly present to the Congress a program designed to attack the roots of poverty in our cities and rural areas. I wish to see an America in which no young person, whatever the circumstances, shall reach the age of twenty-one without the health, education, and skills that will give

him an opportunity to be an effective citizen and a self-supporting individual. This opportunity is too often denied to those who grow up in a background of poverty.

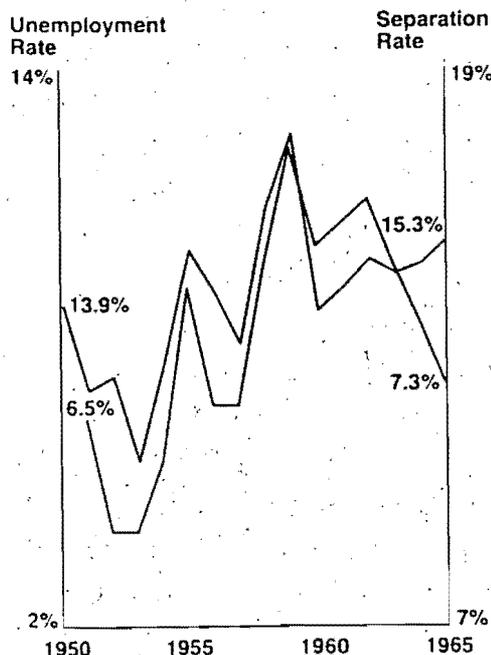
This war on poverty, however, will not be won overnight.

And so the war on poverty began. *One Third of A Nation* would be the principal data source for the group that now shaped the poverty program. The unavoidable emphasis was on lack of work qualifications among American youth, and the need for early intervention or subsequent remediation. The extraordinary state-to-state differences in test scores, for example, surely argued that social provision made a difference. It did not, of course, tell us which forms of social provision mattered. That conundrum was to come.

Back at the lab I began to look for correlations between employment and some of the conditions associated with poverty. Of these, family structure seemed the most obvious, and in no time I had a room filled with charts showing the closest of correlations between

Suddenly, marital breakdown no longer tracked job market failure among American minorities. If this had been more generally understood, I dare to think subsequent history could have been different.

Figure 1: Unemployment Rate and Marital Separation Rate for Nonwhites



Note: Separation rate is for women. Unemployment rate is for males age 20 and over. This chart is actually a correction of the one in the original publication which transposed some data for 1950 to 1952.

Next day, the *Washington Post* carried a column by Rowland Evans and Robert Novak entitled, "The Moynihan Report." A cottage industry sprang up among assorted professors and militants assembling proofs that what I had written was not so. Hadn't been so. Wouldn't be so.

joblessness and family instability from the early 1950s (when most of the data series began) up until the early 1960s. *Whereupon the correlation would disappear.* In 1967 I described this at some length in an article in *The Annals of the American Academy of Political and Social Science*. Figure 1 is an example from that paper.

Note the crossover in 1963 of previously near parallel curves. James Q. Wilson would later call these "Moynihan's Scissors," and he was almost alone—in this as in so much!—in seeing that *we had come upon something we couldn't explain.* Possibly something new. Suddenly, marital breakdown no longer tracked job market failure among American minorities. If this had been more generally understood, I dare to think subsequent history could have been different.

At this moment of discovery, my simple faith that employment would produce social stability was undone. (Which is not to say we don't need full employment; please, no more of that.) If such a faith seems simple-minded from this distance, may I plead that I was, am, a child of the 1930s when unemployment produced instability on a worldwide basis.

I next moved to a large and problematic hypothesis. We were seemingly approaching a new kind of crisis we simply did not understand. I wrote a report, "The Negro Family: The Case for National Action." It began: "The United States is approaching a new crisis in race relations."

I was dealing with the hugely sensitive area of race. This was no accident. I was as much caught up with the civil rights cause as any member of the Kennedy-Johnson administrations. (Recall that the great March on Washington in the summer of 1963 was for "Jobs and Freedom.") Unemployment was clearly most severe among nonwhites; so were increasingly evident problems of dependency. But the sources of all this were murky.

