

CONTRACT WITH AMERICA—WELFARE REFORM

HEARING
BEFORE THE
SUBCOMMITTEE ON HUMAN RESOURCES
OF THE
COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
FIRST SESSION

JANUARY 13, 20, 23, 27, 30; AND FEBRUARY 2, 1995

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WELFARE REFORM

FRIDAY, JANUARY 13, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 10 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

[The advisories announcing the hearings follow:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
December 30, 1994
No. 1

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SHAW ANNOUNCES CONTRACT WITH AMERICA HEARINGS ON WELFARE REFORM

Congressman E. Clay Shaw, Jr., (R-FL), Chairman Designate of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee will conduct a series of hearings on the Personal Responsibility Act that is part of the Contract with America, the series of 10 bills offered by the Republicans as a national legislative agenda. The hearings will be held on January 13, 20, 23, 27, and 30, 1995. The first four hearings will feature invited witnesses; the last hearing will include Members of Congress and public witnesses. **The January 13 hearing will be held in the main Committee hearing room, 1100 Longworth House Office Building, beginning at 10:00 a.m. Room locations and times for the four other hearings will be announced in a subsequent press release.**

BACKGROUND:

The American public, recipients of public aid, scholars, and Members of Congress all agree that the American welfare system is broken. One of the system's biggest flaws is that people who receive welfare tend to stay on the rolls for many years. In the Aid to Families with Dependent Children program, for example, more than 60 percent of those on the rolls at a given moment will eventually claim benefits for nine years or more. A second flaw in the welfare system is its growing cost and the expanding number of overlapping programs. A third flaw is that the nation suffers from rising illegitimacy rates that many scholars believe are linked to guaranteed welfare benefits. There is considerable evidence that illegitimate children are more likely to drop out of school, be unemployed, and join the welfare rolls themselves as young adults. Finally, the welfare system does little to encourage work.

To examine these problems, the Subcommittee has organized four topical hearings and one general hearing in which members of the Subcommittee will hear from their Congressional colleagues and the general public. The topical hearings are:

Costs of Welfare, Role of Entitlements, and Block Grants (Friday, January 13). Witnesses will examine the growth of spending on means-tested programs and the role of entitlements in this growth. The Subcommittee will also take testimony about the use of block grants as a strategy for controlling Federal spending and for returning authority and flexibility in designing programs for the poor to State governments.

Illegitimacy and Welfare (Friday, January 20). Witnesses from the Congressional Research Service and the Congressional Budget Office will summarize historical changes in rates of illegitimacy and the role illegitimacy has played in recent years in the growth of the welfare rolls. The Subcommittee will also hear testimony about the relationship, if any, between welfare benefits and rates of illegitimacy, and about the relationship between illegitimacy and social problems such as poverty, welfare use, school dropout, crime, and drug use.

Welfare Dependency and Welfare-to-Work Programs (Monday, January 23). After examining evidence regarding the length of stays on welfare, the Subcommittee will hear from researchers and program administrators about the effectiveness of programs that provide education, training, job search, and work experience in helping families leave welfare.

Changing Eligibility for Supplemental Security Income (Friday, January 27). The Personal Responsibility Act or previous bills introduced by members of the Ways and Means Committee calls for reduced benefits for aliens, drug addicts, and children on the Supplemental Security Income Program. This hearing will be devoted to testimony from several panels of witnesses on reducing or eliminating SSI benefits for these groups of recipients.

The Subcommittee will hear from the interested public and Members of Congress on Monday, January 30.

DETAILS FOR SUBMISSIONS OF REQUESTS TO BE HEARD:

Requests to be heard must be made by telephone to Diane Kirkland or Traci Altman (202) 225-1721 no later than the close of business, Friday, January 6, 1995. The telephone request should be followed by a formal written request to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. The staff of the Subcommittee on Human Resources will notify by telephone those scheduled to appear as soon as possible after the filing deadline. Any questions concerning a scheduled appearance should be directed to the staff at (202) 225-1025.

In view of the limited time available to hear witnesses, the Subcommittee may not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance are encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

Witnesses scheduled to present oral testimony are required to summarize briefly their written statements in no more than five minutes. **THE FIVE MINUTE RULE WILL BE STRICTLY ENFORCED. The full written statement of each witness will be included in the printed record.**

In order to assure the most productive use of the limited amount of time available to question witnesses, all witnesses scheduled to appear before the Subcommittee are required to submit 200 copies of their prepared statements for review by Members prior to the hearing. **Testimony should arrive at the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, no later than 24 hours before hearings.**

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE:

Any person or organization wishing to submit a written statement for the printed record of the hearing should submit at least six (6) copies of their statement by the close of business, Friday, February 3, 1995, to Phillip D. Moseley, Chief of Staff, Committee on Ways and Means, U.S. House of Representatives, 1102 Longworth House Office Building, Washington, D.C. 20515. If those filing written statements wish to have their statements distributed to the press and interested public at the hearing, they may deliver 200 additional copies for this purpose to the Subcommittee on Human Resources office, room B-317 Rayburn House Office Building, before the hearing begins.

FORMATTING REQUIREMENTS:

Each statement presented for printing to the Committee by a witness, any written statement or exhibit submitted for the printed record or any written comments in response to a request for written comments must conform to the guidelines listed below. Any statement or exhibit not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All statements and any accompanying exhibits for printing must be typed in single space on legal-size paper and may not exceed a total of 10 pages.
2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.
3. Statements must contain the name and capacity in which the witness will appear or, for written comments, the name and capacity of the person submitting the statement, as well as any clients or persons, or any organization for whom the witness appears or for whom the statement is submitted.
4. A supplemental sheet must accompany each statement listing the name, full address, a telephone number where the witness or the designated representative may be reached and a topical outline or summary of the comments and recommendations in the full statement. This supplemental sheet will not be included in the printed record.

The above restrictions and limitations apply only to material being submitted for printing. Statements and exhibits or supplementary material submitted solely for distribution to the Members, the press and the public during the course of a public hearing may be submitted in other forms.

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ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
January 13, 1995
No. HR-1

CONTACT: (202) 225-1721

SHAW ANNOUNCES TIME AND ROOM LOCATIONS FOR THE CONTRACT WITH AMERICA HEARINGS ON WELFARE REFORM

Congressman E. Clay Shaw, Jr., (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the series of Subcommittee hearings on the Personal Responsibility Act that is part of the *Contract With America* **will begin at 10:00 a.m. on Friday, January 20, and Friday, January 27, and will begin at 12:00 noon on Monday, January 23, and Monday, January 30. All four hearings will be held in the main Committee hearing room, 1100 Longworth House Office Building.**

All other details for the hearings remain the same. (See Subcommittee press release No. 1.)

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON HUMAN RESOURCES

FOR IMMEDIATE RELEASE
January 24, 1995
No. HR-2

CONTACT: (202) 225-1721

SHAW ANNOUNCES TIME CHANGE AND ADDITIONAL DAY OF HEARINGS ON *CONTRACT WITH AMERICA* WELFARE REFORM PROPOSAL

Congressman E. Clay Shaw, Jr. (R-FL), Chairman of the Subcommittee on Human Resources of the Committee on Ways and Means, today announced that the Subcommittee hearing scheduled for Friday, January 27, 1995, **will begin instead at 9:00 a.m. in the main Committee hearing room, 1100 Longworth House Office Building.** The hearing had been scheduled to begin at 10:00 a.m. The subject of the hearing is changing eligibility for Supplemental Security Income.

In addition, Shaw said that in an effort to accommodate the large number of public witnesses who have requested the opportunity to appear before the Subcommittee, **a second hearing for public witnesses will be held on Thursday, February 2, 1995. The hearing will begin at 9:00 a.m. in B-318 of the Rayburn House Office Building.** The first hearing for public witnesses is scheduled for Monday, January 30, 1995, beginning at 12:00 noon in 1100 Longworth House Office Building. Only members of the public who, in accordance with prior press releases, have requested to be heard and have been contacted by the Committee, will be scheduled to testify on February 2. Other interested members of the public are invited to submit written statements for the record of these proceedings.

All other details for the hearings remain the same. (See Subcommittee Advisory No. 1 and HR-1.)

Chairman SHAW. I will call this first hearing to order.

We on the Human Resources Subcommittee have a historic opportunity. I would like to ask at this time unanimous consent that my written statement be put into the record so that I might summarize. We, as Republicans and Democrats, have an opportunity to work together not only with the administration but also with the Governors of this country to change the world as we know it, today, here in the United States, to take a program which has grown and grown many times to the detriment of the people that it is trying to help, without any proper attention being given to it.

I think in looking for new ideas and reaching out for new ideas as to what is wrong with welfare, and how we can change it, we have to look no further than the States and what they are doing. We have a welfare system here in the United States that has paid people not to work, has paid people not to get married, has paid people to stay where they are in a life of poverty and not to succeed. By changing this system we have an opportunity to give these people a new lease on life, and to help them take control of their future and enjoy a new freedom that many of them have not enjoyed because they have been enslaved with the chains of welfare in this country.

We are going to be reaching out for even more new ideas in the next few weeks as we go through the hearing process. We are on the fast track. The American people are behind us. I think from listening to Democrats and Republicans that we all want to accomplish the same thing even though we may have substantially different ideas as to how to go about it and as to some of the details. I find a consensus of what brings us together and that is the realization that the welfare program we have is the cruelest program of all because it pays people not to succeed. Thinking back to some of the Full Committee hearings that we have had, I was struck by a comment that one of our witnesses made yesterday, and that was that people will rise to the expectations you have of them. If you don't expect anything of them, that they will not disappoint you because that is exactly what is going to happen—nothing.

But if you raise your expectations and believe that these people can accomplish something, they also will not disappoint you because they will have within themselves self-esteem and they will work to levels that they did not think possible. I look forward to this hearing.

We have as our first panel of witnesses, two of the outstanding Governors in this country, one a Democrat and one a Republican. Our former colleague from Delaware, Governor Carper, who has a distinguished record here in the House as well as in the State of Delaware is trying to make a difference and trying to stop the welfare spiral.

Governor Engler of Michigan has done an outstanding job as one of the leading Governors in this country in stopping the cycle of welfare and the spiraling effect it has on this country. I look forward to this hearing and I think it is proper that we start with these gentlemen as our first two witnesses.

[The prepared statement follows:]

Opening Prepared Statement
Chairman Clay Shaw
Subcommittee on Human Resources
January 13, 1995

Today we begin our first hearing on the important issue of overhauling America's welfare system. The American people know our current system is broken. They want it fixed. We are here to fix it.

Republicans intend to revolutionize the system from top to bottom. In doing so, we will pursue two broad goals: We will protect the needy. We will also protect the taxpayer.

Make no mistake about it - nothing could be crueller than the welfare status quo. It is cruel to the needy. It is cruel to the poor. It is cruel to children.

Welfare in America today does not give people a sense of personal responsibility. Welfare in America today does not give people economic incentives to get a job and keep a job. Welfare in American today does not create moral values that unite families as they move up the ladder of opportunity.

Welfare today has left a sad mark on the American success story. Too many welfare recipients live in a world where children have no dreams for the future and parents have given up their hopes for today. It is a world without fathers. It is a world without freedom and safety. It is a world without dignity.

It is also a world where leaders have failed to make the tough decisions that must be made if we are to help the beneficiaries and the taxpayers.

Is it any wonder that taxpayers are asking if all the money they have spent on welfare has done any good?

To change this failed system of socialized compassion, we plan to take eight actions:

- One - we will require work of able-bodied adults receiving welfare
- Two - we will send major responsibility for the design and implementation of programs to the state and local level
- Three - we will limit the length of time able-bodied adults can receive cash benefits
- Four - we will end many of the overlapping means-tested programs
- Five - we will limit entitlements
- Six - we will limit welfare payments to minor unwed mothers
- Seven - we will end welfare for most noncitizens
- Eight - we will reduce welfare spending

When we have completed our task, life will be better for the recipients of these programs. Life will also be better for the American taxpayer. We made a contract with the American people last fall to do this. We intend to honor that contract.

In today's hearing, we will address the closely related topics of federal spending on means-tested programs and the role of entitlements in the growth of spending on means-tested programs. In addition, we want to take testimony on the advantages and disadvantages of block grants as a means of reducing complexity, saving money, and returning the initiative on welfare programs to the states and localities.

To help us pursue these issues, we are fortunate to have with us two panels of distinguished witnesses and an equally distinguished witness from the Clinton Administration. We will begin with Governor John Engler of Michigan. In his four years as governor, he has established Michigan as one of the nation's most innovative states. His reforms of the Michigan welfare system have produced several notable results, the most important being that Michigan has the highest percentage of AFDC mothers working of any state in the country. He is joined on the panel by Governor Tom Carper of Delaware. Governor Carper is well known to members of this Committee for his role as one of the leaders of welfare reform in the House back in 1987 and 1988. Many of us remember his courageous attempts to forge a bipartisan bill in the midst of highly partisan debate.

Before turning to our witnesses, I yield to the distinguished ranking minority member, Mr. Ford, for a statement.

Chairman SHAW. I yield to the Ranking Minority Leader, Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

I, too, as Ranking Minority Member of this Committee would like to join you and the Republicans in hopefully some type of bipartisan spirit to fashion a welfare bill that will respond to those human needs of people in this country. We know that there are those who are trapped into this vicious cycle of poverty and welfare, we know that the system out there is not working and responding to many of the human needs of our children and those women who are trapped at this dead end of the welfare cycle itself.

I would like to say as we go through the witnesses, and I welcome the two Governors today, but as we go through this welfare process, that the Democrats are going to make it clear that we are, in fact, skeptical about the block grants. We won't let poor kids suffer in this welfare package or the welfare reform bill we will report from this Committee. We need to make sure we strengthen the child support provisions, to make sure that women and children are not the targets, that we also place that responsibility on the father, as well.

Democrats will support responsible work requirements before this Subcommittee to be reported in the welfare reform package. It is clear that we must assure the welfare of our children and let it be a national responsibility to respond to many of those human needs and we meet those human needs in the welfare population. We know that the welfare population is over 14 million people in this country and we know that they are in need of changes in the system itself.

So we as Democrats want to work with you, want to join with our colleagues on the majority side of this Subcommittee, but more so we want to join with the welfare population in trying to suggest and bring about work requirements that will put welfare mothers to work and to make sure that the fathers do their responsibility and ease the burden on the Federal Government in paying for cash assistance and other types of welfare programs in this country.

We look forward to working with you on this Committee and are ready for the debate and the dialog to start now, Mr. Chairman.

[The opening statement of Mr. English follows:]

FOR THE RECORD

The Honorable Phil English
January 13, 1995
Before the House Ways and Means Committee
Subcommittee on Human Resources
Hearing on Welfare Reform

Mr. Chairman and Members of the Subcommittee, this is a historic and very important day. As we begin hearing testimony today on welfare reform provisions including the growth of means tested programs and spending welfare entitlements, and block grants, we are taking our first step toward changing a system that the overwhelming majority of Americans are dissatisfied with and want to see changed.

I firmly believe that by embracing goals that include a frontal attack on illegitimacy, a clear work requirement, time limits, and controls on overall welfare spending, we will be immediately addressing the most serious problems with our current system. I feel I can speak for my Congressional District in saying that the existing problems are of the magnitude that we simply cannot wait to begin making the changes that will move substantial numbers of adults from welfare rolls to work rolls - not to mention saving \$40 billion over the first five years of enactment.

We have a responsibility to shape reform legislation that links welfare rights to responsible individual behavior and offers viable prescriptions for reducing welfare dependency. Our reforms must seek to preserve the family structures of those in the underclass seeking to escape poverty.

We have a host of witnesses who will present emotional and very serious testimony. I am grateful for their attendance and encourage my colleagues to not lose sight of our states and our citizens and how our decisions will affect individuals.

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Chairman SHAW. We are certainly starting out on the right foot. Let's see if we can let this continue.

The first witness today is Governor John Engler, a leader in welfare reform in his own right.

STATEMENT OF HON. JOHN ENGLER, GOVERNOR, STATE OF MICHIGAN

Governor ENGLER. Thank you, Mr. Chairman.

Let me begin by pointing to this stack of documents in front of me that represent the rules and regulations from just three Federal welfare programs, AFDC, food stamps and Medicaid, then as supplemented by the fiscal year 1994 and 1995 changes to the rules. These are Washington's rules. This is what a frontline worker in the State of Michigan or the State of Delaware or across the Nation have to master in order to help people that are in need.

I believe that these cumbersome rules represent a barrier that restricts States from reforming welfare, a barrier that locks families in poverty, a barrier with your help that we must tear down. While I come to this hearing on welfare reform to debate welfare reform, I respectfully suggest that the answers to our problems will not be found here.

James Q. Wilson, UCLA professor, recently said that we ought to turn the task and the money for rebuilding lives, welfare payments, housing subsidies, the whole lot, over to our cities and States and the private agencies to be found there.

To accomplish this goal, I propose the following guidelines:

First, get Washington out of the way. Conservative micromanagement is just as bad as liberal micromanagement. States must have the freedom with no strings attached to implement change. What works in Denver might not work in Detroit. Every city and State is different. That is why the States need the flexibility to be different, to be creative in our strategy to reform welfare and restore hope.

As you know, AFDC was set up to help widows and their children during the Great Depression. American families, our economy, our way of life, have dramatically changed since then and the program has not, except to become more complicated and cumbersome. The problems we confront are not "one size fits all."

So a Federal "one size fits all" approach can not, has not, and will not work. Washington has had 60 years to tackle the welfare problem. It is time to give the States a chance. Certainly we can do better than the current Federal system that is represented by those rules and regulations. It is a dizzying array of failed social experiments that break up families, discourage marriage and don't encourage or reward work.

Let me give you an example. In Michigan there is an AFDC client who lives in public housing, section 8 housing. This person refused to be part of our mandatory work program so we sanctioned the client by cutting her AFDC grant. Therefore, we cut her income. The result—did she go to work? Not by a long shot.

Since her income went down, her housing rent was lowered and her food stamp allowance went up. Bottom line, the sanctions for not working became a financial plus and she was better off staying at home and saying no to work.

Another quick example. Because of Federal rules for about half the families that we send checks to on AFDC, the States have no effective way to enforce our work rules, require child immunizations or any number of other important actions to encourage responsibility and self-reliance. The irony is that these Federal rules which are intended to protect children then actually hurt them by condemning their families to a life on welfare.

The good news is that there is a way to solve this problem—block grants that allow the States the flexibility they need and have sought and demanded for so long.

Mr. Chairman, I am encouraged by your leadership and that of this Subcommittee and other leaders in Congress who are willing to consider replacing a myriad of some 336 Federal programs such as AFDC, child care, food stamps, and job training, with 8 block grants.

That pile of regulations that you saw represents only three programs. We can only imagine what it would look like if we had the paperwork from all 336 programs. I probably wouldn't be able to see this Subcommittee behind that pile of documents. I think that I speak for every Governor who has ever applied for a waiver when I say that change is needed and needed now.

Second, real reform cannot burden taxpayers with spending increases or additional entitlements. Reform must save money, reform can save money. Welfare reform can be a win-win for both the recipients and the taxpayers. In Michigan, our strategy to encourage work over welfare saves taxpayers more than \$100 million over the first 2 years.

I would repeat that number because that is a shared savings between State and Federal Government—\$100 million.

How much money can we save with nationwide reform? Plenty. In return for the flexibility of block grants, Governors have discussed a freeze in Federal spending over a 5-year period. The result, savings of tens of billions of dollars.

Some say that reforms that save money are unfair and punish the poor. I think what is unfair is a system that condemns too many Americans to lives on welfare.

Third, I think we should remember that Americans are the most generous people in the world. We seek to free the power and money that has been held captive in Washington, not to hoard it in cities and State capitals but to encourage innovation at the local level, in the neighborhoods, efforts that would include churches, synagogues and mosques and civic groups and families. It is obvious that government cannot be a parent and cannot replace the family, but government can become a partner. Working together as a community we can tap the ability of each individual to help and to be responsible.

Mr. Chairman and the Committee, I think ultimately this debate is about values and basic principles, about work, responsibility, freedom and independence. And make no mistake, most welfare clients want to work and want to contribute.

That leads me to the last point—the best welfare program is a private sector job. By limiting government, by cutting taxes and reducing the burden of regulation, we can create a climate of opportunity that will allow aid recipients to leave the welfare rolls for

private payrolls and at the same time a condition of receiving assistance must be a commitment to becoming a productive member of society.

Beginning in 1992 as a result of Federal waivers, AFDC recipients in Michigan were asked to sign a social contract that committed them to either working, training to work or volunteering for at least 20 hours a week. We also implemented incentives to make work pay. We eliminated disincentives to work, saving, to entrepreneurship. Results so far have been impressive. Three out of four welfare parents voluntarily participated in the social contract. More than 1 out of 4 are working, earning income, compared to less than 1 in 10 nationwide. As a result, since the beginning of the program some 50,000 cases and last year more than 25,000 cases have been closed due to income from employment and welfare case-loads are now at the lowest level since 1988.

We recently received additional waivers to make the social contract mandatory and even step up the emphasis on work as the first step toward independence. Grants will now be reduced or eliminated for those who fail to comply within the first year.

As I pointed out earlier, there are barriers in Federal law which limit our ability to make that as effective as we would like. There is no doubt that Michigan's reform plan could serve as a model for the Nation. However, I don't believe our approach ought to be forced on any States. Those decisions ought to be made at the State level, the local level, the family level.

Should there be standards of accountability? Absolutely. Rigid rules, inflexible regulations? Absolutely not. The bottom line is set the States free. The Speaker said that the States are prepared to take back the responsibility if they are given the freedom to be responsible. He is right and I know that Michigan is prepared, and I believe that America is ready as well.

Thank you for the opportunity to come here today to answer your questions. I look forward to them.

Thank you.

Chairman SHAW. Thank you. Our next speaker will be Tom Carper from the State of Delaware.

Tom, you must feel somewhat vindicated from your work in the Congress in seeing this process finally moving forward.

Governor CARPER. I feel a sense of déjà vu. I want to say thanks to you and to Members of the Subcommittee.

Chairman SHAW. Your full statement will be made part of the record.

STATEMENT OF HON. THOMAS R. CARPER, GOVERNOR, STATE OF DELAWARE

Governor CARPER. It is good to be with all of you and good to see you again. The debate that we have entered into has potential certainly for being contentious, potential for being divisive. It also ought to be a healthy debate. Judging from the first 15 or 20 minutes of it, I sense this will be a healthy debate that will help us get closer to the kind of changes we want and need to make with respect to welfare in this country.

I am not here to speak for the National Governors' Association. I don't know that they have a policy on block grants. I think to the

extent that we do, it is probably in opposition to block grants in food and nutrition. We will be here spending time toward the end of the month talking about our welfare policy and some Governors who haven't thought for 2 seconds about block granting any of these programs—some who are going to be Governors aren't even Governors yet. They are trying to figure out how to find their offices and not whether to block grant anything. So we will have a chance to have a debate and some discussion among ourselves, particularly when the new Governors come onboard.

I don't know enough personally about the legislation that I think the Republican majority side has been working on, the Personal Responsibility Act. I don't know enough about it to be able to critique it well. I have a couple of concerns about block grants that I would share with you later. I do have a lot of respect for some of the people that are working on your proposals and my gut tells me that we will be able in the end to work constructively together.

With respect to block grants, I sense that there are some things that can be block granted. We have 150 Federal training programs that we may or may not participate in as States. I don't think we need 150. The idea of block granting those can and does make a lot of sense.

Another possibility, arguably some programs could be block granted. Others I think arguably should not be. You may want to consider giving States the flexibility to say if a particular State wants to have a block grant approach as opposed to an individual entitlement approach, let a couple of States experiment with it, see if they really do realize the cost savings that Governor Engler has been talking about, and let them be the guinea pig for the rest of the country.

While I don't know a whole lot about the legislation that the majority of this Subcommittee is working on, I do know that the system that I think began in 1935 where we, with all good intention, began providing some assistance to widows, I think the first Social Security Act, that well-intended system has gone out of control and has led us to where we are today. In spite of efforts in 1988, it has led us to a place where our welfare system in spite of its good intentions really fosters dependency and it has to be changed. I hope that we can do that.

When you think about people who are on welfare you say why should they get off? Consider this: In the past until recently if you got off of welfare and took a job, what do you gain? You gain the right to pay taxes, personal, Federal and State income taxes. You gain the right to pay Social Security taxes. What did you lose? Your health care, child care, you may lose your food stamps. You have no one to take care of your kids and you may lose a place to live. So the logical decision for a lot of folks on welfare, frankly, has been to stay on welfare. What we tried to do in 1988 and what we need to do in 1995 is to change the system of incentives and disincentives.

I would like you to know what is going on in one little State up the road, Delaware, what we are trying to do. The Clinton administration, they have been good about giving waivers. Governor Engler talked about the waivers we need to get around the rules and regu-

lations that exist. This administration has been better I think than any administration in history in letting us experiment.

It sure takes a lot of time and I know it takes a lot of their time to read all our waiver requests and figure out what they are going to waive or not waive. We have to simplify that if nothing else. In Delaware, we are going to start at the beginning and try to turn off the spigot.

By that I mean begin diminishing the number of kids that are having children. Thirty percent of the kids born in our country last year and probably in Delaware as well, 30 percent were born to single parents, many to teenage parents, and that is not a sustainable situation. If it continues to worsen in the future, heaven help us in this country.

I don't think there is a silver bullet on turning around teen pregnancy, but I urge you as a Committee, just as I have urged the President, to take a leadership role in leading a national campaign against teenage pregnancy. I would urge you in your deliberations to also focus on how to turn off the spigot and begin reducing the incidence of teenage pregnancy. I don't think it is the root of all evil, but I think it is a close second to whatever is.

We shouldn't be surprised that a lot of kids are getting pregnant. If you take these ingredients, raging hormones and add a diminishment in morality and the notion that people bring shame upon themselves becoming pregnant out of wedlock, added to what kids see in movies or on television these days. I am told the kid who watches an average amount of television and sees an average number of movies in a year is exposed to 2,000 or 2,500 sexual episodes.

The signal that the kids are getting from the media is go for it; there are no consequences and there is not much of a different message in many families coming the other way. We have a lot of kids who come home at the end of the schoolday without supervision. Nobody is at home. We have a situation where a lot of young girls need and want somebody to love them and the idea of having a baby who will love and want and need them is desirable.

You have got a lot of guys who are looking for a conquest in order to build their self-esteem. They do it by gaining a sexual conquest and being able to brag about how many kids they have fathered. To make things worse is a welfare system which says if you have that child out of wedlock whether you are 13 or 33, we are going to provide a safety net for you and provide for your needs and the needs of your child to some degree, we should not be surprised that given that system where we are today as a country.

Delaware, on the issue of teenage pregnancy, a couple of ways we propose to eliminate that. We are establishing a nonprofit private sector alliance. The alliance will include not just government but a lot of private sector corporations, we hope, nonprofit organizations and the religious community in our State as well. We propose to begin a multimedia campaign probably on a lot of television shows and radio stations that you and I don't watch or listen to but to get a message to encourage kids to postpone the age they become sexually active and literally to help kids develop the message.

We will be holding a teen summit for teenagers from across the State to come and meet with their Governor and tell us what they think we should do. We will be asking them to develop 30-second

and 60-second videos where they will be able to put the names of their schools at the beginning of the videos to put out the message to encourage kids to wait, to remind them of the problems of poverty and disease and the need for parents to talk to their kids. We are going to kids who know best I think how to solve this problem to help us to deliver that message.

We will be making changes in our school curriculum, asking college-age kids to come in and work with high school-age kids, college-age kids who have made the decision not to become pregnant, to work with high schoolers to encourage them to make the same decision. We are going to have high schoolers who have made the decision not to become pregnant to work with junior high school children and to be role models and to teach skills to say no.

Other things that we are doing to address the issue of teen pregnancy, we are going to require in our waiver request that we are submitting to the Clinton administration at the end of this month, require kids to live at home not to be able to move out when they do become pregnant, require them as a condition to be eligible for AFDC to assist fully in determining paternity, and we are going to require them to stay in school, either a regular school or in an alternative degree program, in order to be eligible for benefits and to the extent they don't do that, the sanctions that we would impose are dramatic and eventually would wipe out entirely the AFDC grant that might be going to the parent, in this case to the grandparent, or the baby.

We are working on the prevention side to prevent teenage pregnancy. Among other things, parenting skills, providing a broad range of parenting skills for a lot of people who haven't a clue how to raise a child. We are making it possible for 4-year-olds in our State in poverty to participate in Head Start, school reform initiatives bringing hundreds, maybe thousands of mentors to the schools to be positive role models for kids who need them. We have a bunch of boys and girls clubs springing up around our State; PAL facilities, community facilities. The idea is to give kids something constructive to do. We can't just impose sanctions, but we have to provide positive alternatives, and we are trying to do that in our State.

Let me mention briefly the five principles that underlie our welfare reform initiative in Delaware. John spoke to one or two of these. One, people should be better off when they go to work, not worse off. Work should pay.

Two, there should be some limits on benefits. There shouldn't be a lifetime entitlement, but reasonable benefit time limits. We propose that the time limits will change as the person gets older, that the time limit diminishes with the person's age.

Three, we like the idea of a social contract of mutual responsibility. I am the welfare recipient, you are the State. For example, you, the State, offer to do certain things to help me, the welfare recipient. For example, you will help me with my education, to get my high school degree, help with job training, with job placement, maybe help me with some transportation to the job, some child care for my kids and make sure that we still have health care.

That is your part of the social contract to me, the recipient. My responsibilities would be to take advantage of the education, take

advantage of the job training, take the job that is presented to me, even a minimum wage job, make sure my kids are in school and once I have the job, to work, not to quit the job. If I do, I will face sanctions. In some cases, I will face the complete total lifetime cut-off of AFDC eligibility. Make sure my kids are in school. Make sure my kids are getting immunized. That is part of the social contract. We are being forceful with sanctions if I choose not to participate.

The fourth element is that both parents have a responsibility to support their children, both parents the custodial parent and the noncustodial parent in those cases where families are not living together.

Finally, all too often our policies in the past have encouraged the formation of one-parent families. When a gal gets pregnant, she marries the welfare office, not the guy who has fathered the child. We need to change the regulations so they encourage the maintenance and sustenance of two-parent families.

What do we need from the Federal Government as States? We need your help. We need a national campaign against teenage pregnancy. I asked the President to be a national leader of that campaign and we need all of us working on that to deliver that message.

Second, we need a strong economy. We need the kind of job growth that we have seen over the last couple of years. We need to see that continue. Nationally, I think we have 5 million new jobs in the last 2 years.

In Delaware, we are up to 10,000 jobs in the last 12 months alone. We only have 10,000 families on AFDC and to the extent that we can create those kinds of jobs, we can better move welfare recipients into private sector jobs. I don't want a public sector work force. I want private sector jobs. The need for the continued work on a strong economy is much appreciated.

Earned income tax credit. Congress doesn't get a lot of credit, the President doesn't get a lot of credit sometimes when you do the right thing. You did the right thing with respect to the earned income tax credit last year. You have made it possible for me to say to the welfare recipient in my State, take the \$4.25 an hour job. It is effectively a \$6 an hour job because of the earned income tax credit. What would be real helpful, though, is for us to be able to bring the benefit forward so that I don't have to wait until next year as a welfare recipient when I file my taxes, that I can actually see it in my paycheck on a regular basis.

John is experimenting trying to bring the ITC forward and the Department of HHS is maybe issuing checks. But there has to be a less cumbersome way to do that. The important thing is, we have the ITC. Now let's put it in a way that is effective and provides a real incentive in making work pay for recipients.

I would like to be able to bundle some things, take the cash value of an AFDC grant or of food stamps or of child care for a particular recipient and take part or all of that and give it to an employer for a period of time. That employer would hire somebody, train them, bring them up to speed to be a productive employee, maybe provide onsite child care, provide health care for a company's plan. We need that kind of flexibility. That would be helpful to be able to experiment with that.

We need help in my State. We will be spending more State money in the next couple of years on child care. We will be requiring girls to stay in high school, we will be requiring people to take jobs within a period. In doing that, we want to make sure that they do have child care so that the kids are well cared for. I want to make sure when a person takes a minimum wage job and leaves welfare they don't walk off a cliff and lose their health care at some point. We will be spending more State money for Medicaid and would invite the Federal Government to join us in that.

We need help with interstate child support enforcement. Mine is a little State. You go 30 miles around northern Delaware you could be in Maryland, Pennsylvania or New Jersey. We do a good job in Delaware collecting child support enforcement for people in our State, but when they move across the line it is a lot more difficult. We need your help and we need the help of other States in order to be able to go and get the money for kids.

We need to be able to do a Delaware plan or a Michigan plan without going through all this time and effort on our part and on the part of the Federal Government to get the waivers. A lot of the stuff we want to do, you give us a waiver for it. Don't give us a waiver for it, but rewrite the law and rewrite regulations so we don't need a waiver, so that we have the flexibility right from the start. And let's use some of the people and the administration that spend so much of their time looking at waiver requests, instead of doing that and micromanagement, why don't we let them figure out what is working in welfare reform, what programs, what States, what counties around the country are doing a good job of moving people from dependency to self-sufficiency and for them to maybe be a clearinghouse to share ideas.

A couple of concerns on block grants. I think some approaches lend themselves to block grants. I want to make sure that we are able to make more work pay, that a person is better off by taking a job, not worse off.

I am concerned that we not inhibit the ability of us to do that by somehow block granting and not permitting AFDC maybe to grow and to continue for at least a little period of time. We expect to continue and let someone receive a portion of their AFDC grant when they take a minimum wage job until their income reaches a certain point. I want them to be better off from working, not worse off.

Another concern, we are going to be spending more money on child care. Absolutely. We are willing to spend our State's money and we think it is a good investment of our State's money, a good investment of Federal money. My gut tells me that if we make that kind of investment, a couple of years from now we will be spending less for child care, but initially we expect to spend more. The same would be true with health care as we try to move people into private sector jobs which eventually will have health care.

Also a concern on block granting recessions. I was elected, Representative Levin was elected in 1982. We were elected at the bottom of the worst recession since the Great Depression. The economy will eventually go back into the tank, we just don't know when or how far. I want to make sure that when that happens and our

caseloads are sort of naturally driven up, that we don't end up without any kind of a life preserver.

Flexibility in mandates. The kind of flexibility that I want also includes—let me say where we have been. In the past, if a State wanted to say we want to put a family cap in place, to say that if you are on welfare and you have more kids we are not going to pay you more money—in the past we have been prohibited from doing that. The Clinton administration gave us waivers to let us experiment with that, but we have been prohibited from putting in place a family cap. Now we talk about an arrangement where we impose automatically, we don't give a State any alternative from having a family cap. We go from one extreme to the other and that is not my definition of flexibility.

Another example of where we have been, in the past our system has been one where we say look if a teenager has a child we will provide the full range of benefits for that teenager and that child. We sort of go from that mandate in that one direction to a potential mandate saying that if a State even wanted to provide benefits or assistance to a 13- or 14- or 15-year-old kid who has a baby, you are prohibited from doing that.

So we take away our flexibility, but we do it in another direction, and I don't think that is what most Americans want. I don't think that is what we want to do in Delaware. As John says, most welfare recipients want to work. I think the people of this country and the people of my State want to help them work. We expect them to work. We want to prepare them to work and to help prepare them for work. We want for them to go to work, we want them stay at work. We don't begrudge helping people, but we want and expect them to go to work and to stay at work.

Last, we need to work together. I found in 1988, I was frustrated in our efforts to try to reach a middle ground. We started off with a democratic position on welfare reform and in the end we voted in two options, a democratic plan which was maybe on the love side of the tough love scale, and then we had a Republican plan, which was probably on the tough side of the tough love scale, and we really didn't have an alternative to do anything in between.

I hope that Governor Engler, working with other Governors and with all of you, can find a way not to polarize this issue but to find a way to work together and I think there is common ground and common threads that we ought to be able to do that and I think this is a good start today.

Chairman SHAW. Thank you both. I am confident the two of you could sit down and draw up a plan this afternoon.

Mr. Camp.

Mr. CAMP. I thank the Chairman for yielding and I welcome the Governors, my former colleague Governor Carper and Governor Engler, thank you.

We are not only from Michigan, but we are from the same part of Michigan. I thank you for the bold leadership you have shown in our State and that you have brought not only to the issue of welfare, but other issues that have made a positive difference for people in our State. These are the Federal child welfare regulations only, 18¾ pounds. It cost almost \$20 to mail one package of these to you in Lansing. So we do have a problem. And I appreciate, Gov-

ernor Carper, you are saying that we need to rewrite the law so you don't need a waiver. That is what we hope to do.

Governor Engler, have you been denied—we heard Secretary Shalala testify about the number of waivers the Federal Government has granted. Throughout your application, can you tell us a little bit about what that waiver process is like? Is it complex? Are you ever denied waivers?

Governor ENGLER. I think that we have two sets of waivers approved; one under the Bush administration in 1992, and last fall under the Clinton administration. In both instances, the administrations were willing to work with us and cooperative in the White House, but HHS and their process is ridiculous. It is a process that needs to be eliminated.

Why do we need Washington to say please let us reform our programs? I think that we ought to get rid of the process. What I would call for in a block grant is to eliminate the filing of a State plan in Washington where it has to be approved by Federal officials; let each State write their own plan and keep it on file in their capitals and make it available.

I certainly accept accountability for how funds are expended, but I think that everything that Governor Carper suggested in terms of flexibility ought to be the decision of the respective States. One size doesn't fit all. We can work through a waiver process, but why? Is it just to keep bureaucrats busy?

If we are looking to cut the budget, I say turn the power back to the States and get rid of the bureaucrats. We have a lot of interest groups who follow welfare systems, let them analyze which programs work and which don't. We don't need paid Federal officials to do that for us. I think that is how we get started on bringing this Federal deficit under control. We need to get rid of unneeded and duplicative services that are being performed in Washington that aren't contributing any solutions at all.

Mr. CAMP. What is your view on requiring job training as opposed to requiring work and if a block grant for those job training programs were given to Michigan or to the States, would you, as part of the plan, craft a program that emphasized training and education?

Governor ENGLER. Again, I think that a State would be well advised to have that. It is a core of what I think virtually every State is doing. We recognize—we both said that today—that the best welfare program is a job. This shouldn't be about a competition to see who has the best welfare in the Nation, but who has got the most jobs and how do we get people working.

To the question of should Congress mandate that, I want to be somewhat consistent taking perhaps a more conservative viewpoint than even the Committee majority might choose to take, that is, let the States decide that. I think we would all decide to have a work program, but let us decide it, let us craft it. If you want to say that we should have one, fine, but don't invite Federal bureaucrats in to define what kind of program we should have.

Mr. CAMP. In Michigan, what has been some of the reaction not only through the welfare infrastructure which we call the Department of Social Services, caseworkers and others and their clients in terms of participation rates and your social contract, with em-

ployment and can you give us an idea of how your reforms and the changes they have made have impacted people?

Governor ENGLER. The social contract was implemented October 1992 under the Bush administration waivers. It was a voluntary program and we have been getting participation as high as 70 percent. What is the social contract?

To summarize, it is almost a reciprocal agreement. Someone comes into one of our offices and says I need help; we say we will help you if you meet the qualifications for help, and if we help you, you have a reciprocal obligation that you must help by either going to work, by training to go to work or becoming a volunteer. We have ended the process of simply sending a check to that person's home and saying let us know when we should stop sending the check. We have had good participation in that.

The reaction on the part of the professionals in the bureaucracy I think started out to be quite skeptical. Most of our workers who have been with us any period of time have been through all those regulations that you are holding up and they have seen these programs change almost annually and are almost beaten down by the process. We say we are going to clear away some of these obstacles that prevent people from working whether it was on income disregards or limitation on how many hours you could work in a month or whether or not there could be two people in a home.

We took social workers and put them back on the focus of why they went into social work in the first place. There is great skepticism in the States about ever getting the Federal grip off their throat but there is great enthusiasm for that prospect. So we view this short period of time as critically important and one of the reasons there is, at least on my part, a sense of urgency is I think there are those in the Nation who are comfortable coming to Washington trying to set social policy for America in all of our States. What we are saying is turn that back to the States. And they are reluctant to travel to Lansing and Springfield and other parts of the hinterlands that they have perhaps never visited, but I think to have to go to Tallahassee might be an enlightening experience for someone who spent their entire career in Washington, DC.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ford.

Mr. FORD. Governor Carper you mentioned in your testimony about the flexibility that we should give States. But, I guess, in the closing remarks of your statement you went beyond that and talked about the flexibility and having some type of Federal guidelines as we might give the States this flexibility. Are you speaking of this flexibility in the AFDC Program itself on how we go from one extreme in current policy of public welfare into a new block granting program that is being talked about under the Contract With America?

Governor CARPER. If we are not careful, what we may end up with is having to replace one overly prescriptive approach for another overly prescriptive approach and I don't think that is what we want or need. In the State of New Jersey, a year or so ago they decided they wanted to experiment with the approach to a family cap, to say if a welfare recipient on welfare became pregnant after a year or so, that they would not increase the size of the grant to

that family, to see what effect, if any, it would have on discouraging a second or third pregnancy for welfare recipients. The law of the country said you can't do that. The then-Governor of Florida had to work hard with the administration to try to get relief from that restriction.

For us to go from that position to an approach saying to a State you may not increase the size of a welfare grant to someone who is having a second or third child while they are on welfare, I think that goes too far in the other direction. We want the flexibility to figure out what works best in Delaware or Michigan. In my State we may want to experiment in a couple of years with the idea of not providing a full range of benefits for—

Mr. FORD. But the block grant program would give you all that flexibility would it not?

Governor CARPER. I speak not knowing what the Personal Responsibility Act says or does in detail. I am somewhat familiar with the so-called Contract With America where States, as I understand it, would be denied the ability even if they wanted to provide benefits for a teenager who had a child who was born.

Mr. FORD. What about that? The teenage pregnancy campaign that you talked about, we can't just say no to sex and think that would be a national campaign. Out-of-wedlock birth among teenagers is growing rapidly. How do we address that in this legislation and what type of national campaign is needed?

Governor CARPER. I talked about the 2,500 sexual episodes kids are exposed to every year where the message is go for it and there are no consequences. I think we have to show that there is a consequence. Here is a message I take to kids in junior high schools and high schools around our State. If a 16-year-old girl becomes pregnant and drops out of school and does not marry, the likelihood that she and her family will live in poverty is almost 80 percent. If that same 16-year-old girl does not become pregnant, finishes high school, waits until 20 to have a child and marries, the likelihood of poverty is 8 percent. That is the kind of message I would like us to offer over and over again.

I think eventually that kind of message sinks in. That is part of the message that I think we have to deliver, that there are consequences to teenage pregnancy. The consequences are living in poverty, the consequences are they end up dropping out of school, more likely to become drug addicted and more likely to be in prison and on welfare.

Mr. FORD. What about the State of Delaware as it relates to child support enforcement? Have you had a problem when you try to collect child support payments when people leave Delaware?

Governor CARPER. That is a tough one. We are a little State. We are about 40 miles wide and 100 miles long. We have about as many people, maybe a few more than the average congressional district. When someone moves across that border, it gets very difficult to go after a noncustodial parent and make sure they are paying what is owed. I am told that there is close to \$50 billion in child support enforcement orders that are in place. We are only delivering a fourth of the money to children and to families that are owed that money. We need to do a better job. To the extent that

we can do a better job—you can help us do a better job collecting that money that potentially is less of a drain on taxpayers.

Mr. FORD. Will States do a better job with this block grant program if it is implemented to protect the children of this country who are at risk?

Governor CARPER. I am not confident that we will and I have a healthy skepticism that we will. I am going to withhold final judgment until I know more about the actual proposal.

Mr. FORD. Should we continue a strong Federal support program?

Governor CARPER. We need to strengthen our ability to work together across State lines, and I think there is an appropriate role for the Federal Government in interstate collection of child support that is ordered.

Mr. FORD. Governor Engler, you talked about reform can save money, welfare reform can be a win-win for both recipients and taxpayers and in Michigan our strategy to encourage work over welfare has saved taxpayers more than \$100 million over the first 2 years. Isn't it true that you eliminated the general assistance program where you save a lot of money and just cut people completely off? Isn't it true that you took kids off AFDC and put them on Supplemental Security Income, that they receive checks, and that makes up the \$100 million savings that you might have in Michigan?

Governor ENGLER. No. Let me separate the two.

It is true we had general assistance in Michigan, a program that paid cash benefits to single, able-bodied adults primarily, and we saved a quarter of a million dollars annually on that, but I don't include that in savings because that is a savings approaching \$1 billion, getting rid of that program. We actually used—that was a Michigan-funded program. We did not have a Federal partner on that program.

We ploughed back much of that savings into supporting benefit levels on the AFDC side and the savings I referred to are a result of a cost neutrality, a study that we have done of our Federal waivers. We were required to do this report as part of the Federal waivers received in 1992 and this is showing the \$100 million savings that I referenced and those are AFDC, Medicaid and food stamp savings.

Mr. FORD. Many of these kids left AFDC and went on SSI; is that correct?

Governor ENGLER. No. We certainly have children who qualify. SSI is a Federal program. We don't write the rules for that.

We try to comply fully with SSI. If somebody qualifies, of course we want them to take advantage of the program but the savings I refer to are programmatic as a result of work requirements and some of the methodology shows how we have saved on both administrative and cash costs because we have been moving people out of welfare into work.

Mr. FORD. The sanctions, and you mentioned in one of the examples, this woman who was offered a job in this program and that is what we must do in this welfare reform package; able-bodied men and women must go to work if the job opportunity is presented to them. We understand that. What are the alternatives

that we must put into this new welfare policy that will make this happen? You said there was a decrease in section 8 rent and an increase in food stamps. So where the savings comes in, I don't know, from the Federal perspective on it.

Governor ENGLER. I would say that we probably ought to, first of all, repeal from the food stamp law the requirement that we can't penalize or reduce food stamp benefits for a family where there is a child under the age of 6. I think if there is a child under the age of 6, but the parent says I am not going to work, we ought to be able to sanction the family. That is one specific change that can be made.

I think we should have an opportunity to perhaps say that section 8 eligibility is contingent upon going to work if work is available as opposed to that becoming an entitlement that lasts forever. In other words, give us the flexibility, we will put those kinds of changes in. We may do it differently than other States, but that is fine because we will have 50 different laboratories of innovation at work trying to crack what has been a pervasive problem.

I think for those that defend the current system the burden of proof is on them to defend the failed system. I think those arguing for change and reform do so against a backdrop we know that what we are replacing doesn't work. To presume that those who want to defend the current system should be given debating points for saying those who propose change have to overcome some burden, I think that is false.

Mr. FORD. Do you support the family cap?

Governor ENGLER. I would leave that up to the States. I think that New Jersey's approach that we didn't apply for a waiver to get a family cap, we are very interested in what is happening in New Jersey. I guess I think that we ought to have the availability of all of these different experiments around the Nation to say do we want to go with a family cap or not.

I am not necessarily troubled by that, but it just isn't the strategy that we have employed at this point, just like cutting off benefits for a teenager who becomes pregnant. That is not a strategy that we have sought to employ. I would like to see how it works in a State that does try that, but we have a strategy and a plan that we think is working pretty well for us and more importantly it is getting people off welfare.

Fifty thousand AFDC places closed in the last 2 years and that is the direction we ought to go. If we could take these 154 training programs, block grant those, we could do a much better job with the job training money that Congress is sending out there and we could improve the program dramatically just by getting rid of the administrative costs.

Mr. FORD. The time has expired for me.

One thing, Mr. Chairman, Mr. Camp, you mentioned about the 18, 19 inches of child welfare amendments. I just want to state for the record, unless you mean welfare issues that are pertaining to this particular bill, child welfare amendments are not included and not a part of this debate in welfare reform. Those are not issues that we are taking up before this Committee on welfare reform, if I am correct on that, Mr. Chairman.

Mr. SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman, and thank you, Governors. Thank you for coming and sharing with us your views today, and congratulations on your efforts to change the welfare programs in your States. And evidently you have had some degree of success.

The question, though, that keeps coming back to me as a Member of Congress and as a policymaker at the Federal level, when we talk about block grants, and certainly I don't want to give you the impression that I am going to oppose block grants, I like the concept generally, but if you say just give us the money, no regulations, no strings attached and we can do a better job, that may be, although the question I get from the press occasionally, for example, is: Can we trust the States to do the job with the money?

Isn't that why the Federal Government took over this responsibility in the first place, because the States were not fulfilling that responsibility?

Governor CARPER. Could I answer that?

Mr. MCCRERY. Let me just complete the question because I want you to address both parts of it. Another part of the question is: If we raise the revenues, if we impose the taxes at the Federal level, why shouldn't we control the program? Is the answer for us to cut taxes at the Federal level and allow you to raise taxes at the State level to fund your own welfare programs?

Perhaps that would be a way to cut the Federal deficit. It sounds good to me. I will let you comment on that.

Governor CARPER. I will comment if I could. An entitlement program is as much a financing mechanism as anything else. If a Federal Government gives money to a State or local government or to an individual, funds 100 percent, we should not expect necessarily—you should not expect that the money is going to be well used. If you don't require of the State or local government or the individual, you may be unpleasantly surprised with the abuses that occur. Child care and AFDC and Medicaid, the States are your partner in this financing mechanism that we call entitlement.

We essentially fund half of it. If we want a more generous benefit, we have to pay for half of it. The Feds match that. But it is real important that you continue to ask the States to be full partners in paying for this stuff, otherwise you will find that the money is misspent far more than is already the case.

Governor ENGLER. I would approach it from this way if I could, Congressman. I am not sure that the Federal rationale was at all that the States weren't doing their jobs. I mean, certainly I would point out to the Committee that if there were Federal concern about how effective State programs were, there probably would have long ago been an effort to federalize the level of benefits. There is more than a 100-percent variation between States on benefit levels, so clearly once you federalize, there are rules and regulations.

And I just think that the power that has been accumulated in Washington is in part in this area like in so many other areas an effort to control programs and to control money that isn't being raised by Congress. In effect, what I think has happened is your rules and regulations are not only controlling the money you are

spending, but they are also controlling the money being raised in the States.

And I would take the deal in a minute if you said to me you will release the revenue source and turn both the source of the revenue and the program back to the States. We can make that deal and shake hands right now.

I fear, though, with your \$4.5 trillion in debt in Washington that you perhaps need that revenue source to retire some of your debt, which I support and applaud the balanced budget amendment. You probably can't unhook quite as easily or quickly as you or I might like, therefore, how do we transition from a system that has been federalized to a system that is filled with innovation and allows us to get at the real purpose of welfare, and that is to get people out of poverty and break that pernicious cycle, and I think that is turning it back.

I think the States have to come back to the table and say we are willing to be part of this, given the context of the whole Federal budget, and that is where at least I have been willing individually to say we are willing to engage in a discussion about some type of level funding or inflation funding, but nothing like the Congressional Budget Office estimates of what these programs are costing out into the future.

We think that the tradeoff may be appropriate because we think there is that much savings that is potentially there with the freedom and flexibility. We also think the public is—the Kaiser Foundation just this week, it was out yesterday, released a survey that they took, a national survey in January of this year, State versus Federal Government, regarding welfare reforms, do you think government officials should experiment at the State level, 52 percent; reform at the national level, 29 percent.

I think there is overwhelming public support for letting the States tackle this problem. We just need the elected representatives from the States who serve in Washington to stand with us on this question.

Governor CARPER. Mr. McCrery, you may want to consider for the Federal Government to give States objectives, certain benchmarks, objectives for us to achieve in order to be eligible for a full range of funding. One idea that comes to mind is to require us to reach a certain percentage of determination of paternity in order to fully participate. Those are the kinds of things I think make sense.

Mr. MCCREY. So you do recognize some role for standards, objectives, goals at least at the Federal level as long as we are providing the tax revenues.

Governor ENGLER. Part of the tax revenues.

Mr. SHAW. The time of the gentleman has expired.

Mrs. KENNELLY.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Governor Engler, the Department of Health and Human Services has provided this Committee with a table that takes a hypothetical look at individual States, whether if they had been frozen as is being suggested today with the block grant approach in 1988, what would have happened to them by 1993.

[The following was subsequently received:]

Hypothetical Impact in FY 1993 if an AFDC Block Grant Provision Similar to the Block Grant Option in the Personal Responsibility Act Had Been Adopted in FY 1988 Using FY 1987 Funding Levels

(amounts in millions)

State	FY 1993: Actual Federal Payments	Block Grant: 103 % of FY 87 Level	Difference	
Alabama	\$79	\$57	(\$22)	-28%
Alaska	\$60	\$29	(\$31)	-51%
Arizona	\$200	\$65	(\$135)	-67%
Arkansas	\$50	\$42	(\$8)	-16%
California	\$3,205	\$2,157	(\$1,048)	-33%
Colorado	\$102	\$70	(\$32)	-31%
Connecticut	\$207	\$124	(\$83)	-40%
Delaware	\$23	\$15	(\$8)	-35%
Dist. of Columbia	\$67	\$52	(\$15)	-22%
Florida	\$517	\$202	(\$315)	-61%
Georgia	\$297	\$189	(\$109)	-37%
Guam	\$8	\$3	(\$5)	-63%
Hawaii	\$76	\$38	(\$38)	-50%
Idaho	\$24	\$18	(\$7)	-28%
Illinois	\$487	\$487	\$0	0%
Indiana	\$158	\$111	(\$47)	-30%
Iowa	\$111	\$110	(\$1)	-1%
Kansas	\$84	\$56	(\$28)	-33%
Kentucky	\$166	\$110	(\$56)	-34%
Louisiana	\$141	\$129	(\$12)	-8%
Maine	\$75	\$62	(\$14)	-18%
Maryland	\$190	\$147	(\$44)	-23%
Massachusetts	\$408	\$303	(\$106)	-26%
Michigan	\$751	\$777	\$26	3%
Minnesota	\$239	\$198	(\$41)	-17%
Mississippi	\$75	\$69	(\$6)	-8%
Missouri	\$189	\$146	(\$43)	-23%
Montana	\$37	\$30	(\$7)	-19%

NOTES:

The table estimates, for FY 1993, the hypothetical impact of a mandatory AFDC block grant provision similar to the block grant option in the Personal Responsibility Act, assuming implementation of the provision in FY 1988. The level of the block grant for each State is set at 103 percent of FY 1987 Federal payments for AFDC benefits and administration, unadjusted for inflation.

The Family Support Act was not in effect during FY 1987. To avoid overstating the impact of a block grant, Federal payments for AFDC work activities (WIN/JOBS) and AFDC-related child care are not included in either column.

Hypothetical Impact in FY 1993 if an AFDC Block Grant Provision Similar to the Block Grant Option in the Personal Responsibility Act Had Been Adopted in FY 1988 Using FY 1987 Funding Levels

(amounts in millions)

State	FY 1993: Actual Federal Payments	Block Grant: 103% of FY 87 Level	Difference	
Nebraska	\$46	\$41	(\$5)	-11%
Nevada	\$28	\$10	(\$17)	-63%
New Hampshire	\$31	\$12	(\$19)	-61%
New Jersey	\$341	\$298	(\$43)	-13%
New Mexico	\$94	\$45	(\$49)	-52%
New York	\$1,684	\$1,268	(\$416)	-25%
North Carolina	\$263	\$154	(\$109)	-41%
North Dakota	\$22	\$14	(\$8)	-38%
Ohio	\$626	\$522	(\$105)	-17%
Oklahoma	\$140	\$84	(\$55)	-40%
Oregon	\$146	\$92	(\$53)	-37%
Pennsylvania	\$561	\$506	(\$56)	-10%
Puerto Rico	\$65	\$59	(\$6)	-10%
Rhode Island	\$75	\$50	(\$25)	-33%
South Carolina	\$92	\$86	(\$6)	-6%
South Dakota	\$19	\$17	(\$3)	-14%
Tennessee	\$166	\$95	(\$71)	-43%
Texas	\$385	\$207	(\$178)	-46%
Utah	\$67	\$51	(\$15)	-23%
Vermont	\$42	\$31	(\$11)	-26%
Virgin Islands	\$3	\$2	(\$1)	-26%
Virginia	\$138	\$117	(\$20)	-15%
Washington	\$365	\$239	(\$126)	-35%
West Virginia	\$97	\$87	(\$10)	-10%
Wisconsin	\$289	\$348	\$58	20%
Wyoming	\$19	\$11	(\$8)	-43%
U.S. TOTAL	\$13,834	\$10,243	(\$3,591)	-26%

NOTES:

The table estimates, for FY 1993, the hypothetical impact of a mandatory AFDC block grant provision similar to the block grant option in the Personal Responsibility Act, assuming implementation of the provision in FY 1988. The level of the block grant for each State is set at 103 percent of FY 1987 Federal payments for AFDC benefits and administration, unadjusted for inflation.

The Family Support Act was not in effect during FY 1987. To avoid overstating the impact of a block grant, Federal payments for AFDC work activities (WIN/JOBS) and AFDC-related child care are not included in either column.

Mrs. KENNELLY. Your State, it is a plus three in Federal funding. Another State gets a plus. Another State gets a zero change. Forty-seven States get a real minus, my own in the range of 40, Florida in the range of minus 61 percent of Federal funding. We know that people don't like the income tax but they really don't like increasing the State income taxes, and property taxes are an anathema.

So what would you suggest to my Governor, Governor Rowland? We know you come out good because you had that recession much earlier than most of the States, that is the way it is resolved. What would you say to Governor Rowland who is looking at a block grant and realizes he is still in recession and still got problems, that he could lose 41 percent of funding and would have to pick it up somewhere else.

Governor ENGLER. I haven't seen the HHS chart. I would like a copy of that to look at it. I would certainly say to Governor Rowland and other Governors, we really have to take ourselves where we find ourselves today. The historical information is helpful and it may be a predictor that it doesn't work free and easy for everyone, but I also think that the risk that we have as States in this process—and in fact it converges interestingly to some political agendas—would be that nothing happens, that there be no change in Federal rules, regulations, that we continue with the federalized system and we pretty much maintain the status quo.

At the end of the day, though, then my fear is that the budget process kicks in and we say, you know, that deficit, recognizing we are going to have to deal with that so why don't we cut these programs 15 percent across the board. And I think the consequences of that for Governor Rowland or Governor Engler or for Governor Carper are pretty devastating.

If we get across-the-board reductions and no freedom or flexibility, then we really are up against the wall. I am trying to put this in context, and a lot of this has to do with what are we going to assume that Congress and the administration might do with social welfare programs or other programs that affect jointly held programs between the States and the Federal Government.

I think that Governor Rowland's situation or other Governors out there and I have talked to Governors, many of them across the country, about—and I think there is a lot of uncertainty about what this means, but there is also a lot of uncertainty about what the status quo means in terms of funding. There is 100 percent certainty about what the status quo means in terms of ability to run our programs at the State level. It means we can't innovate the way we would like or be creative the way we would like to or begin to solve the problems the way we would like to.

We know the status quo doesn't work and we assume it is going to change. The question is how. And I guess I come down on the side of maximum flexibility and we work out these problems.

I realize this is a deliberative process, we hope, between the Governors, among Governors and Members of Congress, Members of the Senate, that we can come to an amicable resolution on this and have the President sign it.

Mrs. KENNELLY. Thank you, Governor. The point of the chart I think, I should be fair to say to you, is what happens when there is a recession and you have a block grant. When I met Sandy

Levin, and I have worked with him for years and you are very lucky to have him represent your State, you were in deep recession and I can remember his being so concerned.

Now I am in that situation. So my point is that block grants, you really have to worry about recession and I think have to work together to look at that.

Taking you up on what you just partially said in the answer, if you look at the Contract, you were asked, Mr. Ford asked you about the family cap. That means an additional baby.

Governor ENGLER. Right.

Mrs. KENNELLY. When you are talking about a family cap, when you are talking about establishing paternity, even if the mother attempts to establish paternity, if a State doesn't establish paternity, you can't get these things.

There is a list of things the Contract mandates. So what you are saying, the flexibility gets lost. If you mandated this whole list of things, you just exchange one list of things for another list of things.

Governor ENGLER. Exactly right. I mean, I have described it this way: Six months ago we had a majority that wanted to proscribe benefits. Now we have got a majority that wants to proscribe behavior. We are still in the proscribing business. I am saying, let's sever that in terms of the relationship between the States.

Unless the Committee is willing to say there is a State in America that can't be trusted to run their program and it is this State or that State or these combinations of States, under our system, the way I think the Founding Fathers envisioned it, they thought States played pretty significant roles in these kinds of issues.

I for one am ready to leave the Congress to deal with Bosnia and the Middle East and Russia and a number of these issues, but let the domestic policy largely be the province of the States.

Mrs. KENNELLY. Thank you, Governor.

Mr. SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

I thank each of you for being here and respect the jobs that you have and the challenges that you have in each of your States. I think it is evident by the Chairman to begin with the Contract itself as a basis for the hearings. Also the purpose of the hearings is to receive input from you and many others so that we can derive a final document.

Also, it is pretty evident there is a difference in each of you as far as your States, as far as your philosophy, and I am sure we will find that as we talk to many other Governors across the States and across the country.

Along with flexibility comes accountability. The only way I know to measure accountability is by results, and I think the results of the current system is why we have accountability on November 8. A lot of people were held accountable.

If we block grant down to each State with true flexibility, that same type of accountability is going to be shifted to you and other Governors and to legislatures across the country. But you mentioned, Governor Engler, accountability in your comments.

What measures of accountability do you envision, and you, too, Governor Carper, as a method of reporting back to the Congress in-

terim results, or should we wait for final results or what should be a period of interim reports so we can know exactly what is going on?

Governor ENGLER. Congressman, I think your question goes right to the heart of it, and I appreciate the question and the insight that it represents because I think Governor Carper mentioned benchmarks. I mean, what are the criteria? What are the percentage of illegitimate births in the State, how many cases, percent of caseload working, you know, what are the benchmarks that we want to pick?

I am willing to—certainly any of those that are mentioned, I am willing to take a number of those areas and say, let's say that each State has to have a work program and has to report back on the effect or the impact of that work program.

I tell you today in our AFDC Program, the last December data shows 26.1 percent of our AFDC cases where the parent is working, earning income in the private sector. The average earnings, interestingly enough, were in excess, have been consistently in excess of about \$400. So those are the folks that are getting ready to go off and we are holding that percentage constant despite the fact that the total number of people on public assistance has been dropping, 25,000 last year from some 50,000 over 2 years. We will give you that kind of data.

States are very competitive. The one thing that you can say about Governors, I suspect is true with Members of Congress, but the Governors, everybody is watching what is happening over in the Great Lakes region, what is going on in Wisconsin, what are they doing in Illinois, what is Ohio up to. And those kind of comparisons are the kind that we ought to be focusing on and we ought to be able to report to the Nation.

And then the accountability really comes at the polls. It has not been 40 years in most States since we had a change of control in legislative chambers or Governors' offices. Those tend to go back and forth as public moods and performance is evaluated.