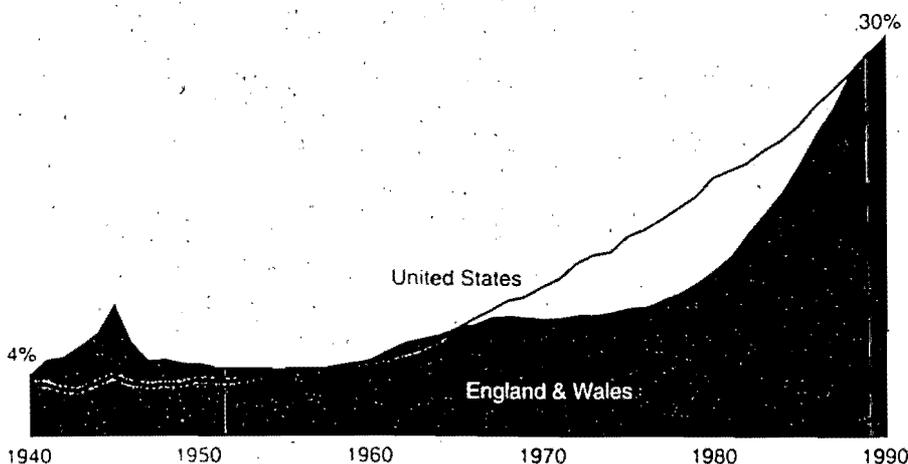
My report was sent to Johnson in the spring of 1965. He decided to use it as the basis for a commencement address at Howard University. I wrote the first draft. The speech was a great success, coming at the height of Johnson's authority in these matters. (Years later he would send word to me that he considered it the greatest civil rights speech he ever gave.) Unfortunately some 68 days from the time of the Howard University speech, riots broke out in Watts, a neighborhood in Los Angeles. The White House press corps demanded to know how such a thing could happen at a time of such racial harmony and manifest progress. Bill Moyers, then press secretary, passed out copies of the until-then low-profile report.

Next day, the *Washington Post* carried a column by Rowland Evans and Robert Novak entitled, "The Moynihan Report." A cottage industry sprang up among assorted professors and militants assembling proofs that what I had written was not so. Hadn't been so. Wouldn't be so. The subject became caught up in the recriminations of the era that followed.

There was one exception, however. At the White House Conference to Fulfill These Rights, which Johnson had called for at Howard, Martin Luther King, Jr., said, "Thank you for your report." On a number of occasions, he spoke about it in thoughtful terms. Forty-two days before his death he had me down to a Miami meeting of the Southern Christian Leadership Conference to discuss it, among other matters.

In any case, nothing changed save that the phenomenon of nonmarital births soon appeared among persons of *all* races. In 1993, John R. Fowle III, a scientist on leave to the Senate, analyzed trends in U.S. out of wedlock birth rates and found that they fit several

Figure 2: Percent of All Births Out-of-Wedlock (United States vs. England & Wales)



curves, including an exponential curve which projected that the U.S. rate would reach 50 percent by the year 2004. I mentioned this, perhaps too casually, to President Clinton, who repeated it in his 1994 State of the Union Message.

We cannot renew our country when within a decade more than half of our children will be born into families where there is no marriage.