So I think that is where you get the direct kind of accountability, that it becomes an issue. If I rank consistently 45th in terms of the number of people that are working and we had a 16-percent drop in minority infant mortality this year, which was the largest drop in the Nation, we were excited about that and we told everybody that would listen. That is the kind of accountability.

Let us report that to you, and then you could call in those who would give us the exposure and publicity for the successes.

Governor CARPER. Mr. Congressman, if I were in your shoes today, and I almost was, today, if I were in your shoes today, I would be interested, as I mentioned already, in requiring us to set objectives perhaps with determination of paternity.

You may want to consider setting objectives with respect to reductions in teen pregnancy. You may want to set objectives, measurable objectives that deal with reducing caseloads or reducing the amount of time that people spend on welfare, on AFDC. Those are the kinds of reasonable objectives that I think that I would want to set if I were, again, in your shoes.

Governor ENGLER. Administrative costs, too.

Governor CARPER. Let me caution us, though, the notion of block granting everything, I am not sure that the block granting always leads to flexibility. I am going back to 1982 when Representative Levin and I came to this place and the situation in Michigan was a whole lot different than it is today. The kind of strong job growth that Michigan has experienced in the last 2 years we sure were not expecting in 1982.

Some time in the future, this country, his State and my State, will find ourselves where we were in 1982. And at that point in time, keep in mind if we have a block grant situation and our country is operating under a balanced budget amendment—and I hope we will be under some kind of a balanced budget amendment, I hope a responsible one—but what are we going to do when the unemployment rate is exceeding 10 percent, new families, people who desperately want to work if they can find a job to help support themselves and they are trying to find a place to work and we have no ability or very limited ability as thousands or tens of thousands of new people are added to our caseloads, whether it is food stamp needs or AFDC needs or their child care needs. It is something we have got to keep in mind as we consider block granting, particularly the concern about a recession.

We used to be pretty good around here about adopting stimulus packages when the recession was over. It reminds me of the old saying about editorializing: The soldiers that came in when the battle was over and shot the wounded. We used to be pretty good at passing antirecession packages here when the recession was almost over and we didn't need the stimulation. You have got to be real careful about putting in place a block grant program that finally provides relief to States in a recession to help us with our additional caseload when the recession is over.

Thank you.

Mr. SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

During this debate, we have seen the notion that, overall, levels of spending equal compassion in the welfare system. And I wonder if the two of you would comment on whether you regard aggregate levels of spending as the best indicator of how compassionate a welfare system is?

Governor ENGLER. Congressman, again, I think the evidence is clear it has no relationship. I mean, we reduced spending in general assistance and I think that was a compassionate thing to do. We said, go to work if you were single and able bodied.

Again, it isn't a contest to see who can have the best welfare program being defined as perhaps the most generous grant or the total spending that is the highest for a welfare program. I think it is how many people move from dependence on the State to independence, taking control of their own lives and being able to raise a family, that will in turn be independent, can go to a quality school and get an education. I think those are the measurements.

We know if we were to use education by analogy, it isn't clearly those who spend the most on education that get the greatest results. Congressman Nussle seated next to you is from Iowa where they spend less than many States on education yet their math

scores are consistently among the highest. I think there is no connection.

Mr. ENGLISH. Governor.

Governor CARPER. Let me say, if you simply give somebody something and you don't require anything in return, don't be surprised when they don't give you much in return. The Governor here and I are most interested in a contract of mutual responsibility. I talked about it earlier, I will just reiterate it.

In the welfare waiver we are going to be asking the administration for later this month, we establish this contract of mutual responsibility. The people of Delaware are willing to do certain things out of their generosity to help somebody who might need some help. We will help them get their high school degree, maybe a little job training. We will help them find a job. We will even help them get to that job. We will try to make sure they still have some health care and some child care for their kids. But we expect something in return.

And what we expect, as I said earlier, yes, we expect them to take advantage of the training, the job training, the job placement. We expect them to take the job, even the minimum wage job that is offered. We expect them to work the job, not to quit the job. We expect for their kids to be in school and we expect their kids to be immunized.

To the extent that the recipient is not willing to do their part of the bargain, first time—under our proposal, first time a recipient quits a job and goes back on welfare, they lose a third of their welfare and their AFDC grant and their food stamp grant. They can cure that by going back to work. The second time they quit a job, they lose two-thirds of their combined AFDC grant and their food stamp grant. They can cure that by going back to work.

The third time they quit a job, a job that we helped them find, that is it. Their eligibility for AFDC ends permanently in our State from that point forward. That is a tough love approach but that is the kind of sanction, potential penalty that I think gets someone's attention. We are willing to help people but we want something in return. It is a two-way street.

Mr. ENGLISH. Thank you, Governor.

One of the things that I have noted in this debate is that there is a concern that by somehow eliminating some of these entitlements and passing the resources back to the State in the form of block grants would imperil many of the recipients.

You are obviously familiar with most of your colleagues and I know you, Governor Engler, were very active as a State legislator before. In your view, do you know if any Governors, or any State legislators would be willing to eliminate child nutrition programs, for example, or make any of the other draconian cuts that seem to be raised here as a concern?

Governor ENGLER. I don't. I think Governors and State legislators ought to be offended perhaps is the word at that suggestion coming out of some of the national policy groups that would suggest that merely turning this back to the States is to put us back into the dark ages and end any enlightened treatment of people who, regardless of circumstances, have found themselves having to come to the State for help.

I think that if those same groups, if you cut through some of what is being said, if they are really saying we don't want a system that is going to put the reciprocal responsibility that Governor Carper has described in terms of the approach that he is seeking, that is a different story and they ought to come forward and say this is really what we are saying.

And I think if you scratch deep enough, that is exactly what they are saying, that we want to view this as a continuing entitlement and we are not interested. And I think there is a poverty industry in this town that has done quite well talking about poverty for 40 years. I think it is time that we start solving and unraveling a system which has given us more poverty and more illegitimacy, more broken families, and more desolate communities.

Governor CARPER. If I may respond to your question as follows. You assume that we knew the Governors. As it turns out, we don't know all the Governors. We knew the Governors that were in office prior to this. There are a lot of new ones. We don't know them as well. I don't know them as well. And some of them, frankly, don't have a clue as to whether or not they would like to see anything block granted. They have not even been inaugurated and have not had to think about these kinds of things.

Governor Pataki, who was before you the other day, he told me a week or so ago, right now he is trying to figure out how he is going to cut \$5 billion out of his State's budget by the end of this month. My guess is he may not have decided how to do it. Tom Ridge in Pennsylvania and some others, they probably haven't decided either.

What I do know, and I think I can say for all Governors, we want to be able to—whatever we come up with, we want to make sure—and this maybe should be your litmus test—that it enables us to help people prepare for work. It enables us to help people go to work. It enables us to make sure they continue working. That maybe should be our litmus test.

Mr. SHAW. Thank you.

Mr. Levin.

Mr. LEVIN. Thank you very much, Mr. Chairman.

Welcome to both of you. Maybe we should start by clearing some of the debris from the debate. I think, Governor Engler, as you said about the status quo, I think it is gone. The status quo is over. I don't really think there is a conspiracy in this town to keep it. If there is, no one here is a part of it. No one at this table.

Second, those regulations that you and my friend David Camp referred to, most of them are on their way out. Flexibility is coming. A number of us have been working on welfare reform for 5, 6 years. I started back in the mideighties with Senator Moynihan. Many of us have been urging greater State flexibility for much of this period.

I take it, Governor Engler, that you would not favor the Contract suggestion that there be a Federal requirement that there be no payments to children born to teenage mothers.

Governor ENGLER. That is right. That was certainly the reference that I made in my testimony, that conservative micromanagement is like liberal micromanagement. It is still micromanagement.

Mr. LEVIN. So you are good at plain talk. You don't favor that?

Governor ENGLER. No.

Mr. LEVIN. And the same with a Federal family cap, you don't favor that?

Governor ENGLER. No.

Mr. LEVIN. Leave it to the States is what you advocate. So let's talk for a few moments about block granting because I have some concern that block granting could simply become a massive cost shifting to the States. And let's look at the Michigan experience. I jotted down a few facts. First, in 1979 and 1980, AFDC rose, jumped 40,000 in Michigan just in 2 years.

Second, despite your very strenuous efforts and in important respects successful efforts in the case of the AFDC caseload, I am now talking about in Michigan, the caseload went up in 1989 from 211,000 to 229,000 in 1993. The figure I have, that projected caseload for 1994 will have gone down 3,000.

The third fact, Mrs. Kennelly referred to the testimony that is coming from HHS. If you took that chart and projected it back 4 years so it were in effect—I mean, Michigan was in a recession, Michigan would have lost \$100 million under a block grant. And then if you take the nutrition block grant proposal in the Contract, Michigan in 1996 would lose \$281 million or 20 percent of the nutrition block grant, 12 percent of the AFDC block grant, and 20 percent of the nutrition block grant.

[The following was subsequently received:]

Estimated Effect of a Nutrition Block Grant in the
Personal Responsibility Act (allocated by the number of "needy persons" in the state)
on USDA Food Assistance Programs by State in Fiscal Year 1996
(Dollars in millions)

State	Level of Food Assistance		State Gains and Losses	
	Current	Proposed	Total	Percent
Alabama	\$818	\$713	-\$105	-13%
Alaska	\$97	\$84	-\$13	-13%
Arizona	\$663	\$554	-\$109	-16%
Arkansas	\$422	\$403	-\$19	-4%
California	\$4,170	\$4,820	\$650	+16%
Colorado	\$412	\$417	\$5	+1%
Connecticut	\$297	\$248	-\$49	-17%
Delaware	\$92	\$58	-\$34	-37%
Dist. of Col.	\$137	\$85	-\$52	-38%
Florida	\$2,194	\$1,804	-\$389	-18%
Georgia	\$1,209	\$934	-\$275	-23%
Hawaii	\$215	\$198	-\$17	-8%
Idaho	\$127	\$176	\$49	+38%
Illinois	\$1,741	\$1,483	-\$258	-15%
Indiana	\$713	\$691	-\$22	-3%
Iowa	\$297	\$266	-\$31	-11%
Kansas	\$307	\$270	-\$37	-12%
Kentucky	\$740	\$582	-\$157	-21%
Louisiana	\$1,141	\$765	-\$375	-33%
Maine	\$188	\$167	-\$21	-11%
Maryland	\$576	\$404	-\$172	-30%
Massachusetts	\$608	\$577	-\$32	-5%
Michigan	\$1,390	\$1,109	-\$281	-20%
Minnesota	\$508	\$490	-\$18	-4%
Mississippi	\$730	\$603	-\$127	-17%
Missouri	\$810	\$754	-\$56	-7%
Montana	\$111	\$140	\$29	+26%

State	Level of Food Assistance		State Gains and Losses	
	Current	Proposed	Total	Percent
Nebraska	\$187	\$175	-\$12	-6%
Nevada	\$145	\$150	\$5	+3%
New Hampshire	\$89	\$94	\$5	+5%
New Jersey	\$836	\$704	-\$132	-16%
New Mexico	\$361	\$321	-\$40	-11%
New York	\$3,101	\$2,661	-\$440	-14%
North Carolina	\$930	\$849	-\$81	-9%
North Dakota	\$86	\$76	-\$9	-11%
Ohio	\$1,768	\$1,287	-\$481	-27%
Oklahoma	\$528	\$475	-\$53	-10%
Oregon	\$410	\$346	-\$64	-16%
Pennsylvania	\$1,617	\$1,465	-\$152	-9%
Rhode Island	\$128	\$101	-\$27	-21%
South Carolina	\$602	\$546	-\$56	-9%
South Dakota	\$99	\$95	-\$4	-4%
Tennessee	\$983	\$743	-\$241	-24%
Texas	\$3,819	\$2,665	-\$1,154	-30%
Utah	\$234	\$277	\$43	+18%
Vermont	\$76	\$66	-\$10	-13%
Virginia	\$783	\$597	-\$185	-24%
Washington	\$660	\$444	-\$216	-33%
West Virginia	\$405	\$309	-\$96	-24%
Wisconsin	\$467	\$442	-\$25	-5%
Wyoming	\$57	\$57	0	+1%
US TOTAL	\$40,764	\$35,600	-\$5,164	-13%

Source: U.S. Department of Agriculture preliminary estimates

Note: US Total includes Territories, Indian Tribal Organizations, and Department of Defense

Mr. LEVIN. So let me just ask you, I really think the goals of welfare reform are pretty strongly held across the board to break this cycle of dependency. How are the States going to manage if next year there were a 20 percent fall in the nutrition grant and if a recession were to occur, their demand would go up and the resources would go down.

Governor ENGLER. Well, first of all, Congressman, the data—they have given me a copy of the HHS chart and that creates a hypothetical and it draws, apparently, some of the hypothesis from the Personal Responsibility Act of last session. I don't know if it has been reintroduced in the same format in this session of Congress, the 104th—the assumption we make is one of level funding in some of these areas so it is in sharp contrast to that 20 percent.

Mr. LEVIN. It is not assured either, is it?

Governor ENGLER. Nor is next year's funding assured from Congress given the deficit debate that I understand is going to be taking place. So we do this against a backdrop of uncertainty under—I agree, the status quo is gone and some changes will be made, and whether they are changes that are across the board or whether they are changes that are targeted, we don't know.

What we would propose the change to be is one where we would take some of these existing programs. And I have said we ought to be so bold as to suggest that when we take the cash welfare programs, the seven programs totaling \$17 billion, we bundle those together. Child welfare, 38 programs, \$4.3 billion, bundle those. Employment training, 154 programs, \$24.8 billion, bundle those. And some 336 programs, make them 8 programs and that is how you spend \$125 billion.

And I think that we get pretty close on some of the cost estimates if we are—again, we have this question of how we score things here in the CBO, but my understanding just in what you would say next year's expenditure would be, you would show that continuing to rise, and we are saying some type of level funding, some type of funding plus inflation, some ability to give you certainty of funding and to give us certainty of funding, but then with the flexibility.

The flexibility is worth an awful lot. Is it worth 10 percent? Is it worth 15 percent? Is it only 3 percent? I don't know. It is some number. But what we are saying, and I am saying as a Governor administering the programs in the State of Michigan, that we can make it work.

Are there risks? Yes. There are risks, certainly. We could stop cutting taxes in Michigan. We could start increasing government spending. We could start increasing rules and regulations. I could throw the economy into a tailspin. We could have all kinds of cataclysmic things that could happen and I know there is a concern on both sides of the Committee aisle about some type of cataclysmic event, some type of recession/depression.

Mr. LEVIN. We have had recessions before.

Governor ENGLER. Sure we have, but the thing that we are trying to change here is how do we—these programs that are designed to lift people out of poverty don't work today. I mean, we are improving them bit by bit, waiver by waiver. We are saying it is time for a wholesale change. I just think that you give us the flexibility,

we will strike a bargain here. We will pick a number. Whether it is a number that might be—if you want to give us more resources, I will say that we will accept those. If you want to give us a little more protection against the possibility of recession, fine, we will be good stewards of that extra resource.

So I will accept that, you don't have to twist my arm to talk me into that, but somewhere in this debate, we ought to come up with a number and then that number ought to be what is available to us. We ought to have maximum flexibility with the dollars.

Mr. LEVIN. Thank you.

Mr. SHAW. Mr. Nussle.

Mr. NUSSLE. Thank you, Mr. Chairman.

Welcome, Governors. First of all, the status quo is not gone. Our attitudes may have changed but nothing here has changed. In fact, there are probably supplements on the way to your States right now and I just caution those workers in your States not to make any changes yet.

We are all smiling. We are all happy about the possibility of a change of attitude, but I would disagree with my colleague from Michigan. Nothing has changed yet. We have got a lot of opportunities to make changes, certainly a lot of rhetoric, a lot of words, but no actions yet and we anticipate that, hopefully working together.

As I see, there are two things that trouble me or present challenges to me. One is the money, one is the management from what you have been talking about today. On the management side, and my own Governor in the "New York Times" today said exactly the same thing, we don't want to replace liberal micromanagement with conservative micromanagement or Republican with Democrat, whatever it might be.

But where is the line, because this is—this is the challenge that I think we have. If we have macromanagement instead of micromanagement, which is what my very good friend from Delaware is suggesting, with objectives or targets or something like that, standards, goals, however you want to put it, what I see is the first mistake or the first "PrimeTime Live" exposé or the first "60 Minutes" extravaganza on somebody who has fallen through the cracks or some State that has maybe made a mistake or some area of concern, immediately we are going to tighten the reins and we are going to put a bridle back on the program from this level. And so that fine line concerns me from the management standpoint.

I agree we shouldn't micromanage it, but by the same token, management is management. The other side of that is the money. If we are paying for it, there is a much larger likelihood that we are going to manage it. And to follow up on my friend from Louisiana, his comments, I mean, there is the whole question of why are we getting the money in the first place if we are not going to manage it? I mean, that other alternative, that the whole—the whole approach, if we send the money to Washington and then let it go back to the States, doesn't work because a lot of it gets lost in the shuffle, a lot of it stays out here for the bureaucracy that has been created.

Those are the challenges that I see and I don't know where that line is because I believe the experimentation, the good ideas, the

incubators, if you will, are out in the States. My State is doing, I think, an excellent job with welfare reform. But by the same token, I am just afraid that you are exactly right.

Conservative micromanagement or even macromanagement will cause us over time to slip right back into where we are because of what the media and what politicians will do with those instances of error, if you will, or concern that suggests that it is not working and we have got to clamp it down right away.

I would be interested in both your comments on that.

Governor ENGLER. Congressman, I think that perhaps the new discipline of the new Congress will have to involve uttering the phrase, "I am sorry, that is the State's responsibility." You should hold them accountable and resist the overwhelming temptation for Congress to try to jump in to solve every issue. It is sort of like your help with motor-voter registration and things like that.

I simply think that Congress in the past has been too quick to try to solve problems that appropriately should be solved at the State level. In this instance, because we have got \$125 billion of Federal money out there that is matching probably an equivalent or larger amount of State resources, we have a bit of a problem. That is just a little bit larger than we can, say, disconnect from overnight. How do you transition then from a system which everybody concedes is broken from the status quo which everybody either wants to see gone or concedes is gone.

I think that the way to do this in a short-term approach is to say, well, let's start by bundling up 336 programs, let's maybe make them 8 programs. Block grant the money, let's start measuring that. Over time, I think it would be wonderful to say we are going to release the revenue sources to the States and you are on your own with the programs.

You have two Governors sitting side by side. The average grant in Delaware is \$328. In Michigan, the average grant is \$459. Now, to this date, Congress hasn't made that a Federal issue and said, well, Michigan is too high or Delaware is too low and other States would have different levels.

In other words, we don't really have a Federal program. What we have got is a federally proscriptive process by which all of our programs are dominated by an unelected bureaucracy over at HHS. And we are saying, let's at least clip the apron strings with that bureaucracy, put us in charge, continue to monitor what we are doing and have a debate about how well we are performing, but give us an opportunity.

You have tried it for 40 years with Washington in the front seat driving. Now let's get Washington out of the driver's seat. Let's put them in the back. We will take them along. We will show them how to do reform State by State, issue by issue, and I think at the end of a 4- or 5-year process, you will conclude that this was a prudent decision to make and you will find, also, that not only was it a win-win in terms of the taxpayers winning, in terms of costs at the State and Federal level, it was also a win in terms of restoring family and individual independence and responsibility.

Governor CARPER. If I could comment briefly. You mentioned at the beginning of your comment, Representative Nussle, you said nothing has changed and I don't entirely agree with that.

What has changed is this administration is interested in letting us experiment, and even though the waiver process takes longer than we want, generally they are granted. And in Michigan and I also know we in Delaware will be able to experiment in ways a State 1 year ago couldn't. Plus you have got a President who was a Governor. And he understands.

He sat, literally, where Governor Engler and I are sitting a couple of years ago and he was very much interested in letting these experiments happen and he doesn't believe—I don't think he believes that the answer really to all these issues and questions lies here in Washington.

We really have—maybe you can look at the situation where you say we have a dilemma, what do we do. I think it is a great opportunity. It is a real healthy debate that has begun here today and I am very much encouraged by what has transpired in the last hour and a half.

You can decide, we can decide whether we are going to block grant some programs or not. You can decide what to block grant, what makes sense, and what doesn't. You might decide to let some States elect to be block granted. You might want to do what Governor Engler said.

Other States might say, no, I don't want to be entirely block granted in the way that has been proposed. You might want to set objectives and performance. In some of these programs you can say, you have got to meet certain benchmarks in terms of reducing teen pregnancy, reducing the workload and getting people to work. Those are the objectives. And as long as the States are putting our money 50-50 equal to the Federal dollar, that ain't a bad approach at all.

Let me just mention with respect to health care and Medicaid. We are trying to use Medicaid in our State to reduce the number of people who are uncovered. It is a 50-50 share. We pay half of the costs of the Medicaid. The Federal Government pays half the cost of Medicaid.

We are turning to managed care in our State in order to try to provide more coverage, more health care coverage to folks without spending a whole lot more money, more of our money or more of yours, and reducing at the same time those who are uncovered. It is not a bad partnership and we are looking—there is plenty of incentive for us to find ways to hold the cost down.

Mr. SHAW. Governor, I think we are about to give you the mother of all waivers.

Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

Gentlemen, as you know, one of the main principles of the Contract With America and the Republican reform programs in this area and other areas is to return power to the States. We will be successful if we are able to do that in my mind, and what I have heard from you today, along with what I heard this week from Governors Pataki and Weld, gives me a lot of faith that the States are indeed better able to handle this problem than those of us who are making decisions at a distance.

I share Mr. McCrery's concerns, though, about States that don't have leadership that can create the impetus that you have created

in handling the welfare programs successfully. I think perhaps that my concerns will be solved by the democratic process if you get enough publicity and communicate well with other Governors around the Nation but also with constituents whom we serve in some of these States.

I believe that the thrust will be to remove people who aren't creative and haven't developed good management policies in handling these programs. I certainly hope that that will be the result.

What I would like to ask you about, and I haven't heard this area come up during this hearing, is your thoughts about welfare benefits to legal immigrants who are not yet citizens. I wonder if you could expand on what you would do if you had the choice to provide those benefits or not to provide them and if you also believe that the Federal Government ought to retain the strings attached connection in this area.

Governor ENGLER. I will be happy to go first on that, Congresswoman, and I appreciate your comments. On the alien question, again, I would leave that to be a question to be determined by the State. Say if California made the decision they did not wish to provide benefits to legal aliens, that could be their decision. If the State of Texas said, we wish to continue benefits, that could be their decision. In other words, I am willing to leave that to the State.

I understand that there might be, because of that question and its relevancy to immigration policy which I certainly concede is a congressional issue, that you might wish to set a national policy in that area, so I say that to be consistent with the philosophy of what I am advocating today, giving the States maximum authority.

I happen to think that the Contract With America is a very powerful document, a very important statement about changing priorities in this country. I am here today to propose that we actually go further than the Contract would propose and really disengage wholesale areas of domestic policy from joint management by Federal and State government and turn it over to the States.

And I would—earlier, one Member suggested about the Federal Government possibly running it, and I look at programs like SSI which are federally run in effect with administrators. It is totally Federal policy and I suspect that that isn't the model that we would want to use as a national model for running social welfare programs. So that is my argument for turning it to the States, but on the alien question, I would leave it up to the States.

If you wish to set a Federal policy, one that goes one way or the other, I would say I understand that argument. I might then suggest, even if there were a Federal policy that the State not—would not be prohibited from having its own independent policy that it would carry out that might be different than Federal policy. So you would still provide a State option but it might be one that they would have to elect and then pay for.

Governor CARPER. I think Governor Engler said it well. The option he lays out basically to let the States have some flexibility and decide what is right for their State is, I think, a very viable option. My recollection is the Clinton administration and new welfare reform initiative last year said, let's require more of the sponsors of folks who come here legally.

And we may—you may well say that is what we ought to do and then give the States some further discretion. I can—certainly you haven't mentioned it, but I think it is implicit in your question, about folks that come here illegally and have children here and the child is an American citizen and we have a responsibility to cover that child.

That is a tough dilemma and it is also an expensive dilemma for folks not so much in Delaware but certainly in Texas, Florida, California, Arizona, and other places that I can think of. I would encourage you to do what you can in working with the administration to continue to shut down the illegal immigration that is occurring across our Nation's borders, and to the extent you can do that, you will do us all a favor.

I don't know how you say to a person—and I will just use as an example—I don't know how you say to a person in California who doesn't have a job, doesn't have health care, maybe they have a job that doesn't provide health care and they don't have health care for themselves and their family, I am sorry, we can't help you. But to someone who has come into our country illegally and had a child in this country, we are going to provide health care for that child, the parent who has come here illegally.

That is a hard one to explain to people who are American citizens, lived here all their life, worked hard, and don't get squat.

Mr. SHAW. Mr. Rangel.

Ms. DUNN. Mr. Chairman, may I just conclude over here.

The other thing about your testimony in my mind is that it is very hopeful for those of us who want to make changes and give the States more power. It is bipartisan and I think if the proper leaders are in place seeking the proper point of view, I think we can do some things together on this issue.

Mr. SHAW. Thank you, Ms. Dunn.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Some people believe that the Democrats were in charge for 40 years and the problems have been there and we didn't do anything to satisfy their frustrations, therefore, they changed things. And now comes the new majority and they have a Contract With America.

And I gather you, Governor Engler, are saying, well, why don't you just stay out of this and just collect the money and turn it over to us States, because the Congress hasn't done anything, Democrat or Republican, or maybe Congress should just reduce the taxes and let the States raise the taxes and take care of their own problems.

I mean, you don't really seek any Federal responsibilities of setting minimum standards of how we treat our sick and our aged. True, it is domestic, but you don't see any role for the Federal Government except to collect the money and let you take care of it.

Governor ENGLER. That is right, Congressman. I would like to see the Federal role be reduced and transferred to the States because I have great confidence in the State elected officials and local elected officials across this Nation. I do not believe that all wisdom resides in Washington.

Mr. RANGEL. And you think this should be true for health, that we collect the Medicaid and Medicare dollars and turn that over to the Governors?

Governor ENGLER. We could talk to you about that. I am not here to make a proposal on Medicaid today. But——

Mr. RANGEL. Well, I am just trying to say, I think you were implying that we take care of national defense and leave the rest up to you, I mean highways, environment, education, whatever it is, you would just like to see the Federal Government butt out of it.

Governor ENGLER. That is right. I remember this amendment called the 10th amendment of the U.S. Constitution. I think it has vitality today and perhaps we are entering a period of renewal for the 10th amendment, so I think Congress probably could be quite occupied working on some of these international and national issues for some time. And when those are done, come back and see us and see how we are doing on the domestic agenda.

Mr. RANGEL. But why should we collect the money and not have the standards, not have the responsibility and just turn it over to you? I mean, some of us truly believe that having been elected that we have a responsibility for the aged. I know it's domestic, I know it is parochial, but some of us truly believe it.

We also believe that there is a national responsibility for any civilization to take care of those who cannot take care of themselves. I know mayors and Governors may disagree but, what the heck, we think that.

Governor ENGLER. Well——

Mr. RANGEL. What role would you have us play if we collected the money, and turned it over to you, no strings attached? We go to our townhall meetings, we meet with our mutual constituents and they tell us the problem they are having. How would you have us say we don't deal with the standards, we only collect the money? You would not have your fellow colleagues in government play that role.

Governor ENGLER. We are talking about a transition, obviously, Congressman, but certainly let me renew an offer I made earlier. If you wish to reduce taxes at the Federal level and turn the revenue sources back to the States, I will make that deal in a minute. And you can go to the townhall meeting and say, we neither collect the taxes nor set the rules for the program, talk to your assemblyman or Senator or Governor about those issues.

I think there is a national interest certainly in reducing poverty, but I don't know that it is the National Government's responsibility to try to set the rules. And looking at our performance in the last 40 years——

Mr. RANGEL. Listen, so it is clear to me: After national defense, leave the rest up to you?

Governor ENGLER. Yes.

Mr. RANGEL. OK. You don't support the Contract With America, do you, the block grants?

Governor ENGLER. I don't support some of the provisions of the Contract which I view as being proscriptive. I would argue that, as I said, micromanagement, whether it is liberal or conservative, is still micromanagement.

Mr. RANGEL. So you support the block grants, no strings attached?

Governor ENGLER. That is correct.

Mr. RANGEL. Now, you know that under the entitlements, the circumstances require the Federal Government to respond. Under the block grant, however, the Congress responds based on what they consider to be priorities. You are willing to take a gamble with the Congress and the Appropriations Committee as to how poor folks would make out politically with the discretionary grant?

Governor ENGLER. That is correct. Because I know how they have made out under the current system and there are more poor folks under the current system than we had 40 years ago—

Mr. RANGEL. Maybe my question wasn't clear, Governor. Right now, if it is entitlement, the people automatically are entitled and so they can't do it so much except change the—

Governor ENGLER. I support ending the entitlement status.

Mr. RANGEL. What is it?

Governor ENGLER. I support ending the entitlement status.

Mr. RANGEL. So no matter what the changes are in the economy or the changes are politically, you are prepared to say that when the money runs out, the States just have the responsibility to pick up those differences, that we will no longer have a responsibility to take care of people during a recession when they get poor, when they need food, or when SSI money runs out. We should leave that responsibility to the State, and you trust us enough if we trusted you that we will provide the funds that you think you need?

Governor ENGLER. Well, don't give me SSI. That is your program at this point. If you want to talk about SSI—

Mr. RANGEL. No, I mean the whole thing would be turned over. The Contract gives you SSI, gives you food stamps, gives you the whole package, but it doesn't give you a guarantee because you are against entitlements, so no entitlement, no guarantee.

Governor ENGLER. Well, as long as it is understood that the rules under SSI then are not set by Washington but in turn are set by the States. What I am trying to disengage from is a system where we have a partner who wants to set all the rules and regulations and is only putting up half the funds and expecting us to run it.

I am trying to avoid a situation in the future where that partner withdraws funds or changes the rules in the middle of the game and we find ourselves still trying to run programs, comply with all the rules and regulations and being handicapped with our lack of flexibility to run the program the way we think it would be effective, not the way it was designed by some bureaucrat in HHS.

Mr. RANGEL. I support flexibility, but I just can't give away the responsibility of not knowing what you would think is a safety net.

Mr. SHAW. The time of the gentleman has expired.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Governor Engler, I appreciate your remarks, especially regarding the 10th amendment. It was a big issue in my campaign. I think that the problem here in Washington is that we have completely gotten away from the 10th amendment. We have taken a lot of the rights that the States have and said we are going to govern those from here in Washington.

Some of the things you have said may seem kind of radical to Washington. I think we need to at least move in that direction. I think that more and more of the power needs to go back to the States.

One of the provisions that we heard this week is talk about accountability and some of these minimum standards on some of the things that a lot of us agree on.

Representative Gephardt was here the other day and talked about increasing the amount of money if you are performing well. Maybe you can get more money for your State if you are performing well on some of these issues. Would the two of you address that and if you were in favor of that, would you also be in favor of illegitimacy rates cutting some of the moneys, in other words, getting the rewards but also giving the punishments.

Governor ENGLER. I guess I say we certainly like incentives, and that is what we have done in terms of providing incentives to recipients to go to work, disregard the first \$200 you earn, you keep every month. You keep 20 percent above that every month. We found once people start working, they realize by working a little bit more, soon they have more income.

Mr. ENSIGN. Governor, I was actually talking about incentives to the States. In other words, if your State was doing well, you would get more money as a block grant or whatever it is.

Governor ENGLER. If the Congress would afford that, we would be willing to accept it because I believe we would be a recipient of that kind of an incentive program. That is something we would look at. I just don't want to get away from the fundamental policy of who is making the call in terms of how we structure a program, how we run it, how we are going to get rid of those rules and regulations, how we make it work. But I like incentives and I would be willing certainly to gamble on disincentives.

Again, I don't know if that is where the Committee would come down, but I would be open to it depending on the kind of proposal.

Governor CARPER. I like the notions of incentives as well, and I am pretty much where Governor Engler is with respect to disincentives. In setting them, let's just be realistic. Don't set unrealistic objectives or benchmarks and keep in mind, too, that when the economy goes back into a tank and it is 1982 again, our ability to reach some of those objectives might be very much hampered despite our very best efforts.

Governor ENGLER. One idea that has been suggested, Congressman, that you may wish to look at is the possibility, I mean, we would propose that we have some carryforward provision, in other words, that could be a very powerful incentive, that alone. In other words, to say if we receive this amount of money in year one and we did not extend that all, we were able to realize savings, that as we carry that forward, that becomes almost a rainy day fund, if you will, or a contingency fund that in future years might deal with the hypothetical that Congressman Levin proposed or it might help partially offset.

And clearly, if there was some, again, cataclysmic event, it is not uncommon to see Congress if there is a hurricane or if there is an earthquake, say, that there is some type of disaster and come up

with something special but that would be done on a case-by-case, nonentitlement basis.

Mr. ENSIGN. Actually, you brought up my next point and that is the way families also save for rainy days. This is something, a concept I think we need to bring back to our government.

Governor CARPER. I think you will find a lot of States have rainy day funds now. We do in our State and I suspect they do in Michigan.

Mr. ENSIGN. I think that is one of the things we need to deal with, recessions. We heard from HHS this week that if their personal responsibility caps had been put in place, a lot of the States now would have been receiving less money since 1987. They do these projections. It has been mentioned earlier.

With all the money that has been spent on AFDC and all these other programs in the last 25 years, and now we are hearing that if these caps would have been put in place, you would have had less money to spend, do we feel the money that has been spent has been spent well? Do we feel that it has done good for the poor? Do we feel that the poor would be better off if we hadn't spent these funds?

Governor ENGLER. Congressman, I would just say that, again, that data is somewhat hypothetical. I mean, it goes back and picks up some point in time and then comes—attempts to come forward and make a prediction. I would simply say that, to reiterate, you give us flexibility and freedom to run the programs and I think one consequence of that is, regardless of whether the economy is stronger or weaker, we will have fewer people that are dependent on the system because we will have more success in moving people into employability.

Governor CARPER. In the last several decades what we have done is we have given people lifetime entitlement. We have not required them to meet any of the objectives or standards. What we are suggesting or what I am suggesting at the very least is we are replacing lifetime entitlement with, at most, a limited entitlement that would exist.

And also suggesting that there are some programs that can and probably ought to be block granted and there are some that in my judgment should not be, but States, including States like Michigan that maybe want to experiment by having the entire block grant experience, might be given the option of enjoying that.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mr. SHAW. OK. The time of the gentleman has expired and all the time has expired on this panel.

I would like to thank the two Governors. We will leave the record open in the event any of the Members have any additional questions that they would like to send to you and we would then send them to you for a reply. Or if there is anything that either one of the witnesses would like to put into the record, we will let the record remain open for that purpose.

Thank you both. I have sensed a togetherness on this particular issue. Both of you Governors are to be commended for the work that you have done and for your fine testimony this morning.

Governor ENGLER. Thank you, Congressman.

Thank you, Committee Members, for your attention.

Governor CARPER. Many thanks.

Mr. SHAW. Thank you both. We look forward to continuing to work together.

The next panel will be an administration panel from the U.S. Department of Health and Human Services. Hon. Mary Jo Bane, with whom we have worked for some time, the Assistant Secretary for Children and Families, will be accompanied by another old friend, David Ellwood, Assistant Secretary for Planning and Evaluation.

Dr. Bane, your entire written testimony will be included in the record and you may proceed as you see fit.

Thank you.

STATEMENT OF HON. MARY JO BANE, PH.D., ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES; ACCOMPANIED BY DAVID ELLWOOD, PH.D., ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. BANE. Good. Thank you, Mr. Chairman. Good morning and good morning to Members of the Committee.

I am the bureaucrat. I am accompanied by David Ellwood, who is the Assistant Secretary for Planning and Evaluation. I appreciate the opportunity to come before you this morning to discuss some of the critical issues facing the welfare system. This has been an extraordinarily enlightening hearing for all of us and we are delighted to be part of this conversation with you.

As you know, Mr. Chairman, last year the President submitted a comprehensive welfare reform proposal that addresses serious flaws in the current welfare system. We all agree that the current system undermines work and parental responsibility. Our approach emphasizes work, it emphasizes responsibility, and it emphasizes reaching the next generation.

We are committed to working with the Congress in a bipartisan spirit to pass really bold welfare reform legislation.

Mr. Chairman, this administration believes strongly in State flexibility. The President, as a former Governor, is well aware of the ability of States to respond creatively to the needs and opportunities within their welfare systems.

As a former State welfare commissioner, I am very sympathetic to State concerns about the burden of Federal regulations. The administration's welfare proposal, in fact, would greatly enhance State flexibility with regard to the AFDC rules that most affect working families.

In addition, as both Governors noted, we in the administration have worked with States to test new approaches to welfare. Through the waiver process, we have approved 24 State demonstrations that enable States to experiment with new ways of promoting parental responsibility, making work pay, and helping families become self-sufficient.

As we move forward to consider comprehensive welfare reform, several questions are raised regarding the proper balance between national objectives and State flexibility in the design of the Nation's welfare system. We believe that several key goals should govern our efforts to redesign the welfare system: Achieving national reform objectives of work, responsibility, and accountability; ensur-

ing stability in funding over time and cushioning States and individuals against economic cycles; and preserving basic protections for needy Americans, especially children.

There are a number of indicators of State capacity and performance, outlined in my written testimony, that show considerable variation among States in the extent to which they have moved to encourage work, to increase child support enforcement, and to enforce parental responsibilities. Data suggest that, if we truly want reform, we must balance the benefits of increased State flexibility with the need for a national framework of requirements and performance standards.

The AFDC Program currently is funded as an individual and State entitlement. This doesn't mean that the Federal Government provides States or individuals with a blank check for benefits. I think we agree that we need tough requirements to ensure that parents cooperate in securing child support and to ensure that recipients work.

We believe that a national program should enable States to deliver the help needed by families who fall on hard times and who are playing by the rules. The system should not leave the States with the full responsibility for addressing increased demands on their welfare system in times of economic or demographic change.

Under the current funding mechanisms, if State costs increase due to a downturn in the national or State economic cycle, or if a State's needy population increases for other reasons, then more Federal funds become available. Block grants that are set to reflect current spending could create unpredictable and highly variable impacts due to inflation, population migrations, and changing economic and demographic conditions. The design of a block grant or the allocation of a capped entitlement inevitably requires a formula. Different formulas produce different winners and losers, but substantial disparities always seem to result.

Several people have already mentioned that we provide with our testimony data on a simulation of what would have happened if a block grant had been in place from 1988 to 1993. We asked ourselves what would have happened if such a plan had been in place based on 1987 expenditures. We did the calculations to see what States would have received in 1993 under this hypothetical block grant.

If all States had chosen the block grant option, States in the aggregate would have received 26 percent less than they actually spent. Florida would have received 61 percent less; Tennessee, 43 percent less; Michigan, 3 percent more; Connecticut, 40 percent less.

Using a different 5-year period, of course, could yield different results. For example, several of the States in the Midwest whose economies improved between 1988 and 1993 would have suffered in 1988 under a block grant set in 1983.

As we reform welfare to focus on work, responsibility, and reducing dependency, we must not forget that these programs provide a lifeline for our neediest families. Spending caps could mean, for example, that families whose earners lost jobs or were hit with a serious financial emergency toward the end of the year might be denied benefits or put on waiting lists.

We do not believe that the issues we face cannot or should not be solved. Like you in Congress, we in the administration believe that the welfare system needs to be changed in fundamental ways. Our welfare reform proposal takes bold steps to refocus the system on the national objectives of work and responsibility, while increasing State flexibility and protecting America's neediest families.

But before we adopt a specific approach, it is very important that we carefully assess the likely impact of that approach. We look forward to working with the Committee and others in exploring these alternatives. We also offer our cooperation in providing information as we move forward together to reform the welfare system.

I am happy to answer any questions you have at this time.

[The prepared statement follows:]

STATEMENT OF MARY JO BANE
ASSISTANT SECRETARY FOR CHILDREN AND FAMILIES
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Good morning Mr. Chairman and members of the Committee. I am the Assistant Secretary for Children and Families in the Department of Health and Human Services, with responsibility for many of the programs you are considering today. I appreciate the opportunity to come before you to discuss some of the critical issues facing all of us as we attempt to reform the welfare system.

As you know, the President has submitted a comprehensive welfare reform proposal that addresses what we believe are serious flaws in the current welfare system. Our approach emphasizes work, responsibility and reaching the next generation. And we are committed to working with this Congress, in a bipartisan spirit, to pass bold welfare reform legislation.

We believe the current system undermines work and parental responsibility in far too many ways. It is not nearly tough enough about insisting that recipients who are able to work do so or prepare themselves to go to work quickly. It doesn't do nearly enough to ensure that both parents support their children. And it fails to provide real opportunities and challenges to the next generation.

The Family Support Act was passed in 1988 to address some of these problems. Its provisions made work a more integral part of the welfare program, and it gave more support to families who tried to become independent by taking jobs. It also made substantial improvements in the child support enforcement system to ensure that both parents take responsibility for supporting their children. Unfortunately, the Family Support Act did not go far enough, which is why we, with you, believe that a bold new approach is necessary.

Mr Chairman, let me say that this Administration believes strongly in state flexibility, and also shares your concern and that of state officials about the proper division of responsibility between the federal and state governments. As a former state welfare official, and now as a federal official in constant communication with states, I am well aware of the ability of states to respond creatively to the needs and opportunities to reform the welfare system. I am very sympathetic to state concerns about onerous and inappropriate federal requirements.

Likewise, the President, as a former governor and a former leader of gubernatorial efforts to reform the welfare system, recognizes the critical role states play in achieving true reform. He clearly understands that state governments are closer to the problems and ultimately responsible for the success of any reform efforts. Thus, he believes they should be given flexibility to respond to their different needs and to test innovative ideas.

The Administration's welfare reform proposal would greatly enhance state flexibility with respect to the AFDC rules that most affect work and families. In addition, because of our commitment to state flexibility and innovation, we have worked with states using the section 1115 waiver authority to test new approaches to welfare. Under this process, we have approved 24 state demonstrations that enable states to experiment with new ways of promoting parental responsibility, making work pay, and helping families become self-sufficient.

As we move forward to consider comprehensive reforms, there are several fundamental questions that are raised about the design of this nation's welfare system: What is the proper balance between national objectives and state flexibility? What are the appropriate funding mechanisms for programs for the needy? Should the AFDC program remain an individual, and state, entitlement or be converted to a block grant or capped

discretionary program? What national requirements or accountability standards should govern a reformed welfare system?

We believe that several key goals should govern our effort to redesign the welfare system and ensure greater state flexibility:

- o achieving the national reform objectives of work, responsibility and accountability;
- o ensuring stability in funding over time and cushioning states and individuals against economic cycles;
- o preserving basic protections for needy Americans, especially children.

National Reform Objectives

We in the Administration, as in Congress and in the states, are committed to serious welfare reform that emphasizes work, parental responsibility and improving the life prospects of young people. The Family Support Act was very important in beginning a national change in the culture of the welfare system toward one that is oriented toward work and self-sufficiency. Many states are moving further and faster than the Family Support Act required toward a welfare system focused on work and parental responsibility.

There is, however, enormous variation among the states in the extent to which they have moved in these directions. One measure is participation in the JOBS program, which gives some indication of the extent to which a work orientation is reaching the entire AFDC population. In 1993, the percent of countable adult recipients participating in the JOBS program, on an average monthly basis, ranged from less than 10 percent to well in excess of 50 percent. The national average was only 17 percent. We know that states vary in their ability and/or willingness to bring about real cultural change in their welfare systems.

We also can look at the extent to which states choose the option of requiring welfare recipients to work for their benefits, which states can do in a variety of ways under current law. Subsidized work assignments represent only one half of one percent of the assignments in the JOBS program, and unpaid work experience represents six percent of assignments or less. Of all the state welfare reform experiments that this Administration has approved, only Vermont has included subsidized work on a statewide basis. Fewer than half of the demonstrations we have approved involve time limits on benefits or make benefits conditional on work.

Child support efforts also show substantial state variability. For example, the percentage of cases with collections in 1993 ranged from 5.4 percent in Arizona to 38.5 percent in Vermont, with a national average of only 18.2 percent.

We also need to ensure accountability for the correct expenditure of federal funds -- certainly a goal we all share. The importance of national standards in this area is illustrated by the improvement in payment accuracy that occurred after a national Quality Control system was put in place. The national AFDC payment error rate for fiscal year 1973 was 16.5 percent. By 1991, it had declined to 5 percent. In 1991, state payment error rates ranged from 1.18 percent to 9.66 percent. The State-reported rates for 1992 and 1993 suggest that the range in error rates is growing, in that the lowest reported error rate remained less than 2 percent while the highest rate rose to nearly 14 percent.

All these indicators of state capacity and performance show considerable variation. They suggest that if we truly want

comprehensive and widespread welfare reform, we must balance the benefits of increased state flexibility with those of a national framework of requirements and performance standards. This will ensure that states move quickly and effectively to a changed culture of work and responsibility.

Fiscal and Economic Stability

The AFDC program currently is funded as an individual and state entitlement. This does not mean that the federal government provides states or individuals with a blank check for benefits. There are strict rules about eligibility. There are requirements -- which we propose to make much tougher -- to ensure that parents cooperate in securing child support and to ensure that recipients work. AFDC must be a system of mutual obligations, with benefits conditional upon parental responsibility and work.

But a national welfare program also must enable states to deliver the help needed by families who fall on hard times and who play by the rules. The system should not leave the states with the full responsibility for addressing increased demands on their welfare system in times of economic or demographic change. Under the current entitlement funding system, the federal government is committed to share a portion of each state's expenditure, depending on the state caseload and benefit level, and the state's economic capacity in a given year. If state costs increase due to downturns in the national or state economic cycle, or if a state's needy population increases for other reasons, more federal funds automatically become available.

We understand that you currently are considering a number of proposals to cap and block grant the AFDC and Food Stamp programs. As you consider this fundamental change in the nature of this nation's welfare and nutrition programs, it is important to carefully consider the effect such proposals could potentially have on states over time and under changing economic conditions.

Consider, for example, a block grant distribution formula based on need, for example, the formula contained in the Personal Responsibility Act for the nutrition block grant. This formula distributes nutrition assistance funds based on the number of needy people in a state. USDA has done preliminary calculations of what would happen in the aggregate and to selected states in 1996. Overall, expenditures on nutrition programs would be reduced by 13 percent because of appropriations levels that are below anticipated spending in 1996. But the effect on individual states would vary enormously. California would receive \$650 million more in 1996 than in 1995, a 16 percent increase. But Louisiana would receive \$375 million less, a 33 percent decrease. Tennessee would lose 24 percent, and Michigan 20 percent. Block grants allocated according to need create large state winners and losers relative to the current system. The Department of Agriculture will share a full report showing impacts on all the states next week.

A different way to construct a block grant would be to base funding on previous expenditures. The block grant alternative to the AFDC system that is included in the Personal Responsibility Act is an example of this kind of distribution. States would be able to receive 103 percent of their 1992 expenditures to use with almost complete flexibility in providing benefits to needy families. We can examine the effects of this kind of a block grant by asking ourselves what would have happened if such a block grant had been put in place for all the states in 1988, based on 1987 expenditures. We did calculations to see what selected states would have received in 1993 under this hypothetical block grant compared with what they actually spent in 1993. If all states had chosen the block grant option, states

in the aggregate would have received 26 percent less than what they actually spent, partly because of inflation and partly because of increasing caseloads. Again, however, the impacts on individual states vary enormously. Florida would have received 61 percent less; Tennessee 43 percent less; Michigan 3 percent more; Connecticut 40 percent less. Table 1 shows the results for all states. Using a different five year period would yield different results. For example, several states in the midwest whose economies improved between 1988 and 1993 would have suffered in 1988 under a block grant set in 1983.

Of course, if the cap had been in effect in 1988, it is possible that states could have changed their welfare programs to keep their costs within the limitations imposed by the caps. But it is hard to imagine that states would have been able to reduce demand enough to counteract the significant economic and demographic changes that were occurring over this period, and occurring to very different degrees in different states. Block grants set to reflect current spending can create unpredictable and highly variable impacts due to inflation, population migrations, and changing economic and demographic conditions.

The design of a block grant, or the allocation of a capped entitlement, inevitably requires a formula. Different formulas produce different winners and losers, but substantial disparities will always result. In deciding whether the fiscal benefits are worth the potential effects on states, historical spending trends may be informative. Since 1972, there have been some fluctuations in AFDC expenditures, but aggregate, real current expenditures (net of child support collections) are slightly lower than 20 years ago. But the relative stability in aggregate spending masks large variations among states. Over the period 1985-1993, state experiences varied widely; a few states experienced declines, while some experienced very substantial increases. Illinois, Iowa, Michigan and Wisconsin experienced declines in real expenditures in excess of 20 percent. At the same time, expenditures in four states (Arizona, Florida, Nevada, and New Hampshire), more than doubled in real terms.

Basic Family Protections

As we reform welfare to focus on work, responsibility and reducing dependency, we must not forget that these programs provide a lifeline when a parent has lost a job, a mother cares for a severely disabled child, an abused partner finally takes her child and breaks away, an elderly person can't make it on meager pension benefits, or a working family needs a small supplement. As a nation, we have accepted responsibility for ensuring that our neediest families have some help in meeting their basic needs.

The Personal Responsibility Act would impose a cap on funding for the AFDC, SSI, child support, emergency assistance and other programs and would block grant all food and nutrition assistance programs. It also provides that these programs would no longer be entitlements, for either individuals or states. Instead they would be discretionary spending programs subject to annual appropriations.

Although the legislation does not specify what would happen if spending exceeded the caps in a given year, these changes could have profound implications for our neediest families. They could mean that SSI recipients might not get checks during the last months of the fiscal year. The caps could mean that families whose earners lost jobs or were hit with a serious financial emergency toward the end of the year might be treated differently from families that needed assistance at the beginning of the year. They might be denied benefits, their benefits might be reduced or they might be put on waiting lists. Spending caps could also mean that food and nutrition assistance might not be available to working families when their hours or wages were

reduced. These effects could be worse in recession years, when federal funds relative to need would be greatly reduced.

It is possible that states or private charities could make up shortfalls resulting from the federal government's spending caps, and provide help to their needy residents. But demands on the states are likely to be greatest at precisely those times and in those states where ability to respond is most strained. Particularly in times of economic downturn, it is quite possible that the most vulnerable citizens in the poorest states would be left without the basic necessities of life at a time when jobs are the least available.

Conclusion

Understanding the profound issues that are potentially raised by dramatic changes in the funding structure of welfare programs does not mean that these issues cannot or should not be solved. Let me restate that we in the Administration, like members of Congress, believe that the welfare system needs to be changed in fundamental ways. Our welfare reform proposal takes bold steps to refocus the system on the national objectives of work and responsibility, while increasing state flexibility and protecting America's neediest families. Obviously, there are other approaches and other creative solutions to these issues as well. But before adopting one or another approach, it is very important that we carefully assess the likely impact of that approach. We look forward to working with the committee and others in exploring those alternatives. We also offer our cooperation in providing information as we move forward together to reform the welfare system.

I'd be happy to answer any questions at this time.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman.

Dr. Bane, we absolutely must do more to help welfare recipients prepare to work. I know this is the administration's goal in the legislation that was submitted to the Congress in the welfare policy of 1994. I even think that we can require them to work if we guarantee them a living wage in society. The administration would support that totally.

I don't think we as Democrats or this administration or Republicans in this Congress want to continue to have welfare payments without welfare recipients, those able to work, if we can identify a living wage and a job, that those persons ought to work in the work force. Is that pretty much where the administration stands?

Ms. BANE. That is correct. We in the administration are very supportive of requirements and encouragements that would help welfare recipients to work.

Mr. FORD. When we think in terms of children, we too have a responsibility really to protect the welfare of children of this country, and all of the talk about block grants or a new welfare policy in this country, I think we are all committed to the fact that these are children. We are talking about the head of the household who is receiving the benefits for the children and placing them in the work force, but we must have guidelines to protect the children of this country. Is that pretty much the administration's position?

Ms. BANE. That was the position of the Social Security Act when the program was put in place, and, yes, that is the administration's position.

Mr. FORD. For the past 20 years, and I am reading from a report from the Children's Defense Fund headed by Marion Wright Edelman, for the past 20 years we have been cutting AFDC. AFDC has declined from 1.5 percent of the Federal budget in 1979 to 1.1 percent in 1992. Social Security, by contrast, constitutes about 25 percent of the Federal budget. The value of AFDC declined from 47 percent since 1970 and the real value of AFDC benefits has declined between 13 and 67 percent in every State, because, unlike Social Security, payments to mothers and children are not raised automatically to keep pace with inflation. Is that pretty much correct?

Ms. BANE. Yes, sir.

Mr. FORD. We have seen that, and heard that welfare payments have been increasing and we could cut the deficit significantly by cutting AFDC and other aid programs without hurting the children. That is basically the myth that we have been working from. Can you comment on that?

Ms. BANE. I think you just pointed out what a small proportion of the Federal budget AFDC benefits actually are, so we certainly wouldn't want to make the argument that we could cut the deficit substantially by cutting AFDC benefits. They are quite a small proportion of the Federal budget.

Mr. FORD. It goes on and says: While the value of AFDC fell, poverty overall has increased more in U.S. children today than any time in the past 29 years as did the intensity of poverty. In 1993 it says 6.5 million children lived below half the Federal poverty level, and it goes below \$6,000 for a family of 3 up to 3.4 million

in 1979, and when children live in poverty, their risk of undernourishment, developmental problems, chronic accidents, and death increases significantly. A whole host of problems in our society exist when we see that there are more poor children and more poor people in this country than ever before. We are saying we are going to help reduce this Federal deficit, which we want to see happen, but I don't think we want to do it at the risk of endangering children even more so than they are today.

Is that pretty much the administration position as we look at the total picture of trying to make sure that there are certain sanctions for those, that maybe were described by the Governor of Michigan, that people who don't want to work that would put in alternatives and sanctions that would be necessary to make sure we put able-bodied people to work and make sure that both the father and the mother, that we don't single out and penalize mothers and children in this country, but we also go after all those who would have a responsibility here to lower the financial burden of the Federal Government?

Ms. BANE. Mr. Ford, I think we all would agree that the welfare of children would be well served by changes in the welfare system that would help their parents to work, that would make sure that both parents exercise parental responsibility. If we can make changes in the welfare system in those directions, that will benefit children over the long run. That is our goal, and I think that is your goal as well.

Mr. FORD. Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Welcome Dr. Bane. As a new Member of the Committee, I would like to ask your indulgence in helping me characterize the administration's plan as compared to the Republican reform plan. Under our bill, families would lose their AFDC benefit after 5 years. Do you agree with this provision?

Ms. BANE. Under the administration's proposal, cash benefits for AFDC recipients could be received only for 2 years before the recipient was required to work. The administration believes that the welfare system should help people get into work and help them get into work quickly, but we also believe that, in those circumstances where a welfare recipient is not able to find a private sector job, we have a responsibility to ensure that a work opportunity is available so that she can support her children.

Ms. DUNN. Do you support any kind of time limits in AFDC programs?

Ms. BANE. The administration proposal is quite clear that a 2-year limit on benefits is what we support, and that after 2 years—and before 2 years, when possible, because we think many people can move into work much more quickly—that AFDC recipients should be expected to work.

But we don't think you can say arbitrarily in all circumstances that a time limit ought to apply. We believe there will be circumstances where people caring for disabled children, for example, will be unable to work themselves. Under other circumstances, jobs simply are not available, and continued support in the form of a job might be appropriate.

Ms. DUNN. Are you aware that after 5 years an average family will have received in these benefits \$60,000?

Mr. ELLWOOD. I am certainly not aware of that. What we in fact find is that typically recipients move on and off welfare quite rapidly. Seventy percent leave within 2 years, 90 percent within 5. Often they end up coming back, however, and so part of what is going on is you have people who have gotten a job, lost a job, and come back.

I would just reiterate what Dr. Bane said, and that is we feel quite strongly that 2 years or less is the right number before people absolutely have to work. The question is what about when someone is unable to work? What happens to them then? What if they are caring for a disabled child? What if they are in an area where the economy is so bad that there really aren't jobs, then what happens?

Ms. DUNN. The point that I would like to make is that if the taxpayers knew that we were spending \$60,000 on an average family over a period of 5 years, they might believe it is important to have a cutoff date for the benefits.

It is the return to the welfare rolls that can be devastating. It may be that 90 percent do get off within the first 5 years, but it is their return that adds to the cost of the American taxpayer.

Mrs. KENNELLY. Will the gentlewoman yield?

Ms. DUNN. Yes.

Mrs. KENNELLY. Jennifer, how are you figuring out that \$60,000?

Ms. DUNN. The number that I am using comes from the "Green Book." It comes from the cost, which is about \$12,000 for a median State multiplied times five.

Mrs. KENNELLY. Total figure over 5 years?

Ms. DUNN. Yes.

Mrs. KENNELLY. OK.

Ms. DUNN. Dr. Bane, does the administration believe that taxpayers ought to guarantee on an entitlement basis cash, food stamps, and medical care? I will give you a couple of examples, and I would like to have a yes or no because my time is nearly up. A 15-year-old mother who gives birth to a child out of wedlock, yes or no?

Ms. BANE. I am sorry.

Ms. DUNN. The benefits in the form of cash and food stamps and medical care; would you award that to a 15-year-old mother who gives birth to a child out of wedlock?

Ms. BANE. Only if she was living at home, only if she was staying in school, and only if that money was needed for the care of the child.

Ms. DUNN. What about a mother of two children who has been on welfare for 8 years?

Ms. BANE. Only if she is working or cooperating in moving on to work, or perhaps caring for a disabled child.

Ms. DUNN. When you say cooperating in moving on to work, what do you mean?

Ms. BANE. In your example of someone who had been on welfare for that long a period of time, we would certainly expect that person to be working.

Ms. DUNN. So not in job training?

Ms. BANE. Under our proposal, it may be appropriate to provide job training, education, and other placement services for up to 2 years, but with very few exceptions.

Ms. DUNN. What about a 25-year-old man who has no physical impairments but he has a doctor's note claiming that his addiction to crack cocaine renders him incapable of work? Would you provide him those benefits?

Ms. BANE. Our proposal allows the States to require that person to participate in drug rehabilitation programs. We believe that would be appropriate, and benefits would be appropriately conditioned on full cooperation with those programs.

Ms. DUNN. Thank you.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman. Dr. Bane, accountability is used here, that word, and everybody wants to have accountability of who receives the welfare from the taxpayers, and people are very, very discouraged. They have had it with the present welfare system.

And yet accountability is something that we live by. We run every 2 years and I had to have accountability when we did the Social Security changes in 1983, they are still asking about that, the 1986 tax reform, the 1993 budget bill. I think our role, some of us in the minority, is to make sure that we see what is ahead so that when we go home and they say what happened, we say we did welfare reform. They say how come our quality of life has disintegrated. We have to look at some things such as children who have real problems because of that reform. Could you expand on what would happen when a State is in recession or when recession hits when there is no individual entitlement?

Ms. BANE. That is what I worry about, Mrs. Kennelly. I was thinking, as the Governors testified this morning, when I was Commissioner in New York, I visited a town in western New York in which the local factory, I think it was a typewriter factory, had just closed. There were people in the welfare office having to apply for AFDC and food stamps who had never imagined themselves in that situation. They were there because they had to, because of the effect of the plant closing. The church's resources were strained. The charities' resources were strained. Local government resources were strained. Their own families' resources were strained. So I worry that if we set those strict spending caps in the form of a block grant or a discretionary grant that those are the people who are going to be hurt.

Mrs. KENNELLY. Thank you, Dr. Bane. Governor Engler talked about, and we are all looking for, solutions to our State problems. He said that he was able in a matter of 2 years, I think he said, to see \$100 million collection in welfare changes. Have you got any insight, and we didn't get a chance to ask how that happened—do you have any insight as to how he brought about this change so successfully?

Ms. BANE. We haven't got a clear indication of the data. One of the things we welfare bureaucrats do when we grant the waivers is ensure that there is, in fact, a good evaluation and a very careful accounting including a comparison with a control group of what the costs are and what benefits are actually being achieved. We only

have preliminary data, so I really can't comment on how those savings estimates will hold up.

We do know that one of the proposals in Governor Engler's plan was for the welfare department to make special efforts to move children from the AFDC Program onto the SSI Program. We do know that some of the savings to the State have come because of that transfer to the Federal Government.

Mrs. KENNELLY. So if you take a person off AFDC, which is a Federal program, and put him on SSI, which is a Federal program, that is an accounting plus for the State?

Ms. BANE. It is because the AFDC Program is paid for in Michigan, as it is in New York, about half by the State and half by the Federal Government, whereas the SSI Program is paid for 100 percent by the Federal Government. I did see that in New York when I was Commissioner too.

Mrs. KENNELLY. The Governor was not too complimentary about bureaucrats looking at waivers. I think he will be thrilled to hear you and he share that, though I see it as kind of a transfer that I think is counted as a plus. The Governor was very critical about bureaucrats and waivers.

Could you quickly defend yourself on why waivers possibly could be a safeguard or what are you doing that he feels is not being done correctly?

Ms. BANE. I wish we could do them faster too. We are not waiving our own creative rules and regulations, but laws that have been passed by Congress and made part of the Social Security Act partly because, as Mr. Nussle commented, there are things that go wrong. There are things that need to be solved, and we have built regulations around them.

So, in working with the States on waivers, we have to work through how they are going to solve these problems. We also work with them on an evaluation plan so that we can learn from what we do and work with them to try to avoid legal challenges to their demonstrations.

Mrs. KENNELLY. I want to commend your administration for really moving on waivers. I remember trying to get one for Connecticut some years ago and it was impossible. So I salute you, that since that was your charge, you did move it.

Thank you, doctor.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you. Let me ask you to draw on your experience. I found the testimony earlier to be very revealing. I think it is really kind of a call for not reform, but revolution. A total devolution of authority to the States in this area. Governor Engler used the image of a car, I guess we come from Michigan and we tend to use such an image, and he suggested the Federal Government should get in the back seat, and I think I favor that, and put the States in the front seat.

But I think toward the end he really suggested that the Federal Government should be out of the car altogether except for providing the gasoline. So in a way it is total devolution, and I think it is a call in this area and in food and nutrition to kind of go back to the Articles of Confederation.

So let me ask you this—why not? What is the national interest in these families, in these children?

Ms. BANE. As I outlined in my testimony, I think we all do have some national objectives for welfare reform. We need to provide national leadership to ensure and to prod all the States to meet these objectives having to do with work, with parental responsibility, with protecting children.

We also have to recognize that we do live in a Nation where there is a lot of movement from one State to another, and where there needs to be some national clearinghouses, national interchanges, for example, to make sure that there is not fraud across States, to make sure that we can collect child support across States, to make sure that when people go from one State to another, they don't get a completely different set of treatments.