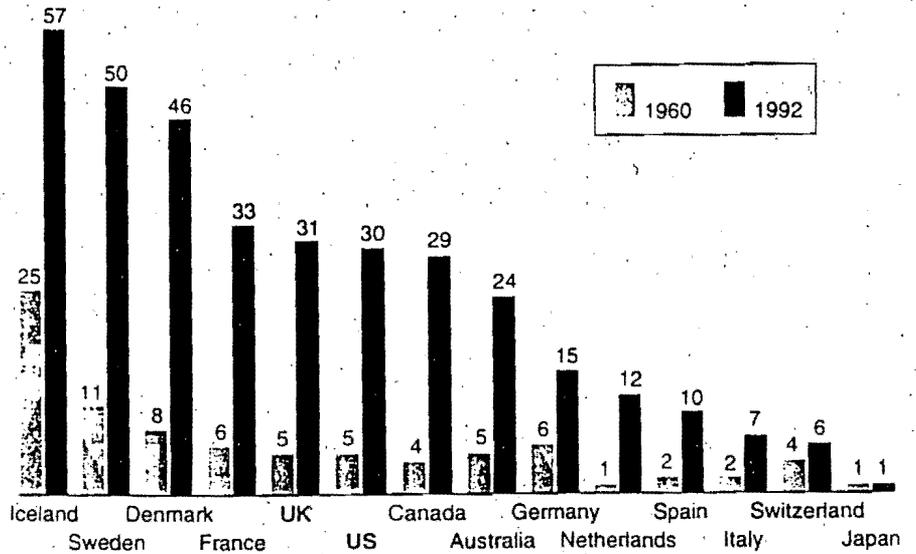
This presidential statement brought the very opposite reaction as had occurred 30 years previously. Whereas earlier there had been a huge response, now there was none. I cannot imagine that the president's statement was completely ignored by the media, not to mention the Congress, but I know of no such notice. Having examined our data, Professors Lee Rainwater and Reynolds Farley testified before the Senate Committee on Finance (during my attenuated tenure as chairman) that by the year 2000, 40 percent of American babies would surely be born outside marriage.

Now for the BIG surprise. It turns out that while no one was looking (no one over here at the time), the same worrisome bloom of non-marital births was taking place "over there." Which is to say, Northern Europe. Figure 2, developed by Fowle and Cynthia Rice, a Javits Fellow at the Finance Committee, shows a transformation in England and Wales nearly identical to our own.

Of great note is the presence, and then disappearance, of expected influences on the out-of-wedlock birth rate. We begin in 1940 with the United States and England and Wales at the "historic" 4-percent-plus-or-minus-a-bit ratio. Then war breaks out. Millions of young males leave the continental United States. The ratio goes down. Several million arrive in the United Kingdom, where the ratio goes up. V-E Day, V-J Day, the ratio peaks on both sides of the Atlantic. Whereupon things return to normal. Until the mid-1960s—when an unbroken ascent commences. In part this growing proportion of all births coming out of wedlock may be ascribed to a decline in birth rates among married women. But that factor is not nearly sufficient to explain away this momentous change in social behavior.

As Figure 3 reveals, this change was to be seen across Northern Europe and Northern America. Canada trails just below the U.S. ratio, France just above. Italy and Switzerland are comparative laggards. We briefly entertained the hypothesis of distance from the Var-

Figure 3: Percent of Births That Are Out-of-Wedlock



Note: Germany is West Germany for 1960. Data for Canada and Spain are from 1991. Data for Japan are from 1990.

ican as a causative, but then we observed Japan: 1 percent born out of wedlock in 1960, 1 percent in 1990.

In his 1990 masterwork, *Foundations of Social Policy*, and later his 1992 Presidential Address to the American Sociological Association, James S. Coleman spoke of the "Great Transformation" of Western society in the eighteenth century, and of a similar transition taking place today.

[M]odern societies are in the midst of a transformation in their very basis of organization. Brought on over the past two centuries, this is a change away from social organization derivative from the family and related primordial institutions, such as religious bodies.... [A]s the institutions of primordial social organization crumble [it] is the task of sociologists... to ensure that [the] reconstruction of society is not naive, but sophisticated....

This is surely a political as well as a cultural and academic task. But the case that any of our political systems is equal to it is ambiguous at best.

As the institutions of primordial social organization crumble, the reconstruction of society is surely a political as well as a cultural and academic task. But the case that any of our political systems is equal to it is ambiguous at best.