Also, we need to keep in mind that there are economic cycles. They do affect States differently over time, and some States are much worse off than others, not only at a given point in time, but as their economies change, and I think that we as a Nation do have a responsibility to help the States and to help the citizens of those States in those very troubled times.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman, and we thank you for the contribution that you are making here. Maybe since you have studied this Contract With America more than I have, are there any provisions that States have to maintain the contributions that they are making toward AFDC as you understand it?

Ms. BANE. As I understand the Contract With America that was submitted at the beginning of the session, the maintenance of effort provisions were not repealed. I don't know what is being discussed now with respect to block grants. As I understand it, there is thought of not continuing those maintenance of effort provisions.

Mr. RANGEL. So that is one of the things that we have to look for because we may be kicked out of the car, but the people may not even put the gas in on the State level.

Second, as you understand the Contract With America, do we guarantee that we will increase the Federal funds to reflect need, or are we out of it just with the block grant?

Ms. BANE. Again, as I read the Contract, and obviously other people are better able to state this, one crucial piece of it, which is part of the original bill and of the new discussions is, to make the welfare programs discretionary programs subject to annual appropriations. As I understand it, the Congress would have to choose each and every year in the context of the overall Federal budget how much money would be available for these programs.

Mr. RANGEL. That means that the welfare cases then would have to compete against other budget priorities in the Congress?

Ms. BANE. That is how I read that proposal, yes, sir.

Mr. RANGEL. Well, we are very concerned about how you read it, because you are the expert now. I want to make certain that there is nothing here that guarantees the States or the people that the Congress is going to maintain the Contract. It will just go to the authorizing and the appropriation committees like any other discretionary program.

Ms. BANE. That is correct, Mr. Rangel, and I believe that not only the AFDC Program and the Food Stamp Program come under the discretionary cap, but also the SSI Program for elderly and disabled poor citizens.

Mr. RANGEL. And once the Congress decides what the cap is going to be, then that goes to the State and, no matter what happens with their economy, they are on their own as to if things get worse. If there are more poor folks, they just have to figure out what to do themselves?

Ms. BANE. That is correct. With the SSI Program, if the money ran out, we at the Federal level would have to figure out what to do, whether to stop sending checks to elderly and disabled citizens.

Mr. RANGEL. If indeed there were an economic depression going on in the States and there were no jobs available, under the Contract, the Governor can proclaim not only are there no jobs available, but that they are also laying off public servants, and there is a recession—after 2 years without a job or one not being available, this person could possibly not receive any funds from the State under the Contract?

Ms. BANE. As I understand the Contract legislation, States would have the option of cutting people off after 2 years and would have to cut people off after 5 years, regardless of whether jobs were available.

Mr. RANGEL. If this 15-year-old girl became pregnant and the father of the child was killed in the streets, and she was put out by her mother and father, who had family values and rejected her, under the Contract, the child that is to be born would not be entitled to anything under the Republican Contract; is that true?

Ms. BANE. That is how I read that provision. If the mother was not married at the time the child was born and she was a teenager, that child would not be entitled to benefits for the whole 18 years.

Mr. RANGEL. Even if the father of the child died defending someone's honor in the street, the fact that he didn't marry the mother, the child would not be entitled to any assistance under the Contract With America?

Ms. BANE. That is how I would read the provision, yes.

Mr. RANGEL. Thank you so much.

Chairman SHAW. Dr. Bane, I would suggest that you go back and read that portion of the bill again because what we have talked about is cash benefits. There is leeway for the States to provide other services. Quite frankly, and one of our witnesses made a point of this, I know that the administration is suggesting greater restrictions on teenage moms than presently exists under present law. I think you would agree that present law is totally unsatisfactory in giving a 15-year-old a check or a cash benefit without substantial restrictions. Don't you agree with that?

Ms. BANE. We agree that there should be requirements on teen mothers to live at home, to stay in school, and to exercise parental responsibility.

Mr. RANGEL. Mr. Chairman—

Chairman SHAW. I yield to the gentleman.

Mr. RANGEL. I thought that you would not agree that what I said was correct. I merely did it to show that this is going to be a wide area for us to be cooperating with you. Some of the things in the

so-called Contract are not understood and the quicker we can understand exceptions to the rule—because, as you said and as the administration has said, we don't believe we should encourage a 15-year-old to look forward to a check so they can set up a household just for being irresponsible. So the quicker we can get answers to these questions the closer we can reach the objective that both of us want, and that is to reform the system as we know it.

Chairman SHAW. One of our witnesses yesterday described the cash benefit directly to a 15-year-old as federally funded child abuse, and I thought that was quite good. She made the remark that you wouldn't entrust your dog to some of these kids that are having kids and the fact that they are setting up separate households and receiving cash benefits is absolutely outrageous.

We will look forward to working with the administration and with all Members on the Committee in putting together a package in which we can discourage teenage pregnancy, but we are not going to forget the babies that are brought into this world through no fault of their own.

If there are no other questioners, Dr. Bane, Dr. Ellwood, it is always a pleasure to have you with us and we look forward to working with you in the months ahead.

Ms. BANE. Thank you.

Chairman SHAW. We have a very distinguished final panel, with Robert Rector, who is a senior policy analyst with the Heritage Foundation; Michael Horowitz, who is a senior fellow with the Hudson Institute, Washington, DC; Marvin Olasky, professor of the department of journalism at the University of Texas in Austin; and Robert Greenstein, the executive director for the Center on Budget and Policy Priorities in Washington, DC.

I would ask that each of the panelists confine your remarks to 5 minutes, and that would give the Members ample opportunity to inquire and ask you questions in order to expand your testimony. Your written testimony is a part of the record and as soon as the room quiets down, I will ask Mr. Rector to proceed.

Mr. Rector, please proceed.

STATEMENT OF ROBERT RECTOR, SENIOR POLICY ANALYST, HERITAGE FOUNDATION

Mr. RECTOR. Thank you, Chairman Shaw. I appreciate this opportunity to come before the Subcommittee. Let me begin by saying that 30 years ago in launching the war on poverty, Lyndon Johnson told us that this was to be an investment which would return its cost to the taxpayer manyfold.

What I would like to discuss today in my testimony is exactly how much we have invested in this effort and what is the payoff or the dividend that we have received for this investment. I am going to talk about the total cost of the war on poverty, the total cost of the current welfare state, and by the welfare state, I mean means-tested programs for low-income and poor Americans: Cash, food, housing, medical care, and social services targeted to the poor. This is what we basically launched into, a comprehensive welfare system in 1964.

There are over 75 major Federal means-tested programs. When you talk about the small ones, over 300 programs. The total spend-

ing by Federal and State combined on the 75-plus major programs in 1994 was \$350 billion, over 5 percent of the GDP. If we look at the chart which I have provided here, we can see what we have invested in the past. Back in 1964 when the war on poverty began, we were spending 1 percent of the gross domestic product on welfare. Today that spending has risen to over 5 percent.

After adjusting for inflation, welfare spending has gone from \$40 billion a year to \$340 billion a year, a ninefold increase since 1964. Total spending from 1964 to the present time, adjusted for inflation, is \$5.3 trillion. That cost after adjusting for inflation is greater than the cost of defeating Germany and Japan in World War II by a considerable margin. But in World War II we won. In the war on poverty, poverty won.

Let's look at the consequences of this \$5.3 trillion investment we have made in programs for the poor. The most striking consequences are shown on the chart in the black line. The black line represents the percentage of the American population that was poor. What we see on the chart is that starting at the high point in 1950, about a third of the population was poor. The red line charts constant dollar welfare spending. During the fifties the spending is at the bottom of the chart. You can barely see it. But during the fifties and early sixties, the poverty rates plummeted, falling about 1 percentage point a year.

Poverty fell from 30 to 15 percent of the population while welfare spending remained at a tiny level. Then something happens. In 1965 the spending takes off and begins to explode. But the poverty rate stops falling. It kinks over and basically remains unchanged for the next 30 years, bumping up and down a little bit. It is higher today than it was in the midsixties when the war on poverty began.

So despite \$5.3 trillion, we not only didn't reduce poverty, we brought to a standstill the natural progress against poverty that was occurring before the war on poverty began. Similarly in the same period, the illegitimate birth rate rose from around 5 percent to close to 33 percent, the crime rate quadrupled, and on and on. In almost every social indicator, our society became worse as a result of this spending.

I would like during the question and answer period to go further into addressing that. The second chart shows the CBO projections of the spending on these 75 means-tested programs in the future. Today we are spending about \$340 billion, 5 percent of GDP. If we continue on our current course, by 1999 that spending will increase by over 60 percent to \$550 billion, spending will rise from its current level of 5 percent of GDP to 6 percent of GDP.

Frankly, under the current system, there is no light at the end of the tunnel. I would ask you to ask any of the witnesses from the administration at what point in time they could ever conceive that this spending would begin to go down or even that the spending would not rise as a percentage of GDP. We are locked into a course of inevitable spending increases and inevitable increases in dependency, and I hope that in the question and answer period, I will be able to go into certain ways that we cannot only help the poor, but also bring this fantastic explosion of spending under control.

I thank you.

[The prepared statement and attachments follow:]

Testimony before
 The Sub-Committee on Human Resources
 Committee on Ways and Means
 U.S. House of Representatives
 January 13, 1994

Robert Rector
 The Heritage Foundation
 (202-546-4400)

THE GROWTH OF THE WELFARE STATE

Introduction

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

As in the current welfare reform debate, each prior expansion of the welfare system has been rationalized as an "investment" which would save money in the long run. But these "investments" have led only to higher spending and escalating social problems.

Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged; dependency has soared; the family has collapsed and illegitimacy has skyrocketed. And crime has escalated in direct proportion to the growth in welfare spending.

U.S. society can no longer tolerate open-ended growth in destructive welfare spending. A key goal of any serious welfare reform must be to limit the future growth of welfare spending.

Defining the U.S. Welfare System

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

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

there.

Targeted, Categorical, and Means-Tested Programs

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

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

Total Welfare Spending

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

Categories of Welfare Spending

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

Cash Aid The federal government operates eight major means-tested cash assistance programs. Many state governments also operate independent cash programs termed General Assistance or General Relief. Total cash welfare spending by federal

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

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

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

and state governments reached \$71.5 billion in FY 1993.

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

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

Medical Aid The federal government runs 8 medical programs for low income persons. Many states operate independent medical General Assistance programs. Total medical aid equalled \$155.8 billion in FY 1993.⁴

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

Education Aid The federal government runs 9 programs providing educational assistance to low income persons, disadvantaged minorities, or low-income communities. Total spending equalled \$17.3 billion in FY 1993.

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

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

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

The Growth of the Welfare State

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

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

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

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

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

⁴ This figure includes the share of Medicare which goes to persons with incomes below the poverty level at a total cost of \$15.5 billion. These funds largely represent the "Medicaid buy into Medicare" by which the Medicaid system pays the premiums for poor persons to enable them to enroll in and receive benefits from Medicare.

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

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

The Total Cost of the War on Poverty

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

Projected Growth of Welfare Spending

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

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

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

The Social Costs of the War on Poverty

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

In welfare, as in most other things, you get what you pay for. For thirty years the welfare system has paid for non-work and non-marriage and has achieved massive increases in both. By undermining the work ethic and rewarding illegitimacy, the welfare system insidiously generates its own clientele. The more that is spent the more people in apparent need of aid appear. The government is trapped in a vicious cycle in which spending

generates illegitimacy and dependency which in turn generates demands for even greater spending.

Reforming Welfare

Any fair observer would note that no matter how frequently policy makers "end welfare," the costs continue to rise. Welfare absorbed around 1.2 percent of GDP when Lyndon Johnson launched the War on Poverty in 1964; it had risen to over 5 percent by 1992. With a \$324 billion price tag, welfare spending now amounts to roughly \$8,500 for each poor person in the U.S. Worse, Congressional Budget Office figures show total welfare costs rising to a half trillion dollars, about 6 percent of GDP, by 1998.⁵

The long history of bogus welfare reforms, all of which were promised to save money but did not, leads one to one obvious conclusion. The only way to limit the growth of welfare spending is to do just that: limit the growth of welfare spending. The welfare system must be put on a diet.

Welfare entitlements should be ended. Most separate federal non-medical welfare programs should be eliminated and the funds should be pooled into a single welfare block grant to the states. The future growth of federal non-medical means-tested welfare spending should then be capped at 3 percent per annum. Comprehensive reform along these lines is provided in: "The Welfare Reform Act of 1994" (S.2134) introduced by Senators Lauch Faircloth, Charles Grassley and Hank Brown and the companion bill H.R. 4566 introduced by Jim Talent, Tim Hutchinson and Charles Canady in the House of Representatives.

Similarly the entitlement nature of Medicaid should be eliminated. Medicaid and other means-tested medical programs should be converted into a single medical block grant for the states which would increase at the rate of medical inflation.

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

While such a block grant approach would give the state governments infinitely more flexibility than the current system, we should not have a system of "zero responsibility block grants". The use of the block grant funds must be governed by a few basic moral principles established at the federal level. These principles should include:

- 1) Limit federal subsidies for future illegitimate births. Insist that federal funds no longer be used to provide direct cash, food, and housing subsidies to women under 21 who in the future have children out-of-wedlock. States who believe it is wise to continue the current system of direct welfare benefits to subsidize illegitimacy in the future could do so with their own state funds, but they could no longer use federal

⁵ These figures represent estimated federal, state and local spending on means-tested welfare programs and aid to economically disadvantaged communities. The Congressional Budget Office estimates only future federal spending. Future state and local spending figures were estimated separately by assuming that the ratio of federal spending to state and local spending on specific programs would remain unchanged. This is a reasonable assumption since the required state contribution to most federal welfare programs is legislatively established at a fixed percentage of federal spending on that program. These percentages change little over time.

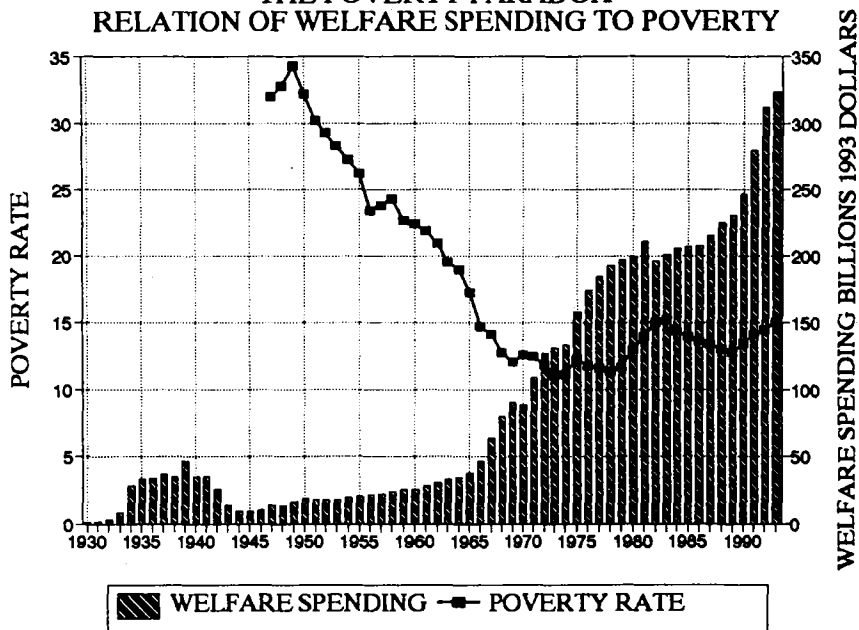
money for that purpose.⁶

- 2) Provide an improved quality of life for those children who will continue to be born out-of-wedlock in the future by channeling those federal welfare funds which, under the current system, go directly to unwed mothers, into alternative and superior forms of care, such as: adoption services and closely supervised group homes for young unmarried women and their children.
- 3) Insist that in the future mothers who receive federally funded welfare benefits must establish the paternity of their children.
- 4) Insist that federal funds not be used to provide automatic increases in welfare benefits to women who give birth to additional children while already receiving welfare.
- 5) Insist on serious but sensible work requirements for welfare recipients receiving federally funded aid, focusing those requirements on the most employable welfare recipients first (such as single able-bodied males and fathers in two parents families), rather than on single mothers with infant children.

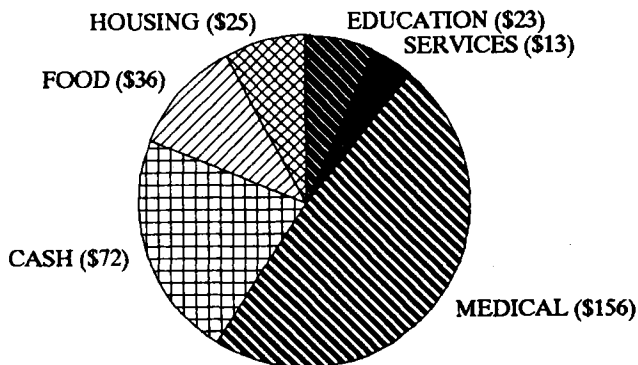
This is not "conservative micro-management". Under the system I am proposing, hundreds of separate federal welfare programs would be pooled into a single block grant thereby rescinding tens of thousands of pages of current federal regulation. These regulations should be replaced by 10 or 20 pages of simple federal principles which would insure that federal welfare funds were used to promote marriage rather than illegitimacy and work rather than dependency.

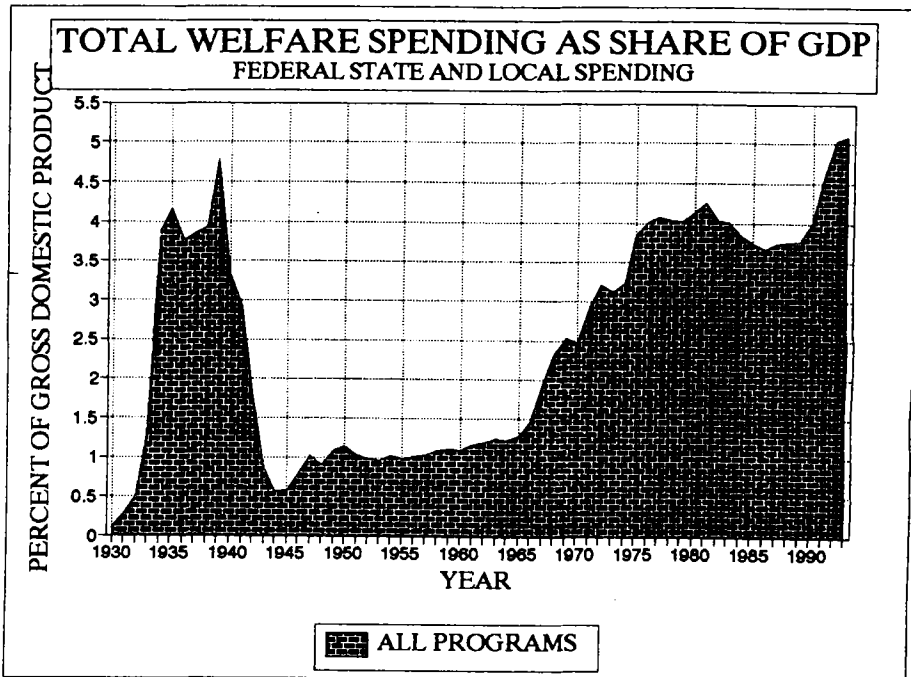
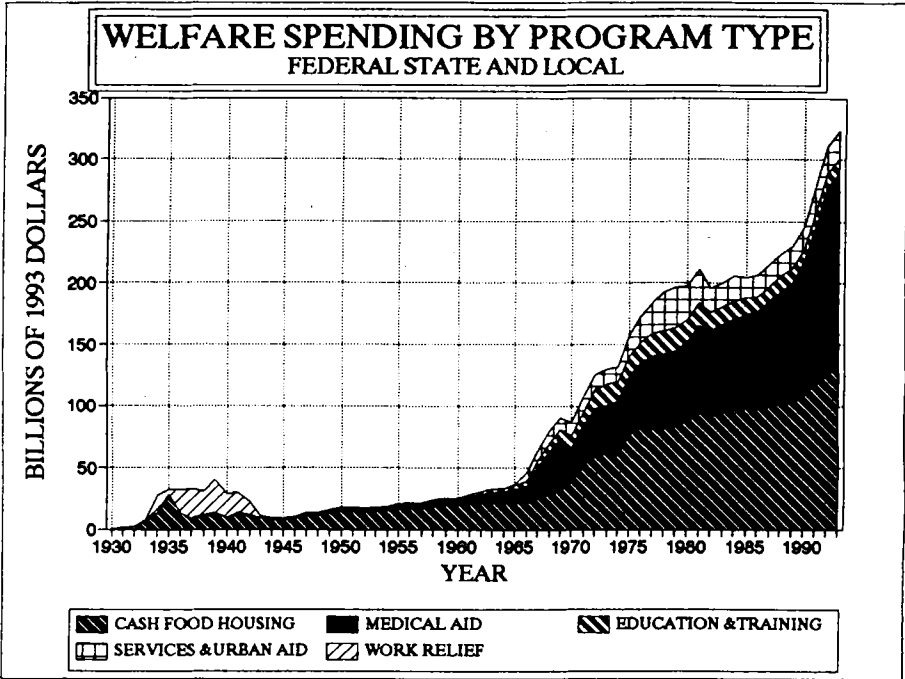
⁶ This limitation should apply only to women who have children one year after the enactment of reform legislation, not to those who have already had children out of wedlock.

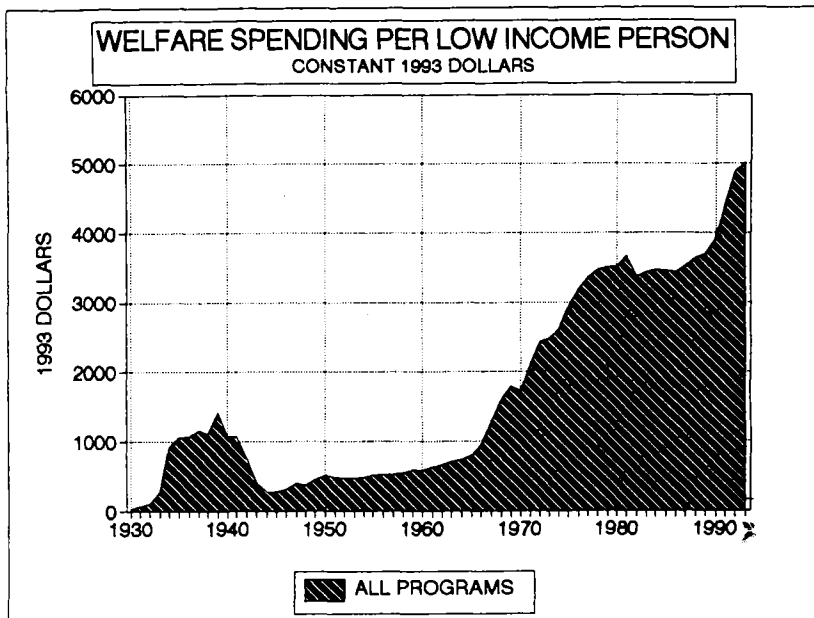
THE POVERTY PARADOX RELATION OF WELFARE SPENDING TO POVERTY



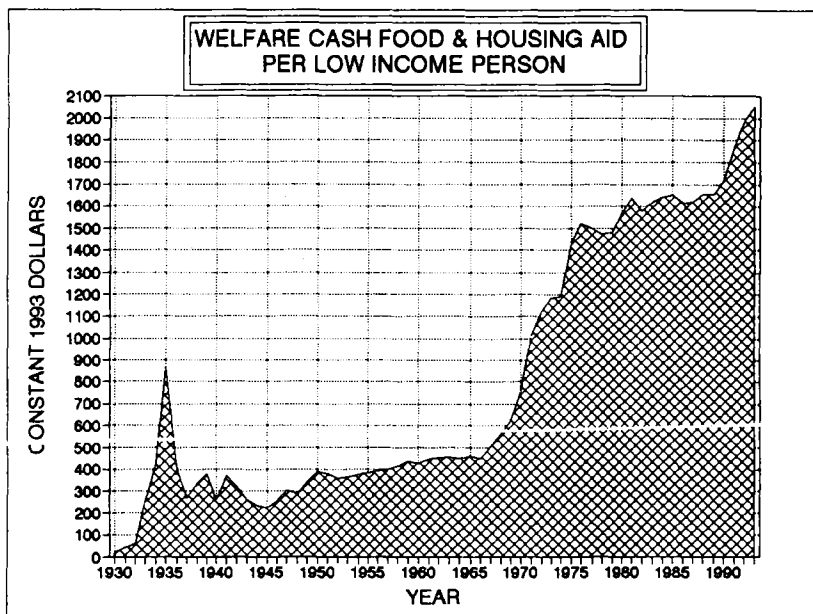
THE 1993 WELFARE STATE SPENDING IN BILLIONS





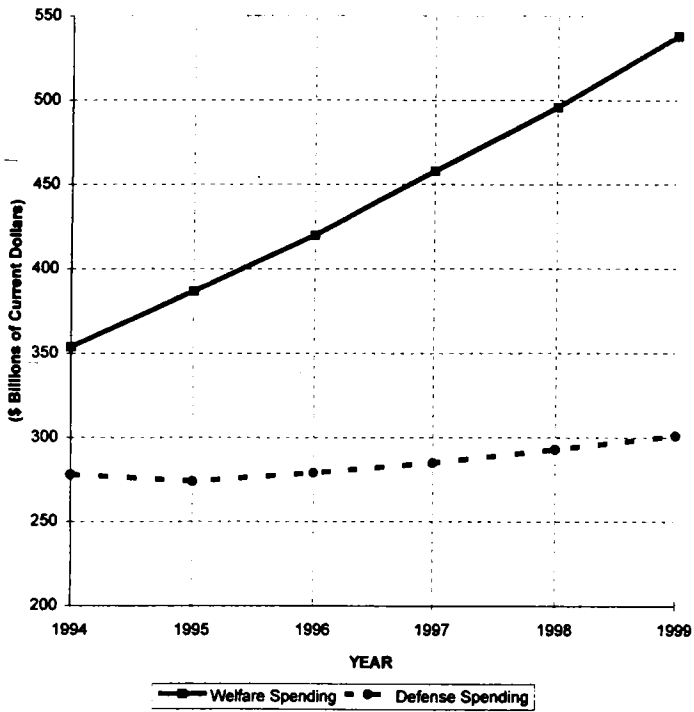


Low-income persons means the least affluent one-quarter of the U. S. population.



Low-income persons means the least affluent one-quarter of the U. S. population.

PROJECTIONS OF DEFENSE AND WELFARE SPENDING



THE U.S. WELFARE SYSTEM**MEANS-TESTED ASSISTANCE PROGRAMS AND AID TO
ECONOMICALLY DISTRESSED COMMUNITIES****CASH AID**

CASH 01) Aid to Families with Dependent Children

Budget Account Number: 75-1501-0-1-609

FY 1993: federal \$13,767.2 million state \$11,426.8 million

CASH 02) Supplemental Security Income

Budget Account Number: 75-0406-0-1-609

FY 1993: federal \$22,642 million state \$3,300 million

CASH 03) General Assistance: Cash

Budget Account Number: none

FY 1993: state \$3,340 million (estimate)

CASH 04) Earned Income Tax Credit

Budget Account Number: 20-0906-0-1-609

FY 1993: federal \$13,663 million

CASH 05) Foster Care: Title IV E

Budget Account Number: 75-1545-1-1-506

FY 1993: federal \$2,532.4 million state \$1,779.352 million

CASH 06) Assistance to Refugees and Cuban/Haitian Entrants

Budget Account Number: 75-1503-0-1-609

FY 1993: federal \$65.122 million

CASH 07) Emergency Assistance to Needy Families with Children

Budget Account Number: 75-1501-0-1-609

FY 1993: federal \$202.19 million state \$202.19 million

CASH 08) Adoption Assistance

Budget Account Number: 75-1545-1-1-506

FY 1993: federal \$273.382 million state \$155.828 million

CASH 09) General Assistance to Indians

Budget Account Number: 14-2100-0-1-452

FY 1993: federal \$106.114 million

MEDICAL AID

MEDICAL 01) Medicaid

Budget Account Number: 75-0512-0-1-551

FY 1993: federal \$75,744 million state \$56,051 million

MEDICAL 02) General Assistance: Medical Care

Budget Account Number: none

FY 1993: state \$5,204 million (estimate)

MEDICAL 03) Indian Health Services

Budget Account Number: 75-0390-0-1-551

FY 1993: federal \$1,495.454 million

MEDICAL 04) Maternal and Child Health Services Block Grant

Budget Account Number: 75-0350-0-1-550

FY 1993: federal \$664.530 million state \$423.6 million

MEDICAL 05) Community Health Centers

Budget Account Number: 75-0350-0-1-550

FY 1993: federal \$558.808 million

MEDICAL 06) Medical Assistance to Refugees and Cuban/Haitian Entrants

Budget Account Number: 75-1503-0-1-609

FY 1993: federal \$98.043 million

MEDICAL 07) Migrant Health Services
 Budget Account Number: 75-0350-0-1-550
 FY 1993: federal \$57.306 million

MEDICAL 08) Medicare for Persons with Incomes Below the Federal Poverty Threshold
 Budget Account Number: None
 FY 1993: federal \$15,516.800 million

FOOD AID

FOOD 01) Food Stamps
 Budget Account Number: 12-3505-0-1-605
 FY 1993: federal \$23,577 million state \$1,628 million

FOOD 02) School Lunch Program
 Budget Account Number: 12-3539-0-1-605
 FY 1993: federal \$4,670.9 million

FOOD 03) Special Supplemental Food Program for Women, Infants, and Children (WIC)
 Budget Account Number: 12-3510-0-1-605
 FY 1993: federal \$2,846.5 million

FOOD 04) The Emergency Food Assistance Program
 Budget Account Number: 12-3635-0-1-351
 FY 1993: federal \$163.4 million

FOOD 05) Nutrition Program for the Elderly
 Budget Account Number: 12-3503-0-1-351
 FY 1993: federal \$573.939 million state \$65.007 million

FOOD 06) School Breakfast Program
 Budget Account Number: 12-3539-0-1-605
 FY 1993: federal \$866.0 million

FOOD 07) Child and Adult Care Food Program (Means-Tested and Low-Income Component)
 Budget Account Number: 12-3539-0-1-605
 FY 1993: federal \$1,225.704 million

FOOD 08) Summer Food Service Program for Children
 Budget Account Number: 12-3539-0-1-605
 FY 1993: federal \$210.4 million

FOOD 09) Needy Families Food Distribution Program (Commodity Food Distribution Program on Indian Reservations in Lieu of Food Stamps)
 Budget Account Number: 12-3503-0-1-605
 FY 1993: federal \$61.968 million

FOOD 10) Commodity Supplemental Food Program (CSFP) for Mothers, Children, and Elderly Persons
 Budget Account Number: 12-3512-0-1-605
 FY 1993: federal \$110.58 million

FOOD 11) Special Milk Program (Free Segment)
 Budget Account Number: 12-3502-0-1-605
 FY 1993: federal \$1.44 million

HOUSING AID

HOUSING 01) Section 8 Lower-Income Housing Assistance
 Budget Account Number: 86-0164-0-1-604; 86-0194-0-1-604
 FY 1993: federal \$13,288 million

HOUSING 02) Low-Rent Public Housing
 Budget Account Number: 86-0163-0-1-604; 86-0164-0-1-604
 FY 1993: federal \$3,726.8 million

HOUSING 03) Section 502 Rural Housing Loans for Low-Income Families
 Budget Account Number: 12-2081-0-1-371
 FY 1993: federal \$1,842.989 million

HOUSING 04) Section 236 Interest Reduction Payments
 Budget Account Number: 86-0148-0-1-604
 FY 1993: federal \$634.744 million

HOUSING 05) Section 515 Rural Rental Housing Loans

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

FY 1993: federal \$573.857 million

HOUSING 06) Section 521 Rural Rental Assistance Payments

Budget Account Number: 12-0137-0-1-604

FY 1993: federal \$393.922 million

HOUSING 07) Section 235 Homeownership Assistance for Low-Income Families

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

FY 1993: federal \$62.033 million

HOUSING 08) Section 101 Rent Supplements

Budget Account Number: 86-0129-0-1-604

FY 1993: federal \$55.1 million

HOUSING 09) Indian Housing Improvement Grants

Budget Account Number: 14-2301-0-1-452

FY 1993: federal \$19.922 million

HOUSING 10) Section 504 Rural Housing Repair Loan Grants for Very Low-Income Rural Homeowners

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

FY 1993: federal \$11.330 million

HOUSING 11) Section 514 Farm Labor Housing Loans

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

FY 1993: federal \$16.299 million

HOUSING 12) Section 523 Rural Housing Self-Help Technical Assistance Grants and Section 523 Rural Housing Loans

Budget Account Number: 12-2006-0-0-604 (grants); 12-2080-0-1-371 (loans)

FY 1993: federal \$11.142 million

HOUSING 13) Section 516 Farm Labor Housing Grants

Budget Account Number: 12-2004-0-1-604

FY 1993: federal \$15.936 million

HOUSING 14) Section 533 Rural Housing Preservation Grants for Low-Income Rural Homeowners

Budget Account Number: 12-2070-0-1-604

FY 1993: federal \$23 million

HOUSING 15) Public Housing Expenditures by State Governments

Budget Account Number: none

FY 1993: state \$2,856 (estimate)

ENERGY AID**ENERGY 01) Low-Income Home Energy Assistance Program**

Budget Account Number: 75-1502-0-1-609

FY 1993: federal \$1,318.961 million state \$92.327 million

ENERGY 02) Weatherization Assistance

Budget Account Number: 89-0215-0-1-999

FY 1993: federal \$182.368 million

EDUCATION AID**EDUCATION 01) Pell Grants**

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

FY 1993: federal \$6,098.572 million

EDUCATION 02) Head Start

Budget Account Number: 75-1536-0-1-506

FY 1993: federal \$2,776.041 million state \$694 million

EDUCATION 03) Title One Grants to Local Education Authorities for Educationally Deprived Children Under the Elementary and Secondary Education Act

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

FY 1993: federal \$6,139.868 million

EDUCATION 04) Supplemental Educational Opportunity Grants

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

FY 1993: federal \$588.108 million

EDUCATION 05) Chapter One Migrant Education Program

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

FY 1993: federal \$302.773 million

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

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

FY 1993: federal \$388.165 million

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

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

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

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

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

FY 1993: federal \$61.628 million

EDUCATION 09) Follow Through

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

FY 1993: federal \$8.478 million

EDUCATION 10) Even Start

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

FY 1993: federal \$90.122 million

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

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

FY 1993: federal \$1,691.7 million

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

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

FY 1993: federal \$849.412 million

TRAINING 03) Job Corps (JTPA-IV)

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

FY 1993: federal \$949.287 million

TRAINING 04) Senior Community Service Employment Program

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

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

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

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

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

TRAINING 06) Foster Grandparents

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

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

TRAINING 07) Senior Companions

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

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

TRAINING 08) Migrant and Seasonal Farm Workers Training Program

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

FY 1993: federal \$78.303 million

TRAINING 09) Indian and Native American Employment and Training Program

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

FY 1993: federal \$61.871 million

SOCIAL SERVICES**SERVICES 01) Social Services Block Grant (Title XX)**

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

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

SERVICES 02) Community Services Block Grant
 Budget Account Number: 75-1504-0-1-506
 FY 1993: federal \$442.830 million

SERVICES 03) Legal Services Corporation
 Budget Account Number: 20-0501-0-1-752
 FY 1993: federal \$360.563 million

SERVICES 04) Emergency Food and Shelter Program
 Budget Account Number: 58-0103-0-1-605
 FY 1993: federal \$128.992 million

SERVICES 05) Social Services for Refugees and Cuban/Haitian Entrants
 Budget Account Number: 75-1503-0-1-609
 FY 1993: federal \$68.685 million

SERVICES 06) Title X Family Planning
 Budget Account Number: 75-0350-0-1-550
 FY 1993: federal \$162.646 million

SERVICES 07) Volunteers in Service to America (VISTA)
 Budget Account Number: 44-0103-1-0-506
 FY 1993: federal \$43.311 million

SERVICES 08) Title III b Supportive Services Under the Older Americans Act
 Budget Account Number: 75-0142-0-1-506
 FY 1993: federal \$296.844 million

SERVICES 09) Daycare Assistance for Families "At-Risk" of Welfare Dependence
 Budget Account Number: 75-1501-0-1-609
 FY 1993: federal \$264.316 million

SERVICES 10) Child Care and Development Block Grant
 Budget Account Number: 75-1515-0-1-609
 FY 1993: federal \$ 892.711 million

SERVICES 11) Child Care for Recipients (and Ex-Recipients) of AFDC
 Budget Account Number: 75-1501-0-1-609
 FY 1993: federal \$595.568 million

COMMUNITY AND DEVELOPMENT AID

COMMUNITY AID 01) Community Development Block Grant
 Budget Account Number: 86-0162-0-1-451
 FY 1993: federal \$4,243.374 million

COMMUNITY AID 02) Urban Development Action Grant Program (UDAG)
 Budget Account Number: 86-0170-0-1-451
 FY 1993: federal \$51.314 million

COMMUNITY AID 03) Economic Development Administration
 Budget Account Number: 13-2050-0-1-452
 FY 1993: federal \$26.356 million

COMMUNITY AID 04) Appalachian Regional Development Program
 Budget Account Number: 46-0200-0-1-452
 FY 1993: federal \$144.697 million

COMMUNITY AID 05) Legalization Impact Aid
 Budget Account Number: 75-1508-0-1-506
 FY 1993: federal \$325.642 million

Chairman SHAW. Mr. Horowitz.

**STATEMENT OF MICHAEL HOROWITZ, SENIOR FELLOW,
HUDSON INSTITUTE**

Mr. HOROWITZ. Thank you, Mr. Chairman. First, this is rather an extraordinary night/day phenomenon. I testified before this Subcommittee on August 13 and I testify today. The world is a very different world and I think it is a different world because in large part we as a country are finally liberated from the notion that has shackled us all, and the poor most of all; that one's compassion is a function of how much more of the same solutions one supports. We are freed of that, thank goodness, and thank goodness for the poor, who have been savaged by this program in the ways Bob Rector and others have described.

I think it is right for the Committee to begin today with the two critical questions that deal with the key operational and strategic issues of welfare: One, ought welfare exist on an entitlement base and two, what should the role of the Federal Government vis-a-vis the State be.

I was General Counsel to the Office of Management and Budget during the first 5½ or so of the Reagan years and saw the effects of entitlement programs in welfare and elsewhere. During the Reagan administration I also was the first chairman of the Working Group on Federalism. I worked on the Reagan "grand swap" proposal and worked on the regulations under the block grant programs that were created during the Reagan years. So I would like to share some of my thoughts with the Committee.

On the question of entitlement first, I think the colloquy between the Chairman and Mr. Rangel and Ms. Bane really ended the discussion about entitlements as a moral compulsion. All this talk of "what about the children?" Well, the children that Ms. Bane cares about whose mothers under the administration bill don't conform to the standards the administration creates are in precisely the same situation—the funds are cut off, at least the cash funds.

But I think the Chairman also pointed out that we are just talking about cash assistance cutoffs and there are lots of other welfare alternatives to cash. But the idea that a 16-year-old should be entitled simply for and following the act of mothering an illegitimate child to an independent home with a can't-make-it family and an independent income is wrong. Taxpayers have suffered, but the children of those mothers have suffered most of all from this arrangement. And I think there is a consensus to stop that and end our entitlement psychology with regard to welfare.

There are two other issues with regard to entitlements. One, and I saw this from my experience at OMB—Mr. Rangel, you were troubled at the fact that welfare spending has to compete with other kinds of spending. I am not troubled by that. I think that there is something appalling at the idea of democracy on autopilot. I think there is something appalling about the idea that the default option if Congress does nothing, and it is easy to block Congress from doing something, is the awful status quo, the horrid status quo of our welfare system.

I think what Congress needs is action forcing mechanisms by which you must explore the welfare system every single year. In

many ways the political system and people who sat in your places rather preferred an entitlement system. It was a hands-off kind of government. If it didn't work, it was the system that wasn't working, not them.

By putting welfare on a nonentitlement basis, you, our elected representatives, are forced to look at the consequences of the situation. I am not talking about a Social Security system where the issue is affordability. We are talking about a system of enormous policy sensitivity, and I don't think we can allow a default option to favor the status quo. That has been devastating for a system that even Mr. Rangel and the President point out has not worked, or rather has worked tragically.

Another point with regard to entitlements. John Cogan wrote an exquisite book about entitlements and the growth of deficits. I commend it to the Members of this Committee. He points out that entitlements tend to be focused in single committees which then take care of "their" programs. They don't have competing considerations. In those years where entitlements consumed spending, deficits have gone up. In those years where spending was independently controlled by separate committees of Congress, deficits have gone up. Entitlement stands in the way of balancing one kind of spending against the other and it generates deficits.

Two final points on block grants. The first is there is a change in psychology that is staggering now. When I was in the Reagan administration, the Governors were the people who least wanted deregulation. They preferred safe harbors of Federal bureaucracies. They were comfortable with being middle managers for the Federal bureaucracies because it was politically easier for them to blame the Federal Government when things went wrong.

In 15 years, as Governor Engler has shown, this situation has changed, so we are ready for block grants now. I have two bits of advice, however, for this Committee. One, I implore you to be sure in the legislation to have a stern mechanism allowing, on a point of order basis, future categoricals to be stricken and defeated. If you look at the categorical program record with the Reagan administration, we block granted lots of programs, there was an empty field, and it proved irresistible, and so by the end of the Bush years, we had as many categoricals at a Federal level as we had had when we started in the Reagan administration, but that was on top of the block grants.

So if you have block grants, you have to ensure as best you can that Congress doesn't shoot blindly again and have some political official who sees a headline and due to an alleged or real problem doesn't create a new narrow categorical, because we will then be back where we started. When Nixon started the General Revenue Sharing Program he had the same hope. It only led to bigger Federal programs at Federal and State levels. And if you want to devolve to the States, you have to stop, in a procedural way, categoricals from happening again.

On the Federal standards issue and the marvelous colloquy between Mr. Rangel and Governor Engler, I found myself enormously sympathetic to your view, Mr. Rangel. I think it is unrealistic to expect the Federal Government to supply the cash and the gaso-

line, as Mr. Levin puts it, and expect the States to drive absolutely free.

There are Federal standards and they do make sense, and it is your responsibility to do it. That is not to say that block grants would not create radical change. When Governor Engler began, he had a pile this high of micromanaging regulations of Federal bureaucracies. Sweep that away, but I don't think you can ignore the obligation to have standards.

And in that regard the final point. Please do not do your work with performance standards. That is to say Congress will give performance targets to the States and they will be treated on the basis of whether or not they hit the performance targets. We have had lots of experience with error rate administration with welfare programs involving the States. You will never enforce those error rates if the targets are not met. So Congress has to do what it is doing now; put in standards and make States live with them.

Thank you, Mr. Chairman.

[The prepared statement follows:]

**STATEMENT OF MICHAEL HOROWITZ
SENIOR FELLOW, HUDSON INSTITUTE
AT THE HEARINGS OF THE SUBCOMMITTEE ON HUMAN
RESOURCES
HOUSE AND WAYS AND MEANS COMMITTEE
JANUARY 13, 1995**

Mr. Chairman and Members of the Committee:

I am grateful for this opportunity to appear before the Subcommittee whose actions and judgments will play a critical role in determining whether, as we approach the 21st Century, America can continue to achieve our central historic mission: to create for all Americans lives of hope and opportunity and dignity. This dream, which for many generations of Americans was a reality so blessed as to have been seen as the product of a divine hand, is increasingly unrealized by growing numbers of us.

To see in many central cities the mounting scourges of dependency, illegitimacy, crime and hopelessness is to despair at the possibility that the American dream is not working for those who need it most. Nothing matters more for us as a nation than to recapture our magic for those people.

In struggling for workable answers and policies, this Subcommittee will have one powerful advantage: the freedom to unshackle itself from the conventional wisdom and the tired, failed answers of the past thirty years. In the space of months -- measured for me by the remarkable difference between today's hearings and the August hearings of the Subcommittee before which I testified -- there is no longer serious political mileage which can be gained from arguing that concern for less fortunate Americans is measured by one's belief in a more-of-the-same approach to welfare policy.

The manifest failure of our welfare programs, which have perversely increased poverty in almost direct proportion to the growth of federal programs waging their Great Society "war" on it, imposes a moral obligation on all of us to seek new answers and new approaches. Accordingly, I believe it particularly fitting that for its first hearings this Subcommittee has focused on the two questions which lie at the heart of the procedural, operational and strategic questions surrounding American welfare policy:

- whether welfare benefits should be granted on a federal entitlement basis; and
- whether the federal role in welfare policy should be radically reduced.

Having served as the General Counsel of the Office Management and Budget during the Reagan Administration, and having been the first chairman of its Working Group on Federalism, I have had a measure of experience on the above subjects which I hope will be of value to the Subcommittee.

Welfare and Federal Entitlements

In my view, few design features of current welfare policy have been as harmful as its entitlement-based character. This so for a number of reasons.

First, as our core underclass problems have increasingly centered on young, increasingly teenaged women, our welfare system has done precisely what it should not do: entitle unmarried sixteen year old mothers to independent incomes, and further entitle their lost-at-the-start families to independent homes of their own. Leaving aside the arid debate over whether welfare entitlements have created our mounting incidence of illegitimacy, it is sufficient condemnation of our entitlement-based welfare system to note, as Mickey Kaus has written, that welfare has facilitated and empowered today's family pathology and breakdown. People who parent children they have no capacity of caring for should only be given public resources on the wariest and most careful of bases. Providing a legal entitlement to such funds for or following the very act being irresponsible is an inexcusable public policy which has savaged communities and undermined their survival values. In this respect, the entitlement-based character of our welfare system -- offering as it does to many an entitlement based on status and irresponsibility rather than prior contribution and deserving character -- rejects the original federal welfare design envisioned by the New Deal. As is now generally known, today's core welfare entitlement to unwed mothers was added to AFDC by historical accident, against the knowledge and wishes of Frances Perkins, the Roosevelt Administration's Labor Secretary and the person principally charged with designing its welfare policy. Perkins, the most liberal member of the Roosevelt Administration and its most experienced person on issues of social welfare policy, correctly predicted that a federal entitlement for unwed mothers would be the cause of family breakdown and consequent hopelessness for children.

At an even more fundamental level, the creation of an entitlement-based system in a policy area as volatile as welfare is powerfully undemocratic and, in its most fundamental sense, legislatively irresponsible. By its very nature, an entitlement is inertial and allows government to operate on an auto-pilot basis. With its default option in favor of the status quo and its built-in bias in favor of keeping existing policies in place and unchanged, entitlements help create for political leaders an escape from

political accountability -- precisely the reverse of what good public policy demands insofar as welfare is concerned. It's always easier not to act when one does not need to, and rather than generating the action-forcing policy reviews our welfare system desperately needs, the system's entitlement-based character has had the opposite effect. As distinguished from Social Security -- whose major problems involve issues of affordability rather than perverse design -- the policy-sensitivity of the welfare community requires that welfare systems be flexible and easily open to change. An entitlement-based welfare system makes this effectively impossible.

Finally, as John Cogan has pointed out, any entitlement-based system inherently causes Congress to deal with welfare issues in isolation, without reference to competing and complimentary public claims and public needs. Given the committee system by which Congress organizes itself, entitlement programs are necessarily focused in particular committees -- and those committees necessarily lack the critical responsibility of balancing "their" entitlement programs against the spending claims caused by the programs of other committees. Cogan's analysis of Congressional spending patterns since the beginning of the Republic reveals that deficits have been lowest when Congress placed centralized responsibility for all federal spending in a single committee. Conversely, our deficits have been highest and most out of control when budgeting and spending has been decentralized -- a characteristic feature of entitlement spending. Entitlement programs thus create "tragedies of the commons," giving Congressional committees the effective authority to spend public resources without the responsibility of allocating those resources over the full range of federal programs. Ending the entitlement character of welfare programs will diminish this Committee's authority over welfare, to be sure, but it will also ensure that Congressional treatment of welfare issues will be undertaken with greater regard for other low-income programs and other federal needs.

A word is in order to deal with a newly fashionable argument for welfare entitlements -- it has been principally advanced by Robert Greenstein, until recently the Clinton Administration's designee as Deputy Director of Office Management and Budget. According to Greenstein, welfare entitlements have the alleged economic virtue of insuring that spending on the needy will take place during periods of recession and other economic downturns. Greenstein thus alleges that, left to its own devices, a presumably heartless Congress would be likely to cut welfare spending for presumably powerless low income Americans when they allegedly need help the most. Leaving aside Greenstein's profoundly mistaken view that Americans will not be particularly generous to its most needy citizens when times are hardest, his argument is also wrong on at least three counts:

- First, our core underclass problems have little if anything to do with the state of the economy. Underclass growth and pathology have increased in good times and bad over the past thirty years, thus making it all the more imperative to end our auto-pilot system of welfare entitlement spending and to radically change welfare policies and incentives.
- Second, Greenstein ignores the fact that the Great Society totally altered the character of welfare programs. As distinguished from welfare spending under New Deal designs, today's welfare programs largely provide benefits to the rich and powerful. In other words, today's welfare entitlements now largely go to "public sector vendors" in the (forlorn) hope that the services they provide will benefit the poor. Since the days of the Great Society, when a deliberate attempt was made to create public spending dependencies on the part of the business and the non-profit sectors, today's "trickle down government" welfare spending programs enjoy the active support of the most powerful and wealthy constituencies of the country -- farmers, grocers, doctors, homebuilders, social workers, lawyers, teachers, and other like groups on whom welfare monies are now largely and most directly spent.
- Third, a comparison of federal spending on low income entitlement and low income discretionary programs reveals that during recessionary periods, discretionary program spending increases have been at least as great as entitlement spending increases. Members of this Subcommittee with any measure of seniority have surely experienced the successful pressures, usually in the form of urgent supplemental bills, for recession-period spending on such programs (many of dubious accomplishment) as compensatory education, WIC, Job Corps, Summer Youth Employment and the like. Greenstein's thesis fails by this measure alone.

In sum, for both fiscal and policy reasons, there is an imperative need to end the entitlement character of today's welfare system.

Welfare and Block Grants

Today's panel of Governors, and Governor Engler in particular, will more fully touch on the efficacy of block grants, but a few supplementary observations may be of value.

First, I believe it useful to share with the Subcommittee my sense of the night versus day differences between today's Governors -- with their

positive eagerness to assume responsibility and political accountability for welfare and other public policy matters -- and the spokesmen for state governments I encountered when I was involved in shaping and deregulating the Reagan block grant programs. One of the most striking things about the Reagan block grants was the enormous interest on the part of many states in maintaining extensive federal regulatory reach after the block grants were enacted. At that time, it was clear to many of us that many state officials had become comfortable serving as middle managers for federal bureaucracies -- that political life was easier for many state officials able to blame the federal government for program failings and for whom narrow regulatory "safe harbors" were preferable to policy discretion. It's harder for voters to blame officials who lack authority to run programs and, lip service aside, many state officials preferred this arrangement during the Reagan years. As this Subcommittee well knows from its dealings with today's Governors, this situation -- happily -- no longer obtains. As I also know from the exciting collaboration now taking place between the Hudson Institute and Governor Thompson over welfare reform in Wisconsin, states are today ready and willing to serve as the "laboratories of democracy" that Justice Brandeis believed the Constitution meant them to be.

Next, I believe it imperative for this Subcommittee to carefully guard against the "categorical program creep" which occurred after the Reagan block grants were adopted. Having swept the field clean of many federal programs, Congress soon found itself unable to resist creating new federal programs on top of the state block grants, so that by the end of the Bush Administration there were almost as many new and overlapping federal categorical programs as there had been before the Reagan block grants were enacted. Likewise, the Nixon Administration's hope that Federal Revenue Sharing would abate Congress' appetite for creating and sustaining new, narrow federal programs proved forlorn. Accordingly, I urge the Subcommittee to enact stiff procedural devices which allow this and future Congresses to defeat, on a point of order basis, any new efforts to create new federal programs dealing with the policy areas covered by any block grant programs this Congress may enact.

Third, a word may be in order about the degree of federal authority appropriate to any new block grants. Having spent many years fighting for greater state autonomy over domestic policy, and having sought to end federal micromanagement of the states, I nonetheless believe it unrealistic if not inappropriate for Congress to annually appropriate funds over whose spending it can have no say whatsoever. In the end, if Congress is responsible for raising funds, it cannot escape a correlative responsibility to exercise broad, general standard-setting authority over the expenditure of those funds. Such broad exercise of authority is very different from the literal control that the federal bureaucracy now exercises over the states, and enactment of welfare block grants containing broad federal principles will create a literal and long-needed revolution in federalism. In the end, the

only way to end any federal control over welfare would be for Congress to cede federal revenue sources to the states equal to the cost of the welfare programs which the states will assume. This was a critical design feature of the Reagan "Grand Swap" federalism proposal of 1983, and I hope that this Subcommittee can now look seriously at such a step.

Finally, I urge the full Committee not to ignore the immediate need for, or the present political opportunity to, provide the states with flexibility and discretion in the design of their Medicaid programs. As originally conceived, Medicaid was a reasonable model of federal-state relations; it provided matching federal payments to states which chose to offer designated forms of medical care to designated cohorts of low income persons. Over the past two decades, however, in almost literal reversal of its central design feature, Medicaid has been radically converted into a program which effectively dictates financial burdens and health care regimes on the states.

A critically needed Medicaid reform, precisely in the spirit of the block grants which this Subcommittee is considering, would be to repeal Medicaid's imperial "states must" language (which Congressman Waxman has been particularly artful in inserting) and to convert it into originally intended "states may" language. In this regard, I believe it will be a lost opportunity which Congress and the states will deeply rue if the Unfunded Mandates legislation now scheduled for fast track approval by this Congress creates prospective relief only and fails to modify the existing base of unfunded Medicaid mandates.

Such relief is literally needed if American federalism is to be fiscally viable, would allow the states to balance between health care and other welfare needs, and would be likely to generate enormous federal fiscal relief. The debate over Medicaid should not take the form of a national health care debate, for Medicaid is, more than anything else, an unfunded mandate program under which Congress "created" benefits without regard to the needs or resources of the states it left holding the bag.

I hope that members of this Subcommittee, and the Governors, will look more skeptically at current Unfunded Mandates bills -- and insist that the legislation contain something more than a Congressional promise not to sin again and nothing less than renewed state discretion and flexibility to define Medicaid's reach and scope.

This concludes my remarks. I again thank the Chairman and the Subcommittee for the honor of being able to offer my views at today's opening hearings on the great, long-needed welfare debate in which the 104th Congress will engage.

**STATEMENT OF MARVIN N. OLASKY, PH.D., PROFESSOR,
DEPARTMENT OF JOURNALISM, UNIVERSITY OF TEXAS,
AUSTIN, TEXAS**

Mr. OLASKY. Thank you, Mr. Chairman. There is a lot to say and not much time, so let me make just two points, one on history, one on language. My historical point is this: Today we have lots of theories about fighting poverty, but it is not necessary to be moving on a theoretical plan. We know how to fight poverty. We had successful antipoverty programs a century ago, successful because they embodied seven points that can be remembered in alphabetical order: Affiliation, bonding, categorization, discernment, employment, freedom, and God.

Those are all explained in what I have written, but the key element in all of them is personal involvement and challenge, both material and spiritual. History shows that big bureaucratic programs have not worked. Here are some quotations.

Recipients of relief lose their energy and self-respect.

Government aid creates a dependent feeling, a dry rot.

Many of the poor are worse off than if they had never been helped.

You might think those quotations are from today's debates but they all come from the 1870s. When I spent a year in the bowels of the Library of Congress, I found hundreds of references like this. This is not theory, this is not ideology. This is real-life experience a century ago and today and it is there for anyone to see. It is also there for anyone who wants to spend the time in researching the records of what did work then.

During the 19th century a successful war on poverty was waged by tens of thousands of local, private, charitable agencies, and religious groups around the country. The platoons of this greatest charitable army in history often were small. They were made up largely of volunteers. Over in the Library are thousands of eye-witness accounts and journalistic assessments. Go look at some of them, please.

The poverty fighters then did not abolish poverty, but they saw movement out of poverty by millions of people. They saw springs of freshwater flowing among the poor, not just blocks of ice sitting in a perpetual winter of multigenerational welfare dependency.

And the optimism that was prevalent then contrasts sharply with the demoralization among the poor and the cynicism among the better off that is so common now. What was their secret? It was not neglect, either benign or malign. It was their understanding of the literal and Biblical meaning of compassion.

And this leads to the point on language. Today in Washington the word compassion is often used in connection with the spending of billions of dollars: "A compassionate piece of legislation." But the word comes from two Latin words—com, with; pati, to suffer. The emphasis is on personal involvement with the needy, suffering with them, not just giving to them. Suffering with means adopting hard-to-place babies, providing shelter in our own homes to women undergoing crisis pregnancies, becoming a big brother to a fatherless child, working one-on-one with a young single mother.

If we had more time, I would like to tell you stories of a great cloud of witnesses who suffered with. These unknown soldiers

spent their lives in true compassion. They have been almost entirely ignored by historians, who assume that antipoverty work did not become real until governments became involved. But I spent a year with those manuscript journals and those newspaper accounts and organization records, and I can tell you that suffering with worked big time.

If folks 100 years ago could help others to move out of poverty and then turn their attention to the next group of immigrants and impoverished, why can't we? Did they have more time than we do? No. Did they have more money? No. Did they have more space in their homes so they could take in another person and we cannot? No.

I could go on, but when you have lived in 19th century cities, as I have vicariously, you don't fall for those myths of the good old days. They weren't. Life was hard. But here is what is so exciting. Volunteers opened their homes to deserted mothers and orphaned children. More significantly, they made moral demands on recipients of aid. They saw family, work, freedom and faith as central to our being, not as lifestyle options.

The volunteers gave their own lives, not just so others might survive, but that they might thrive. What I learned leads me to wonder, why can't we do the same? Were Americans then a different people than we are today? Have we become so corrupted that we don't care about others? I think not. I hope not.

But we have become used to having someone else do it for us even though we know that a professional social worker with the best of intentions but a caseload of 200 or 300 can't do much more than shuffle paper. Bad charity drives out good.

My conclusion is that when we complain about a spendthrift welfare state, we are right about the costs, but we are actually stating the problem backward. The major flaw of the modern welfare state is not that it is extravagant, but that it is too stingy. It gives the needy bread and tells them to be content with that alone. It gives the rest of us the opportunity to be stingy also. We can feel nice while we scrimp on what many of the destitute need most—love, time, and challenge. We need to recapture the optimism that a look at history can provide. We need to recapture the understanding that a true definition of compassion suggests.

Thank you.

[The prepared statement follows:]

Statement of

Marvin N. Olasky
 Professor, Department of Journalism
 University of Texas
 Austin, Texas

Before the Subcommittee on Human Resources
 Committee on Ways and Means
 U.S. House of Representatives

January 13, 1995
 Washington, D.C.

American Compassion, Past and Present: Part I

Mr. Chairman and Members of the Subcommittee: my name is Marvin Olasky.

I am pleased to be joining you today, and thank you for the opportunity to discuss the role of compassion in helping the poor.

During winter in Washington, the social pendulum swings. Coming inside Union Station on a cold January night is like entering a magic kingdom: classical music fills the air, high-rent shops fill the mall areas, and the Amtrak waiting rooms are generally clean.

But outside, away from the bright lights, sounds a different song. Panhandlers wait near the escalator leading down to the subway. Some seem coolly efficient in their work; others are inebriated and occasionally aggressive; and one, with a sly sense of humor, sings, "Rich folks roasting on an open fire/ Homeless stepping on their toes."

At quitting time in the nation's capital two classes step on each other's toes. Most are part of the enormous class of those who work, and then head home to families and friends. A small number, however, have chosen to become beggars.

Unlike beggars of other lands who are crippled or otherwise without opportunity to make a living, most could adopt other ways of life, but are supported by the quarters and dollars handed over by guilty-ridden passersby. There is little joy in giving; but those heading home know that many will be going to grates or shelters, and they want to show "compassion."

Some who give are following their instincts, but others apparently have learned one lesson taught by our top societal teachers. Across the country, day after day, newspaper pundits and talk show hosts tell us to be "compassionate" toward the "homeless." That ten-letter word - "compassion" - slides over tongues like a social lozenge. Within one month, in five major newspapers, writers used the word "compassion" about 300 times, and provided instruction on the subject hundreds of other times as well.¹

"Compassion" is used in many ways: giving a dollar at the subway; appropriating a billion dollars for federal housing; "feeling sorry for" and "letting off easy." The word has become such a political and moral bludgeon that those who refuse to give - at the subway or the legislative office - are generally portrayed as "rich folks roasting on an open fire."

If the problem were only that holdouts from conspicuous giving await consignment to the circle of hell that trendy journalists reserve for those declared selfish, it would be minor: those who fight the social waves must anticipate a battering. The problem too easily overlooked is the destruction of lives of those volunteer subway doormen. The subsidy they receive, through both individual giving and taxpayer coercion, represents the opposite of compassion as historically understood in America. Compassion over the centuries energized, but modern "compassion" enervates.

An accurate theory and practice is vital at this time when charity leaders are applauded for saying, "The important thing to remember is that we must get involved in some way - any way."² As that attitude becomes general, questions go unasked: Does our "compassion" help or hurt? What if many points of light are actually points of darkness? If we have a cabinet full of medicine bottles, do we recommend dipping into any of them, or should we have warning labels?

Americans in earlier centuries faced social problems similar to our own, but they were able to develop thoughtful approaches for many reasons - one being that "compassion" was not merely a rhetorical device.

The Early Concept

In 1834, Noah Webster defined compassion as "A suffering with another; painful sympathy."³ Webster was a Bible-believing Christian, and his earlier dictionaries provide theological as well as lexicographical insight. Inclusion of the terms "suffering" and "painful" reflected both the literal meaning of compassion (from the Latin *com*, with, and *pati*, to suffer) and Webster's religious education: the word "compassion" appears in the King James Bible 42 times, usually as the translation of words coming from the Hebrew root *rachum* (womb) of the Greek root *splanchnon* (bowels of yearning), underscoring the close personal relationship that the person who offers compassion is to have to the recipient.

For the Americans through the mid-19th century, a second connotative element also was vital: churchgoers were taught that the Biblical compassion was more the culmination of a process than an isolated noun. Repeatedly, in Judges and other books, the Bible says that only when the Israelites had repented their sins did God, as a rule, show compassion. Second Chronicles 30:9: "the Lord your God is gracious and compassionate. He will not turn his face from you if you return to him." Nehemiah 9:27: "when they were oppressed they cried out to you. From heaven you heard them, and in your great compassion you gave them deliverers."

God's refusal to be compassionate at certain times makes the pattern even more evident. Isaiah 27:11 describes Israel as "a people without understanding; so their Maker has no compassion on them." In Jeremiah 15:6, God tells Israel, "You have rejected me...I can no longer show compassion." Similarly, the New Testament shows that those who have strayed from God must have the graces to cry out for help.⁴

This understanding of compassion as covenantal - requiring action by both parties - was critical in keeping the principle of *suffering with* from becoming a Buddhist-like esteem for suffering. The goal of all suffering was personal change. Those who refused to change did not deserve to be the beneficiaries of others' suffering; they might have to be left to themselves until their own suffering become so great that they gave up their false pride.

These aspects of compassion - suffering with, change, mutual responsibility - provide insight into that which colonial groups such as the Scots' Charitable Society (est. 1684)

meant when they "open[ed] the bowells of our compassion" to widows but ruled that "no prophane or diselut person, or openly scandalous shall have any pairt or portione herein."⁵

Sermons for several hundred years equated compassion with personal involvement that demanded firm standards of conduct among recipients; they also stressed the duty of all to show compassion: Minister Benjamin Colman said in 1725, "Acts of Compassion and Mercy to our poor and *Brethren* [are] esteemed by the *Lord of the Sabbath* to be *Holiness* to himself" and "compassion and Mercy to the poor is Conformity to God."⁶

The basic message seems to have been presented among all denominations. Anglicans believed that those blessed materially by God should "compassionate" the poor by descending into misery when necessary in order to help pull them up: "This in one order of life is right and good; nothing more harmonious."⁷ American followers of Methodism spread John Wesley's advice to "Put yourself in the place of every poor man and deal with him as you would God deal with you."⁸

In looking at definitions of compassion, we might conclude that cultures build systems of charity in the image of the gods they worship, whether distant deist, bumbling bon vivant, or "whatever goes" gopher. In colonial America, belief in a theistic God of both justice and mercy led the way to an understanding of compassion that was both hard-headed and warm-hearted. Justice meant punishment for wrongdoing, so it was right for the slothful to suffer. Mercy meant rapid response when people turned away from past practice, so malign neglect of those willing to change also was wrong.

The early definition had several other connotations:

- The belief that God was not merely an establisher of principles but a personal intervenor ("God's Providence") contributed to a sense that man, created after God's image, also was to go beyond clockwork charity: "God values our *Hearts and Spirits* above all our Silver and Gold, our Herds and Flocks. If a *Man would give all the Substance of his House instead of Love*, the Loves of his soul and the Souls of his House, *it would be contemned.*"⁹
- The better-off should know the various "characters" of the poor. Today's believers in "liberation theology" typically argue that God is on the side of the poor in general, but the older distinction showed God backing the mistreated poor yet chastising those who had treated themselves to indolence.¹⁰
- True compassion emphasized spiritual help, paralleling that which historian Gertrude Himmelfarb has noted in the English context: "there was nothing invidious in being preached to. What was invidious was not being preached to, not having access to the kinds of moral, religious, and communal experiences that were a normal part of life for those not so poor as to be deprived of them."¹¹
- Withholding material help was at times compassionate. Cotton Mather warned in 1698, "Instead of exhorting you to augment your charity, I will rather utter an exhortation...that you may not *abuse* your charity by misapplying it."¹²

The difference between Mather's restraint and our mechanistic redistributionism shows how much dominant ideas of human nature have changed. For the next two centuries, it was believed that many persons, given the option of working, would choose to sit. Based on that belief, Mather told his congregation, "Don't nourish [the idle] and harden 'em in that, but find employment for them...Find 'em work; set 'em to work; keep 'em to work."¹³

Likewise, Charles Chauncey told members of the Society for Encouraging Industry and Employing the Poor to restrain "the Distribution of [their] Charity; not being allowed to dispense it promiscuously, but obliged to take due Care to find out suitable Objects; distinguishing properly between those needy People who are *able*, and those who are *unable*, to employ themselves in Labour." Referring to the apostle Paul's maxim of Second Thessalonians 3:10 - "If a man will not work, he shall not eat" - Chauncey said, "the Command in my Text is plainly a *Statute of Heaven*, tying up your Hands from Charitable Distributions to the slothful poor." It was both economically foolish and morally wrong to subsidize bad habits by bestowing upon those the Bread of Charity, who might earn and eat their own Bread, if they did not shamefully idle away their Time."¹⁴

True compassion meant a challenge rather than acceptance. The poor were seen not as standing on the bottom rung of the social ladder - with the only possible choices stagnation or upward movement - but as resting in the middle, capable of moving either up to economic independence or down toward "pauperism," characterized by a defeated spirit and dependent state of mind - as well as by lack of income.

Early Compassion in Practice

There were some, of course, who became poor by circumstances beyond their control. They received personal care, often in neighbors' homes. The emphasis on *suffering with* meant that orphans during colonial times normally were adopted into families. As towns and cities grew, however, some institutionalization emerged: orphanages were established in New York, Philadelphia, Baltimore, Boston, and other cities. Likewise, at the end of the 18th century, some groups began providing small monthly allowances to working widowed mothers. "Widows who have the charge of two, three, four or five children," a Boston association declared, "are unequivocally proper subjects of alms."

Even so, the Society for the Relief of Poor Widows with Small Children (est. 1797 in New York City) was cautious in distributing aid; volunteers checked the means, character, and circumstances of each applicant, making sure that relatives were unable to help and that alcoholism was not contributing to misery. Further, aid almost always was given in kind - food, coal, cloth - rather than in cash. During the winter of 1797-98, the Society helped 98 widows with 223 children; by 1800, 152 widows, with 420 children under the age of 12, were listed on its books. Because the Society accepted the only those clients who "would rather eat their own bread, hardly earned, than that of others with idleness," it emphasized finding work. In one year, widows received nearly 3,000 yards of linen to make shirts and other articles of clothing in their homes.¹⁵

Since compassion for widowed or abandoned women meant self-help whenever possible, the obligation extended to able-bodied men was even more exacting. Some 23 Boston charity societies declared in 1835 that recipients should believe it "disgraceful to depend upon alms-giving, as long as a capacity of self-support is retained...[To] give to one who begs...or in any way to supersede the necessity of industry, of forethought, and of proper self-restraint and self-denial, is at once to do wrong, and to encourage the receivers of our alms to wrong doing." Echoing Mather's warning of 150 years before, they believed "a faithful avoidance of the evils [of] an injudicious bestowment of alms" was essential to "Christian alms-giving."¹⁶

For that reason, the societies agreed that relief should be given only after a "personal examination of each case," and "not in money, but in necessities required in the case." Large-scale aid programs could not be discerning in that way and therefore intrinsically

lacked compassion. An 1844 *McGuffey's Reader* ridiculed a "Mr. Fantom" who had a "noble zeal for the millions" but "little compassion for the units." An English visitor observed that Ohioans did not favor building large institutions, but were compassionate on an individual and family basis: a "disabled Scotchman" received free "board amongst the farmers, sometime at one house, sometimes at another," while in another town a Dutch family impoverished by sickness were "provided with doctor and nurse, and in fact with everything needful for them, until they recovered."¹⁷

Likewise, Alexis de Tocqueville observed that Americans "displayed general compassion" through personal interaction, unlike the European pattern by which the "state almost exclusively undertakes to supply bread to the hungry, assistance and shelter to the sick, work to the idle, and to act as the sole reliever of all kinds of misery."¹⁸ This difference, Tocqueville surmised, was due in part to the presence of small communities and strong religious ideas.

As some towns grew in the 1830s and 1840s, more societies to help the "worthy poor" emerged. The goal throughout was to make city relations as much as possible like those of the countryside. The Boston Provident Association (est. 1851), gave food, clothes, and coal to those willing to work but in temporary need; requests from drunkards were refused. Supporters were asked to give beggars not money but cards proposing a visit to the Association's offices, where volunteers would examine needs, make job referrals, and provide food and temporary shelter. It developed a list of "the worthy" and also a "black record," which in 1853 contained 201 names of "impostors" - able-bodied persons who refused to work.¹⁹

Those who were ill generally received help (given 19th century medicine, questionable help) regardless of backgrounds.²⁰ The New York Association for Improving the Condition of the Poor frequently emphasized the importance of taking personal action, and reported "an increasing number of families and individuals who are willing to take charge of one or more, often of several, poor families."²¹ Reports show this conception of compassion - personal involvement and challenge - applied throughout the nation. In New York, Baltimore, Boston, Philadelphia, Chicago, St. Louis, and other cities, groups known as Associations to Improve the Condition of the Poor (AICPs) emerged in the two decades before the War Between the States.

The South had fewer cities but similar patterns of compassion, as shown by historian Suzanne Lebsock's detailed examination of Petersburg, Virginia. Lebsock is typical among historians in her bewilderment about the data she found; describing Petersburg's economic difficulties during the 1830's and 1840s and noting the lack of governmental response, Lebsock repeatedly indicates puzzlement and concludes, "How people got by, to repeat, is a mystery."²² The mystery is largely unclouded by recalling how compassion was then practiced: people got by when their neighbors suffered with them.

Nineteenth century sermons continued to define compassion as *suffering with*. Congregation members were told the offer of compassion had to be personal: "To cast a contribution into the box...or to attend committees and anniversaries [are] very trifling exercises of Christian self-denial and devotion, compared with what is demanded in the weary perambulations through the street, the contact with filth, and often with rude and repulsive people, the facing of disease, and distress, and all manner of heart-rendering and heart-frightening scenes, and all the trials of faith, patience, and hope, which are incident to the duty we urge."²³

Churches and charity organizations believed that professionals should be facilitators of aid, not major, or sole suppliers: "[t]here must, of course, be officers, teachers,

missionaries employed to live in the very midst of the wretchedness, and to supervise and direct all the efforts of the people...[but] mark you! these officers are not to stand between the giver and receiver, but to bring giver and receiver together."²⁴

Conflicting Definitions

The compassion consensus was based on the development of personal relationships, often cross-class. A few proto-Marxists challenged that definition by declaring that compassion meant not *suffering with* but forcible redistribution of income. That idea, however, did not receive a widespread hearing until some editors of the "penny press" - newspapers that because of printing and circulation innovations in the 1830s could sell for one cent - became, for both ideological and mercenary reasons, self-appointed tribunes of "the poor" generally.

The first popular challenge to the compassion consensus came from mid-19th-century American journalist Horace Greeley, who founded and became editor of the *New York Tribune* in 1841. A Universalist, Greeley believed that people were naturally good and that every person had a right to both eternal salvation and temporal prosperity. He probably never said the words most often attributed to him - "Go west, young man" - but he did advise many young men and women to fight poverty by joining communes in which the natural goodness of humans, freed from competitive pressure, inevitably would emerge.²⁵

Not accepting orthodox Christian anthropology - that man's sinful nature leads toward indolence, and that an impoverished person given a dole without obligation is likely to descend into pauperism - Greeley saw no problem with payment to the able-bodied poor who did not work.²⁶ Rather than discuss the obligations of neighbors, Greeley argued that each member of "the whole Human Family" had "a perfect right...to his equal share of the soil, the woods, the waters, and all the natural products."²⁷ There was no need for *suffering with* when everyone, by government fiat if necessary, was due an equal sustenance.

Greeley and his followers, such as Charles Dana, Margaret Fuller, and George Ripley, were only partially successful in undoing the definition of compassion that had been built over the previous two centuries. Henry Raymond, founder of the *New York Times*, was Greeley's principal opponent, and emphasized individual and church action: "Members of any one of our City Churches do more every year for the practical relief of poverty and suffering, than any [commune] that ever existed. There are in our midst hundreds of female 'sewing societies,' each of which clothes more nakedness, and feeds more hunger, than any 'Association' that was ever formed."²⁸ Raymond praised "individuals in each ward, poor, pious, humble men and women, who never dreamed of setting themselves up as professional philanthropists," but daily visited the sick and helped the poor.

Debates between Greeley and Raymond show clearly the conflict of views. Greeley contended that supporting a system of equal, society-wide redistribution was "the duty of every Christian, every Philanthropist, every one who admits the essential Brotherhood of the Human Family,"²⁹ and argued that evil resulted from "social distinctions of master and servant, rich and poor, landlord and landless." The way to end evil was to redistribute wealth by having the government tax the better-off and distribute food and funds to those who had less. Raymond, however, argued that "before a cure can be applied or devised, the cause of the evil must be ascertained," and that cause was "the sinfulness of the heart of Man." The only solution lay in God's compassion toward man, and man's subsequent compassion toward the brethren: "The heart must be changed."³⁰

Throughout the second half of the 19th century, the battle over compassion's meaning was waged largely along the lines established by Greeley and Raymond: Was the essence of compassion wealth redistribution, or a tiring but tireless struggle to aid the needy by helping them develop more productive patterns of thought and action? The equation of compassion with redistribution persisted, and eventually found new propagation in books by Edward Bellamy and other socialists of the 1880s and 1890s.

Most Americans, however, defined compassion more by actions than by words, creating a starry sky of private charitable organizations. In examining records from 1890 and 1891, I have counted 2,000 points of light in Baltimore, Chicago, and New York alone, which show how compassion a century ago was defined in practice:

- In Baltimore, the Association for the Improvement of the Condition of the Poor had 2,000 volunteers who made 8,227 visits in 1891 to 4,025 families. Nearly half the families were headed by widows who generally received material aid; most others were headed by able-bodied men who received help in finding jobs and in the fighting alcoholism and opium addiction. An emphasis on personal involvement of rich and poor - not just material transfer - was evident in many ways.
- Other Baltimore groups emphasized self-help for the poor and material transfer only to those unable to work. In 1890, the Thomas Wilson Fuel-Saving Society helped 1,500 families save on the purchase of 3,000 tons of coal. The Memorial Union for the Rescue of Homeless and Friendless Girls offered free rooms in private homes for teenagers and young women until long-term housing and jobs could be found. The Presbyterian Eye, Ear and Throat Charity Hospital offered free beds and Bible readings to the poor and illiterate.³¹ While many groups had Protestant bases, Catholic groups also flourished: volunteers of the Society of St. Vincent de Paul of the City of Baltimore made 4,800 visits and relieved 345 families.
- Likewise, New York's charity organizations emphasized personal help and the exchange of time, not just money. The American Female Guardian Society and Home for the Friendless sheltered over 1,000 children "not consigned to institution life but...transferred by adoption to Christian homes." The Nursery and Child's Hospital provided free medical care and supported hundreds of unmarried pregnant women in return for an agreement "to remain three months after confinement to take care of two infants."³² New York's 1,288 charitable organizations often employed professional managers, but their task was to coordinate activities of tens of thousands of volunteers who provided food, clothing, fuel, shelter, and employment; supported free schools and kindergartens; organized sea excursions and summer camps; staffed free hospitals and dispensaries; and constructed missions, reformatories, libraries, and reading rooms.

Work Tests and Investigation

For all these groups, "compassion" meant the right to work but not the guarantee of provision without work. Charities throughout the country offered "work tests" - one of two major categorizing devices of the late 19th century compassion - for the able-bodied homeless: transient men willing to chop wood for an hour or two generally received two meals a day and a night's lodging, while married men received food and money for rent and clothing. Women typically received seats in "sewing rooms;" garments made were donated to the helpless poor or to families suffering from the effects of hurricanes or tornadoes.

The "work test" was occasionally criticized by those who believed charity should be "unconditional," but most ministers believed "If a man will not work, he shall not eat'...Is it, we ask, a very hard-hearted thing for the public to require an equivalent of

labor, from those who are able to give it, in return for the relief which they receive? Is it unchristian? Is it not in the sweat of his brow that man is to eat his bread? Is not the Commandment, 'Six days shalt thou labor?'"³³

The other categorizing mechanism was investigation, often involving a home visit by an agent or trained volunteer to make sure the needs were genuine and relatives could not help. Categorizing applicants was vital if compassion was to include a realistic dose of challenge. In Boston in a typical year, 895 volunteers visited 2,094 families requesting relief, finding 18% "worthy of continuous relief" because of old age, incurable illness, or orphan status; 23% "worthy of temporary relief" because of accidents, illness, or short-term problems; 33% able to work but involuntarily unemployed, or "shiftless or intemperate where reform may be hoped for" (these were sent to employment bureaus); and 26% "unworthy" of support because property or relatives could be relied on, or because work tests and investigation indicated no "desire to change."

Through the Associated Charities of Boston, 817 found and accepted jobs while 278 refused them - "98 refusals with good reason, 170 without." Associated Charities also gave loans to 81 persons, legal aid to 62 persons, and medical help to 304, and influenced 53 relatives to offer aid. Volunteers helped 185 families save money and 144 alcoholic breadwinners make progress toward temperance; and nearly 600 children were placed in adoptive families, nurseries, or industrial schools.³⁴

Emerging large organizations also emphasized person-to-person instruction rather than distribution of alms to those able to work. "Compassion" at Salvation Army shelters meant not the provision of permanent housing, but encouragement of good work habits so clients would be prepared for regular jobs.³⁵ At the turn of the century, Army bureaus placed about 4,800 persons per month.³⁶ Salvationists emphasized change not only in job habits, but in thoughts as well, claiming 50,000 or more religious conversions in 1900 alone; a spin-off organization, Volunteers of America, claimed thousands more.

"Sacrifice" was a word written in raised letters in Salvation Army lexicons. Its newspaper, *War Cry*, prominently displayed declarations of church leaders concerning the "self-sacrifice not short of heroism which [the Salvation Army] has evoked in hundreds."³⁷ What kept such declarations above the level of mere sentiment was wariness concerning "sentiments of emotional affection,"³⁸ and a focus not only on profession of faith but on repentance and follow-up, including practical movement away from bearing grudges and slandering others.³⁹ Those who came to the Army's woodyards were told it could be a new start if they took the responsibility for their past failures and renewed prospects.⁴⁰ Ballington Booth, son of Salvation Army founder William Booth, scoffed at schemes for reform apart from character change and argued that "Hard work and simple religious truth" were the key weapons for a successful war on poverty.⁴¹

1. The newspapers: *New York Times*, *Washington Post*, *Washington Times*, *Chicago Tribune*, *Los Angeles Times*.

2. Steven Burger quoted in *Moody Monthly*, May 1990, p. 19.

3. Noah Webster, *American Dictionary of the English Language* (New York: N. and J. White, 1834), p. 167.

4. Luke 15:18-21. The parable of the Prodigal Son is a particularly good example of the virtually simultaneous offer of compassion and acceptance of the need to change.

5. Ralph and Muriel Pumphrey, eds., *The Heritage of American Social Work* (New York: Columbia University Press, 1961), p. 29.

- 6 . Benjamin Colman, *The Merchandise of a People: Holiness to the Lord* (Boston: J. Draper, 1736), from sermons preached in 1725 and 1726, n.p.
- 7 . The Earl of Shaftesbury, quoted by Gertrude Himmelfarb in *The Idea of Poverty: England in the Early Industrial Age* (New York: Knopf, 1984), p.37.
- 8 . Quoted in Himmelfarb, p. 32.
- 9 . Colman, *op. cit.*
- 10 . Citations of Hosea 12:8, Amos 8:5, Mic:2:1-3, Jer 22:13-17, Ezek. 22:29, and other verses indicate concern over injustice; frequent citing of Proverbs (such as Prov. 6:6-11, 10:15, 11:24-26, 13:4, 18:11, 19:15, 20:13, 21:25, 24:30-34, 28:19, and 30:24-28) shows animus toward sloth.
- 11 . Himmelfarb, p. 33.
- 12 . Robert H. Bremner, *American Philanthropy* (Chicago: University of Chicago Press, 1960), p. 14.
- 13 . Cotton Mather, *Bonafacius: Essays to Do Good* (Boston: J. Draper, 1710).
- 14 . Charles Chauncey, *The Idle-Poor secluded from the Bread of Charity by the Christian Law. A Sermon Preached in Boston, before the Society for encouraging Industry and employing the Poor, August 12, 1752* (Boston: Thomas Fleet, 1752), pp. 16-17.
- 15 . David M. Schneider, *The History of Public Welfare in New York State, 1609-1866* (Montclair, N.J.: Patterson Smith, 1969) p. 188.
- 16 . *Ibid.*
- 17 . D. Griffiths, Jr., *Two Years' Residence in the New Settlements of Ohio, North America: with Direction to Emigrants* (London: Westley and Davis, 1835), pp. 76-77.
- 18 . Alexis de Tocqueville, *Democracy in America*, Book 3, Chapter 1, 1945 Vintage edition (New York), II, p. 176.
- 19 . Nathan I. Higgins, *Protestants Against Poverty: Boston's Charities, 1870-1900* (Westport, Conn.: Greenwood, 1971), p. 27.
- 20 . Before the Civil War, medical relief for the poor was available in Manhattan through the New York, Eastern, Northern, and North-Western Dispensaries, the New York Eye and Ear Infirmary, and St Luke's Hospital. Groups such as the New York Female Assistance Society also provided "relief of the sick poor." Jewish groups such as the Ladies' Bikur Cholim Society relieved the "poor sick." Similar organizations formed in other cities, and informal help was available in small towns.
- 21 . Association for Improving the Condition of the Poor, *Twentieth Annual Report* (New York: AICP, 1855), p. 14.
- 22 . Suzanne Lebsock, *The Free Women of Petersburg* (New York: Norton, 1984), p. 215.
- 23 . William Ruffner, *Charity and the Clergy* (Philadelphia: Lippincott, 1853), pp. 142-143.
- 24 . *Ibid.*, pp. 144-146.

- 25 . Greeley, *Hints Toward Reforms* (New York, 1854), p. 86.
- 26 . Greeley agreed with statements by Unitarian leader William Ellery Channing citing "avarice" as "the chief obstacle to human progress...The only way to eliminate it was to establish a community of property." Channing later moderated his communistic ideas concerning property, but he typified the liberal New Englander's approach to the problem of evil, which was created by the way society was organized, not by anything innately evil in man.
- 27 . *New York Tribune*, November 20, 1846.
- 28 . *New York Courier and Enquirer*, January 20, 1847.
- 29 . *New York Tribune*, March 26, 1847. For more discussion of Greeley's ideas and influence, see Marvin Olasky, *Central Ideas in the Development of American Journalism* (Hillsdale, N.J.: Lawrence Erlbaum, 1991).
- 30 . *New York Courier and Enquirer*, April 16, 1847.
- 31 . See, among other records, the second edition of the *Directory of the Charitable and Beneficent Organizations of Baltimore and of Maryland* (Baltimore: Friedenwald, 1892).
- 32 . See *New York Charities Directory* (New York: New York Charity Organization Society, 1892).
- 33 . S. Humphreys Gurteen, *A Handbook of Charity Organization* (Buffalo: Published by the author, 1882), p. 31.
- 34 . In addition, 33 families and 37 single persons were sent from the city to places where they could be self-supporting (20 and 4, respectively, stayed in their new homes, and the rest returned). Homes in the city were found for 83 families or individuals; 16 families were broken up to save children from abuse; fraud was exposed 42 times.
- 35 . *War Cry*, June 4, 1898, p. 7.
- 36 . Norris Magnuson, *Salvation in the Slums: Evangelical Social Work, 1865-1920* (Grand Rapids: Baker Book House, 1977), p. 100.
- 37 . *War Cry*, May 16, 1891, p. 8.
- 38 . *Ibid.*, March 3, 1894, p. 7.
- 39 . See, for example, *War Cry*, October 21, 1899, p. 5; August 17, 1901, p. 11; and October 3, 1908, p. 6.
- 40 . *Ibid.*, February 22, 1908, p. 7.
- 41 . Ballington Booth, *Ten Talks on the Salvation Army* (New York, 1910), pp. 62-63.

Chairman SHAW. Thank you.
Mr. Greenstein.

**STATEMENT OF ROBERT GREENSTEIN, EXECUTIVE
DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES**

Mr. GREENSTEIN. Thank you, Mr. Chairman. Let me start by saying that I think there are some significant problems with some aspects of Mr. Rector's analysis. Maybe we could get into that in questions.

I note a couple of quick points. Some of the spending increase that he referred to was on the elderly and that poverty rate is a third of what it was in 1960. I would also note that a lot of the spending increases he referred to are on programs like food stamps and Medicaid that don't count in measuring poverty. Since we don't count them in determining, they can't be expected to lower the poverty rate, but that doesn't tell us they have failed.

Finally, most research finds that one, not the only, but one key point in poverty trends is wages. Wages for low-paid jobs rose smartly in the fifties, sixties, and early seventies, and have been eroding for about the last 20 years, and it is clear that the ranks of the working poor, people not on welfare working but getting paid low wages, are up.

But that is not what I came to talk today. What I would really like to talk about is that we be clear that we not take a series of issues that are separate issues and look at them as though they are a single issue. It seems to me among the key issues are, first, should there be more State flexibility? And the answer I think is yes. Should we be tougher in the requirements that we put on for work and for tracking down and collecting support from absent parents? Again the answer is yes. What about the question of cost? Should we cut costs?

This chart, which is simply data from the Entitlement Commission on which I serve, shows as we reached our bipartisan consensus that our big problems in cost in the entitlement area are health care and Social Security and eventually we have to deal with that. We did not spend a lot of focus on means-tested entitlements. They are not going up as a percentage of GDP.

In fact, the Entitlement Commission assumptions here are conservative in the sense that the latest CBO forecast projected after the year 2000 the means-tested entitlements will edge down as a share of GDP. You may choose, however, to cut costs in these programs, and the point I am trying to make is the following: Whether you want to give States more flexibility or not—hopefully you will—whether you are tougher in enforcing mutual responsibility, in work, collecting child support and the like, whether you decide to cut costs, one doesn't have to do a block grant to do any of those. Those are separate issues from whether one goes to a block grant or one maintains an individual entitlement status. All of those changes can be made within the structure of maintaining an individual entitlement. And I raise that because I think going to a block grant will have unintended effects that undermine some of the other reforms you very much want to do. Let me be clear before explaining what I mean about those unintended effects, that I am not suggesting that a mother who refused to work has an entitle-

ment that someone who refuses to track down an absent father has an entitlement.

What I am suggesting is for those who meet all the requirements and play by all the rules, that if one removes the individual entitlement there and goes to a block grant, other unintended consequences follow. Number one, and perhaps most important, is what would happen during a recession.

Let's take the Food Stamp Program as an example between June 1990 and 1992, the number of unemployed—the unemployment rose about 50 percent and the number of people on food stamps went up to 5 million. The food stamps were blocked and the State had a fixed amount of money in the beginning of the year. Either the need couldn't be met and we couldn't serve the unemployed or their children or States would have to meet 100 percent of additional need out of State money.

This could be a particular problem for States because their revenues contract during recessions and it could be a particular problem in terms of its effect on two-parent families because the group whose participation goes up most in recessions are two-parent families who work, lose their jobs during recessions and get their jobs back during recoveries.

This is coupled with the second unintended effect. No one, despite the best of intentions, knows how to design a formula for allocating block grant money among States in these programs that matches current need. If you do it based on the number of poor people in each State, the census data on that is always 3 to 5 years out of it.

If the unemployment rate went up in one State since then and down in another, the State with the highest unemployment would get too little money and the State with the robust economy would get too much money. If you did it based on what percent of the total Federal funds each State now gets, if you later have differing rates of employment growth in different States, the same problem results.

I will give you two specific examples. We look at the proposed food block grant and if, for example, the food block grant that is outlined in a later, recent document from the Republican Governors' Association were put into effect, that had been in effect 5 years ago, your State, Mr. Chairman, Florida, would have gotten 49 percent fewer food assistance funds in 1994 than it actually got.

Now, to be sure what reduction in total Federal funding and cost there is, we also analyzed it and said suppose the exact same amount of Federal dollars were put out to each State as were actually put out in 1994, simply because of their funding formula, Florida would get 29 percent fewer funds than it got. Other States would get 29 percent more.

Your State had some economic issues and population growth. You can't reflect that up to date in an allocation formula. One of the problems this could have is if you don't have enough money in some States to meet needs like recession, and States don't want people who can't—who otherwise couldn't pay the rent to be on the street, there is a real risk that States would cut funding for their work programs, their self-sufficiency programs, the kind of initia-

tives that you have heard Governors which are here say they want to do, those might be the things that get squeezed.

So the basic message I have—and I see my time is up, I will wrap up—is again these are separate issues. One can do more with flexibility. One can really strengthen mutual responsibility, require more movement toward work pattern establishment, child support collection. And if it is your election to do so, reduce costs without going into the block grant route, if you do, I think some of your effort to promote self-sufficiency will be compromised when States, especially during recession, have to cut back their self-sufficiency programs. I think the money will be allocated inefficiently. Some States get too much and some too little and have particular problems during recession.

I do hope these are seen as separate issues and each one is evaluated on their own merits.

Thank you.

[The prepared statement and attachments follow:]

**TESTIMONY OF ROBERT GREENSTEIN, EXECUTIVE DIRECTOR
CENTER ON BUDGET AND POLICY PRIORITIES**

**Subcommittee on Human Resources
House Ways and Means Committee
January 13, 1995**

Thank you for this opportunity to testify on welfare spending, the entitlement status of certain low-income programs, and block granting. I am Robert Greenstein, executive director of the Center on Budget and Policy Priorities. In the late 1970s, I served as Administrator of the Food and Nutrition Service, the U.S. Department of Agriculture agency that administers the food stamp program and other food assistance programs. I recently served as a member of the Bipartisan Commission on Entitlement and Tax Reform appointed by President Clinton and the Congressional leadership.

I. Overview

In the past, there has been broad, bipartisan support for welfare reform efforts guided by the notion of "mutual responsibility." Under this view, able-bodied recipients of public assistance are expected to move toward self-sufficiency by participating in education or training activities, working, or looking for work. Government, for its part, provides services and supports to help recipients improve their prospects in the labor market and maintains a basic safety net beneath poor children and other vulnerable groups.

In recent months, the debate over low-income programs has veered far from this framework. Some have argued that public assistance programs should no longer be structured to ensure that benefits are available to each eligible person who applies; individuals who follow all program rules and demonstrate a willingness to work, and those who are unable to work, would no longer be assured of receiving assistance.

The Personal Responsibility Act (H.R. 4) and more recent proposals put forward by some Republican governors and members of Congress call for ending the entitlement status of safety net programs such as Aid to Families with Dependent Children (AFDC), Supplemental Security Income (SSI) for the elderly and disabled poor, and food stamps. The Personal Responsibility Act also would place a number of these programs under an "outlay cap" that would require substantial reductions in the programs over the next few years. More recent proposals have suggested that a number of major means-tested entitlement programs should be converted to block grants established as discretionary programs or capped mandatory programs (making them like the Social Services Block Grant).

These proposals appear to be based on two basic premises: first, that "welfare spending" is out of control and cannot be curtailed as long as the targeted programs retain their entitlement status, and second, that block grants are needed to accord states increased flexibility. In fact: 1) welfare spending is not one of the major factors in our long-term deficit problems; 2) if Congress wishes to cut the cost of these programs, a block grant structure isn't needed to do so; and 3) a block grant structure isn't needed to accord states increased flexibility. Major changes in our welfare system are needed to promote work and personal responsibility and providing added flexibility to states makes sense in a number of areas. But removing the entitlement status of the programs would have profound consequences and, I fear, serious unintended effects.

As the Bipartisan Commission on Entitlements demonstrated, overall expenditures for entitlements are growing faster than our ability to pay for them. If action is not taken to address this problem, the nation will face serious fiscal difficulties in the early decades of the next century. It is important to recognize, however, that the

health care entitlements and Social Security are responsible for virtually all of the long-term rise in entitlement spending as a percentage of the Gross Domestic Product (GDP). Expenditures on programs like AFDC and food stamps are not driving the long-term rise in entitlement spending that will bedevil the nation in the decades ahead. (See Figure 1)

- According to the Entitlement Commission's estimates, between now and 2030, Medicare will rise from 2.4 percent of GDP to 7.9 percent. Medicaid will climb from 1.3 percent to 3.1 percent of GDP, while Social Security will rise from 4.8 percent to 6.7 percent.
- By contrast, the Commission projected that means-tested entitlements other than Medicaid will not rise at all as a percentage of GDP after the year 2000. In fact, the latest CBO forecasts suggests they will decline a bit as a percentage of GDP.

I would note that AFDC in particular (including cash benefits, emergency assistance, child support enforcement, Title IV-A child care, and "at-risk" child care) constitutes 2 percent of entitlement spending and 1 percent of total federal spending. When food stamp and Medicaid benefits for AFDC families are added in, the total rises, but remains a modest share of overall federal spending at three percent.

On a related note, while some believe the AFDC system provides overly generous benefits to recipients, the typical AFDC family of three receives between \$8,000 and \$9,000 annually in cash and nutrition aid, or less than three-quarters of the poverty line. While some AFDC families also receive housing assistance, most do not; three-fourths of AFDC families do not receive any federal housing assistance.

In short, spending on means-tested entitlements is not driving the deficit, and the benefits paid in these programs are not overly generous. When one looks at the combined AFDC and food stamp package, there have been significant benefit declines in recent decades. AFDC and food stamp benefits combined have fallen more than a quarter in purchasing power since 1970. The combined benefit package has now receded, in inflation-adjusted terms, to the level of AFDC benefits alone in 1960, before the food stamp program was created. (See appendix for more complete discussion.)

Still, Congress may decide to reduce spending on these programs. If Congress wishes to do so, it does not need to end the entitlement status of these programs. In 1980, 1981, and 1982, Congress made significant reductions in means-tested benefit programs without removing their entitlement status. Congress altered the eligibility and benefit rules in ways that saved substantial amounts. While reductions in benefits for poor families and elderly and disabled individuals would not be without significant consequences, Congress could follow this route again — and cut expenditures without block granting these programs — if it wished to do so.

State Flexibility

There also is growing support for increasing state flexibility in the administration of welfare programs; proponents of converting AFDC and other programs to block grants often argue such a change is necessary to ensure states are given substantial freedom to craft their own programs. Here, too, the basic premise is flawed; it is quite possible to expand state flexibility within an entitlement framework. Many of the rules currently governing these programs could be simplified or eliminated to give greater leeway to states. Ironically, as I will explain later, block grant plans might even have the perverse effect of *constraining* state flexibility because they are likely to leave states with insufficient resources to pursue work-based welfare reforms.

While ending the entitlement status of programs such as AFDC, SSI and food stamps is not necessary to reduce spending or increase state flexibility, this change would eliminate a defining feature of the safety net erected over the past six decades to

protect poor children, the elderly, and the disabled from destitution. The funding structure of the safety net is designed to ensure that these programs expand automatically to meet rising need such as during recessions. If the programs are converted to discretionary programs or "capped entitlements" that receive a fixed amount of funding each year, this critical feature would be lost. If funding proved insufficient in a given year, states would be forced to cut benefits, create waiting lists, or fill the gap entirely with state funds. A public assistance system structured in this manner would provide some aid to the poor, but it could not truly be called a "safety net." As a tight-rope walker would attest, a system of protection that is only in place some of the time offers little security.

II. Recent Proposals

Programs such as food stamps and AFDC are currently structured as open-ended entitlements in part so they can respond to changes in need from what was expected at the beginning of the year. Under an entitlement structure, if the economy slips into recession and more families need food stamp assistance or AFDC, the programs automatically expand to ensure that all eligible families who apply receive assistance. Under both discretionary programs and capped entitlements, by contrast, states are provided a fixed amount of money at the beginning of the year, and this amount does not change if the economy grows weaker or stronger and need consequently rises or falls. Similarly, if the number of elderly poor rises and more people apply for SSI, that program automatically responds to this need but would not under the alternative structures under consideration.

There are several proposals currently being discussed that would result in eliminating the entitlement status of important means-tested safety net programs. Most of the debate on the Personal Responsibility Act (PRA) thus far has focused on its prescriptive provisions to deny basic income support to young mothers and their children and to end benefits for all families after five years. The changes in low-income programs set out in the Contract are, however, more sweeping. Several existing entitlements — AFDC, SSI and the child support enforcement program — would become discretionary programs and placed under a new outlay cap, which would also encompass low-income housing programs and the "at-risk" child care program for working poor families. These programs all would become subject to the annual appropriations process and then would also fall under the overall discretionary caps.

Under this proposal, the money appropriated for AFDC, would be distributed to states through the same matching-rate formula as under current law. If too little money was appropriated in a particular year to match state costs, however, the federal government at some point would stop distributing money for the program. In addition, the food stamp and child nutrition programs such as the school lunch program would be eliminated and a food assistance block grant would be established.

Proposals being advanced by some governors and Members also would convert means-tested entitlement programs into discretionary programs subject to the annual appropriations process. Instead of distributing the available funds through the current state matching-rate formula, however, as the PRA would continue to do, the programs would be converted to block grants.

Eliminating the entitlement nature of programs such as AFDC, SSI and food stamps would have profound consequences. It also would cause some serious adverse effects that its sponsors may not have foreseen.

- **If programs such as AFDC, SSI, and food stamps are converted to discretionary programs, it is likely that the funding reduction would be much larger than anticipated because of decisions made in the appropriations process.** There has been discussion of block grants that

freeze spending or cut funding by 10 or 15 percent. Over time, however, the actual reductions would almost certainly be much larger than that. When a discretionary block grant is described as being funded at a freeze level, for example, this means that the appropriations *ceiling* for the block grant is set at the freeze level. But the amount actually appropriated would likely be below the ceiling, as is true for most discretionary programs. Moreover, with Congress about to tighten the already-austere spending caps that govern the total amount that can be spent on discretionary programs (while raising spending on defense), domestic discretionary programs are likely to be squeezed hard in the years ahead. Programs such as AFDC (or a welfare block grant) that have weak political constituencies would likely fare poorly in the intense competition for the shrinking pot of funds available under the spending caps. Over time, the federal funds provided to states are likely to decline substantially.

- **If too little money is appropriated for AFDC, SSI, or food stamps (or similar block granted programs) funds could prove insufficient part-way through the year.** If the money for SSI ran out in July, what would happen to a poor elderly person who applied for assistance in August or September? Either that person would be refused assistance or put on a waiting list, or the state would have to pay the full cost of that person's aid. Some poor elderly or disabled people could be left with no means to pay for rent, utilities, or other basic necessities if the SSI program loses its entitlement status.
- **Discretionary programs cannot respond to the increases in need that occur during economic downturns.** Under the current financial structure for AFDC and food stamps, additional federal funds automatically flow into states when a recession hits and more families apply for aid. For example, between June 1990 and June 1992, as the national unemployment rate jumped from 5.1 percent to 7.7 percent, the number of people receiving food stamps rose by more than five million. If food stamps become a discretionary program, additional federal resources would not be available during a recession. A fixed amount would be allocated to a state at the start of a year. If unemployment subsequently rose and funding for food stamps or AFDC proved insufficient, states either would have to bear 100 percent of any additional cash and food assistance costs themselves or poor households would be left without basic assistance.

An example of the problems this type of approach can create is provided by a proposal developed by a group of Republican governors to replace the current federal nutrition assistance programs with a block grant to states. Under this proposal, the overall size of the block grant each year would equal the amount expended in these programs in FY 1994, adjusted for inflation. In addition, each state's share of the total federal appropriation would equal its share of federal food assistance spending in fiscal year 1993.

Had this proposal been enacted in 1989, federal food assistance funding for states would have been 29 percent lower in fiscal year 1994 than it was under the existing food assistance programs. States would have lost at least one-fifth of their federal nutrition funding, and some states — such as Florida and California — would have lost almost half. Between 1989 and 1993, unemployment and poverty climbed substantially. The states in which need rose the most rapidly would have experienced the most severe shortfalls in funding.

This would pose serious problems for states. State revenues shrink during economic downturns, and many state programs are cut. If states are left without sufficient federal funds for programs such as AFDC and food stamps during a recession, states would be forced to choose between raising taxes (or cutting other programs more deeply in recessions) to address the mounting need, instituting across-the-board benefit cuts, making some categories of needy families and children ineligible for the rest of the year, or placing poor families that recently lost their jobs on waiting lists for aid.

It is worth noting that if states instituted waiting lists, two-parent families could be significantly affected. The subpopulation whose participation in AFDC and food stamps rises most sharply in recessions is two-parent families.

- **The loss of the automatic increase in federal funding during a recession would weaken the national and state economies.** The food stamp and AFDC programs function as what economists call “automatic stabilizers” — federal programs that moderate economic downturns by infusing more purchasing power into national, state and local economies when recession sets in. If these programs become discretionary programs or capped entitlements and insufficient funds are available to meet the increased need, the automatic stabilizer role played by these programs would be significantly diminished or lost altogether. This is especially troublesome in the case of the food stamp program, which is one of the most important automatic stabilizers in the federal government’s recession-fighting arsenal. Ending the entitlement status of these programs is therefore likely to make recessions somewhat deeper and more protracted.

Block Grant Proposal Presents Additional Problems

The problems described above would affect any plan that ended the entitlement status of safety net programs. Converting AFDC and food stamps into discretionary block grants presents additional difficulties as well. These include the following:

- **A block grant structure would misallocate funds among states.** Any formula that could be used to allocate block grant funds among states would be based on data for a year in the past; the formula would not be able to reflect economic and demographic changes since that time. States whose economies had grown robustly since the year in which the data were collected would receive more funds than warranted, while states where economic conditions had deteriorated would receive too little.
- **Of particular concern is the fact that during a recession, the hardest-hit states would likely be subject to a “triple whammy.”** First, there would be insufficient federal funds flowing into the states, since the federal funding level would not automatically rise with a recession. Second, the allocation formula would not recognize the depth of the downturn in states that had been hit hardest. Finally, the states hit hardest by the recession would generally face large declines in state revenues and be among the states least able to provide state funds to respond to the additional need the downturn had created.
- **It would be problematic to develop a formula for allocating block grant funds among the states.** If the formula reflected current expenditure patterns, it would penalize states with low benefit levels and risk locking them into that status permanently. Moreover, if the formula gave each state the same percentage of federal funds that it currently receives, this

would fail to recognize the differences that will occur among states in coming years in unemployment levels, rates of population growth, demographic changes, and wages. If the formula attempted to adjust for these factors, it would be out-of-date (as noted above), always reflecting economic and demographic conditions several years earlier.

Setting each state's share of block grant funds equal to its share of federal food assistance spending in an earlier year would lead to large inequities over time. This can be seen by looking at the distribution of federal food assistance funds to states in fiscal year 1989 and fiscal year 1993. Suppose the percentage share of funds each state received in fiscal year 1993 were held to the same level as in fiscal year 1989. What would have happened? Even if the total amount of funds distributed nationally remained unchanged, in 37 states the amount of funds they would have received under the fixed approach differs by more than five percent from the amount actually received. Delaware, for example, would have received 15 percent less in federal funds than it actually received; Florida would have lost 29 percent of its funds; California would have lost 21 percent. Meanwhile, Wisconsin would have been granted 19 percent more than it received under current law, while Michigan would have received 13 percent more.

Capped Entitlements

Some have argued that structuring welfare block grants as "capped entitlements" rather than discretionary programs would avoid the funding problems otherwise posed by a block grant. Under a capped entitlement, states would be entitled to their respective shares of a fixed amount of federal block grant funding each year. Low-income families would *not* be entitled to benefits; no additional federal funds would flow into a state if the number of eligible families rose, such as during a recession.

Under a capped entitlement, a state's federal funding would remain fixed for the year just as it would under a block grant structured as a discretionary program. Indeed, a block grant structured as a capped entitlement differs in only one respect from a discretionary block grant. The capped entitlement status is thought to afford protection against further reductions in block grant funding in the appropriations process. Otherwise, the two approaches are identical.

As with a discretionary block grant, the fixed amount of federal funding available under a capped entitlement would be allocated among states in accordance with some type of formula. All of the problems described above regarding allocation formulas would hold true here as well. Some states would receive too much, while others would get too little, especially when their economies turned down.

It is also not clear how much protection a capped entitlement structure provides from reductions in the appropriations process. Under federal budget rules, appropriators can lower the appropriation ceilings on capped entitlements and use the savings to meet the discretionary spending caps or fund other discretionary programs. While such action has not frequently been taken in the past, it could become a more inviting route for appropriators in the future as the discretionary caps tighten. In addition, appropriators could simply appropriate less than the capped amount. This has happened in the past with the Social Services Block Grant.

It is of note that low-income programs that are capped entitlements have been subject to larger funding reductions in recent years than have low-income discretionary programs. For example, the Social Services Block Grant, converted in the early 1970s from an open-ended entitlement to a capped entitlement, has fallen about 60 percent since then, after adjusting for inflation. Total appropriations for all low-income programs that are capped entitlements have declined nearly 20 percent since 1981, after adjusting for inflation.

By contrast, total appropriations for low-income discretionary programs have declined seven percent over this period in inflation-adjusted terms.¹

"Means-Tested Outlay Cap" Would Lead to Large Cuts in Means-Tested Programs

In addition to ending the entitlement status of key means-tested programs, the Personal Responsibility Act would place a new cap on aggregate expenditures for several of these programs, including AFDC, SSI, the child support enforcement program, and the "at risk" child care program for low-income working families.

The cap governing these programs would be set at a level well below what the programs would cost under current law: total spending on the capped programs would need to be cut by almost \$26 billion between 1997 and 1999 to fit within the cap. If the cuts were distributed proportionately across the capped programs, SSI alone would be cut \$10.5 billion in this three-year period, including a cut of \$5.1 billion, or 15 percent, just in fiscal year 1999. To achieve these cuts, it would be necessary to reduce benefits or deny assistance to eligible individuals.

It is worth noting that the PRA's outlay cap differs in an important way from most previous proposals to cap entitlement spending. Earlier plans proposed to place a cap on total spending for *all* entitlements or all entitlements except Social Security. The provision in the PRA is unique in that its cap excludes entitlements not targeted on the poor and places under the cap only programs for those at the bottom of the income scale. This proposal seems particularly inappropriate given that means-tested entitlements are not driving the overall increase in entitlement spending.

III. Increasing State Flexibility Within an Entitlement Framework

The PRA imposes significant new requirements on states — such as creating 1.5 million work slots for AFDC recipients by 2001 — while providing fewer resources. Some recent proposals to block grant AFDC and the food programs are viewed as an alternative to the numerous prescriptive requirements in the PRA — a means of providing states with greater flexibility in designing and implementing welfare programs. It is a mistake, however, to think that converting entitlement programs into discretionary programs is the only means to expand state flexibility in designing welfare programs. Providing states with enhanced flexibility within an entitlement structure would avoid the drawbacks of block grants.

The Shape of a Redesigned Federal-State Partnership

If the federal-state AFDC partnership is to be redesigned to give states greater flexibility within an entitlement framework, policymakers at both levels of government will need to engage in a serious debate about the appropriate role of the federal government in the new system.

The federal government could pare back the AFDC requirements currently imposed on states. For example, states could be free to develop their own rules concerning matters such as how income is treated when determining AFDC eligibility and benefit levels; reporting requirements; treatment of vehicles, lump sum payments, and other resources; and budgeting rules.

¹ This excludes subsidized housing programs which are an anomaly. Appropriations for subsidized housing programs have fallen substantially since 1981, but actual expenditures for these programs have risen substantially over the same period. This seeming contradiction reflects the unique features of the fiscal structure of the housing programs.

In addition, the federal government could require states to provide services that help able-bodied welfare recipients move toward self-sufficiency and to operate tough child support enforcement programs to ensure that absent parents fulfill their obligations. States should have substantial freedom to design the specific contents of these programs. They also should be allowed to impose reasonable obligations on recipients — for example, to participate in education, training or work programs and to cooperate with child support enforcement agencies — and to assess reasonable penalties when recipients fail to meet these expectations.

In a limited number of areas where a pressing national problem exists and research has identified a promising approach, the federal government might require that states follow a particular model (as long as sufficient funding is made available). For example, it may be appropriate for the federal government to require that teenage parents on welfare be required to live with responsible adults and to attend school if they have not obtained a diploma.

Other than in these areas, few federal rules need apply. The federal government would establish some basic rules — such as that recipients who are willing to work and meet all requirements receive either cash assistance or a work slot and that poor children not be denied assistance. The federal government also would continue to match state benefit expenditures, as it now does; the individual entitlement structure of the program would be maintained.

Finally, federal funds should support research and evaluation activities to identify effective program strategies and technical assistance to ensure that states can apply lessons from the research.

Granting states broad flexibility within an entitlement structure would likely provide states greater flexibility than a block grant. Under a block grant, if a state received significantly less federal funding than it would if the program remained an entitlement, the state could be forced to curtail innovative work or self-sufficiency programs. Suppose a recession hit and a state's caseload climbed. To provide basic benefits and keep families from becoming destitute a state could slash spending for work programs or cut back other initiatives designed to promote self-sufficiency. Although states could choose to deny aid to eligible families (since the programs would no longer bear entitlement to individuals) states may be unwilling to deny basic support to a family that, without the assistance may be unable to pay rent. In short, if states receive limited federal resources under a block grant structure, they may be unable to implement many of the initiatives for which they have sought permission through the waiver process — such as expanded earnings disregards so AFDC families can keep more of their earnings when they go to work, more realistic asset rules that former Secretary Kemp (among others) has advocated, and expanded work programs so more families may be subject to work requirements.

APPENDIX: Welfare Spending

Recent arguments that federal “welfare” spending is both excessive and ineffective have sometimes relied on a few highly publicized but questionable assertions — that the federal government has spent \$5.3 trillion on “welfare” programs since 1964 without decreasing poverty and that the typical AFDC family receives \$15,000 in benefits per year. This Appendix examines these assertions about welfare spending in detail. It focuses on three issues: 1) the current level of spending on programs targeted to low-income people and the extent to which these programs conform to the popular definition of “welfare”; 2) the total amount that has been spent on low-income programs during the past few decades and the effect of this spending; and 3) the benefits received by the typical family on AFDC.

I. Total Spending on Means Tested Programs

According to the Congressional Research Service, the federal government spent \$208 billion on programs that target their benefits or services on low-income people in 1992. This represented 15 percent of federal outlays. These programs included cash assistance, medical aid, nutrition assistance, education funding, housing assistance, job training, and energy aid. The largest component of the federal spending on low-income programs was medical aid, mainly composed of Medicaid. Medical aid comprised 38 percent of federal spending on means-tested programs and grew at a faster rate between 1990 and 1992 than any other component of low-income programs. Non-medical related spending on means-tested programs totaled \$129 billion, or nine percent of total federal spending.

While the CRS list provides useful information on expenditures for low-income programs, the programs included in its analysis go far beyond the popular image of “welfare.” The list includes numerous programs that provide services, not income assistance, to low income people. Programs such as job training through the Job Training and Partnership Act (JTPA), and Head Start do not provide cash, food, housing, or similar aid that help poor families purchase basic necessities.

It also is important to recognize that many of the programs on the CRS list serve low-income families, households and individuals who do not receive AFDC. In fact, many of the recipients of these programs have incomes above the poverty line. For example, the earned income credit will provide benefits to families with children whose incomes fall below \$28,600 in tax year 1996. Similarly, the Supplemental Feeding Program for Women, Infants and Children (WIC) provides nutrition assistance to recipients whose family incomes equal up to 185 percent of the federal poverty line.

Low-Income Entitlement Spending

As Table 1 shows, in 1994 the federal government spent \$177 billion on means-tested entitlement programs.² Table 1 also shows (for programs where such data are available) the percentage of spending in each program that goes to families receiving AFDC and to elderly and disabled people. Of note:

- Only 18 percent of Medicaid spending — the largest means-tested entitlement program — goes for health care for AFDC recipients. The average cost of Medicaid services for a child receiving AFDC is only about one-quarter the cost of caring for an elderly Medicaid recipient and about one-seventh the cost of caring for a disabled individual.

² Congressional Budget Office, “The Economic and Budget Outlook: Fiscal Years 1996-2000, A Preliminary Report,” January 1995.

- Spending on AFDC (including AFDC benefits, emergency assistance, child support enforcement, Title IV-A child care, and “at-risk” child care), food stamp benefits for AFDC families, and Medicaid spending on AFDC families totaled about one-quarter of means-tested entitlement spending and about 6 percent of all entitlement spending.
- The proportion of total means-tested entitlement spending that represents spending on low-income elderly and disabled persons is much higher, about 46 percent.³

Thoughtful reform is needed to control the costs of entitlement spending. It is a mistake, however, to look at non-medical means-tested entitlements such as AFDC, food stamps, and SSI as the culprit for rapid entitlement growth.

II. What Does It Mean That We’ve Spent “\$5 Trillion” on “Welfare Programs” Since 1964?

In testimony submitted to this Subcommittee on August 1994, Robert Rector of the Heritage Foundation stated that “Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged...”

To come to a figure of \$5.3 trillion, “welfare spending” has to be defined in its broadest terms to include any means-tested program, including programs that confer a significant amount of benefits on families above the poverty line. As noted earlier, such a definition goes far beyond the common conception of “welfare.” Furthermore, when considering what such a figure means, it is important to place it in context.

- Total federal spending over the past thirty years had totaled more than \$31 trillion (in 1993 inflation adjusted dollars) while total GDP over that period has equaled almost \$143 trillion.⁴
- Even if one accepts Mr. Rector’s definition of “welfare spending,” his figure suggests that 16 percent of total federal spending — and 4 percent of total GDP — over the past 30 years has been spent on means-tested programs.
- Combined federal spending since 1964 on AFDC, Medicaid, SSI, and nutrition programs that are entitlements totaled about \$2 trillion. While this is a large dollar amount, it amounts to less than 1.5 percent of total

³ Data for the Food Stamp Program are from *Characteristics of Food Stamp Households, Summer 1992* issued by the U.S. Department of Agriculture. Data for Medicaid are from “Medicaid Expenditures and Beneficiary Trends, 1988-1993” by John Holahan, David Liska, and Karen Obermaier. The Food Stamp data do not indicate the amount of food stamps that go to elderly and disabled individuals. Instead, the data indicate the value of food stamp benefits that go to households including an elderly or disabled person. Thus the full value of food stamp benefits going to these families are included in this calculation leading to a somewhat higher estimate. However, the estimated proportion of food stamp benefits going to elderly and disabled persons represents only 4 percent of the estimated total value of benefits going to elderly and disabled people. It should be noted that benefits going to elderly and disabled people are not wholly independent of benefits going to AFDC families. An AFDC family could include a member who receives SSI. In such a case, that family member would not be included in the AFDC unit and, therefore, would not actually be an AFDC recipient, but the family would receive income from both the AFDC and SSI programs.

⁴ In this section, all dollars are presented in 1993 dollars using the GDP implicit price deflator. This year was selected so that the numbers would be comparable to those used in Robert Rector’s August 1994 testimony.

Gross Domestic Product (GDP) and about 6.6 percent of total federal outlays over that period.⁵

- Spending on AFDC alone over the past 30 years has totaled less than 1.5 percent of federal outlays during this period.

It bears noting that the Heritage Foundation suggests this spending has been of little worth because the official poverty rate has remained unchanged since the War on Poverty began. This statement is problematic for several reasons.

First, a large fraction of this spending consists of programs that assist families without increasing their cash incomes. Since non-cash benefits are not counted in measuring poverty, the effects of these programs obviously cannot show up in the poverty statistics. This therefore provides no evidence that such programs are ineffective. For example, programs like food stamps help families purchase food but do not reduce officially measured poverty. Medicaid also does not show up in the poverty statistics.

Moreover, programs like Medicaid are not designed to foster self-sufficiency, and enable people to work their way out of poverty. It is designed to serve other purposes. Medicaid does not provide skills training for recipients; rather, it provides health care coverage for many people who could not otherwise afford it. It should not be expected to reduce poverty rates.

Also of note, some programs that do provide cash assistance provide benefit levels so low that they reduce the *severity* of poverty but do not lift households *out* of poverty. The average AFDC family of three receives maximum benefits equal to 42 percent of the poverty line. Similarly, federal SSI benefits, by themselves, are too low to lift a family from poverty. In 1993, federal SSI benefits for an individual equalled about 75 percent of the poverty line and about 90 percent for a couple.

In addition, it is not accurate to portray the poverty rate as remaining “virtually unchanged” since the War on Poverty began. When strong economic growth leading to real wage growth across the income distribution was coupled with more generous antipoverty programs, poverty did respond. Between 1964 and 1973, the poverty rate fell from 19 percent to 11 percent, and the number of poor dropped by more than 13 million people.

Since 1977, however, the poverty rate has drifted upward. In 1977, some 11.6 percent of the population was poor. In 1993, the poverty rate stood at 15.1 percent. The years 1977 and 1993 are appropriate years to compare because they came at similar points in the economic cycle.

The major factor behind the upward drift in poverty appears to be fundamental shifts in the economy, not excessively generous anti-poverty programs. During this period, falling wages and declining job opportunities for lower skilled workers contributed to rising poverty rates.

- In 1979, some 12.1 percent of full-time year-round workers earned too little to lift a family of four out of poverty (1977 data are not available). By 1993, some 16.2 percent of these workers had earnings this low. The average hourly wages for non-supervisory jobs also fell by 14 percent from 1977 to 1993, after adjusting for inflation.

⁵ For AFDC spending the Congressional Budget Office mandatory spending category entitled “Family Support” was used for this calculation. The Family Support category includes AFDC cash payments as well as the child support enforcement program, emergency assistance, child care expenditures for AFDC recipients, and the “at-risk” child care program that provides child care subsidies to low-income working families.

- Similarly, in 1993, the proportion of families with children in which the head of the household worked but the family was still poor stood at 11.4 percent; by contrast, in 1977, some 7.7 percent of such families were poor.

In addition to declining labor market prospects for those at the bottom of the income spectrum, changes in family structure have contributed to the increase in poverty. Female-headed families were both a larger proportion of all families and of poor families in 1993 than in the late 1970s. At the same time, however, the effect of the growing number of female-headed families on poverty trends in the past 20 years is sometimes exaggerated. During this period, the average size of female-headed families became smaller and poverty also increased among two-parent families. As a result of these and other trends, the proportion of poor people living in female-headed families has remained fairly steady since the late 1970s. Census data show that 37.2 percent of all poor people lived in female-headed families in 1977. In 1993, some 37.3 percent did.

A weaker safety net also has contributed to the rise in poverty for some groups. In 1993, fewer than one in every seven children who were poor *before* receipt of government benefits were lifted from poverty by these benefits.⁶ In 1979, nearly one in five children who were poor *before* receipt of benefits were lifted from poverty by them. (These data are not available for 1977.)

III. What is the Value of Benefits Provided to AFDC Families?

The Heritage Foundation and others have claimed that AFDC families receive benefits totaling \$15,000. The income most recipients have to meet their basic needs, however, is in fact, considerably lower.

- In 1994, the average AFDC family of three was eligible for a maximum of \$415 per month, or \$4,980 per year, in cash assistance.⁷ Nearly three-quarters of all AFDC families included three or fewer members.
- Most AFDC families also receive food stamps. A family of three that received \$415 in AFDC benefits would receive about \$249 in food stamps.⁸
- Together, an average AFDC family of three receives a total of \$664 per month or \$7,968 per year in food stamp and AFDC benefits. This represents two-thirds of the poverty line.

AFDC recipients do, however, receive other benefits and services in addition to food stamps. Most notably, AFDC recipients are "categorically eligible" for Medicaid.

Medicaid provides an important service to AFDC families. However, it is inappropriate to count Medicaid costs as "income" for families on AFDC. Medicaid payments go to doctors and hospitals, not AFDC recipients, and cannot be used to meet basic expenses such as food, shelter and clothing. Furthermore, a family that has

⁶ This decline in the proportion of children raised from poverty by government benefits is likely to reflect the combined effect of benefit reductions and wage erosion. Declining wages left many working families with children further below the poverty line, thus reducing the chances that the combination of wages and government benefits would lift them to the poverty line.

⁷ This was calculated by taking the weighted average of the maximum AFDC benefit levels for a family of three in each state in 1994. The number of AFDC families with three members in each state in 1992 (the last year for which the data are available) was used as the weight. The median maximum AFDC benefit for a family of three was a very similar \$420.

⁸ This was calculated using the average shelter deduction for food stamp households that also receive AFDC.

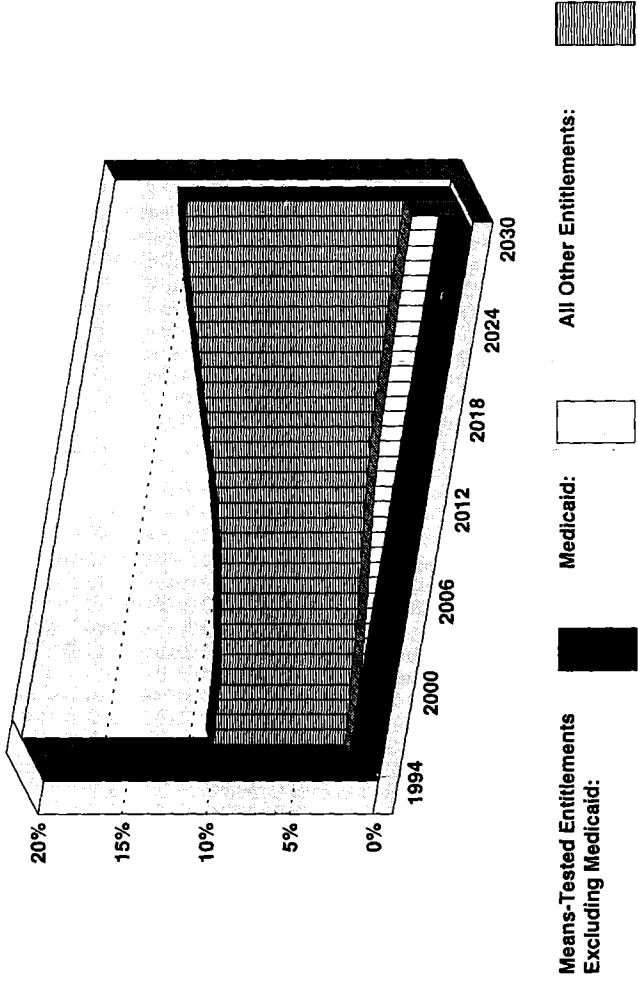
numerous medical problems and, therefore, produces higher Medicaid costs for the government does not have more "income" with which to pay rent than a similar family receiving AFDC that does not have such high medical expenses. Including Medicaid in the calculations of the income available to AFDC recipients would be inconsistent with how other health assistance is described; most do not consider the value of their employer-provided health care coverage when stating their income level; and few favor including the value of such coverage in their taxable income.

In addition to Medicaid, some AFDC families receive assistance through the Women, Infant, and Children Supplemental Feeding Program (WIC), the School Lunch Program, and subsidized housing. Unlike Medicaid (which provides medical insurance), these programs are more like cash assistance — they help families meet monthly budgets. But benefits in WIC and the school lunch program are modest. And while housing benefits are larger, most AFDC families do not receive them. Only one quarter of AFDC recipients receive housing assistance.

The three-quarters of families receiving AFDC who do not receiving housing assistance must pay for food, clothing, shelter, and transportation with a family income that averages between \$8,000 and \$9,000 per year for a family of three, depending on whether the family receives WIC and free school meals. When the amount AFDC families that receive housing assistance appear to save on housing costs is factored in, even these families remain below the poverty line.⁹

⁹ An average AFDC family of three that receives housing assistance pays about \$100 per month for housing related costs while the average U.S. household with income of between \$5,000 and \$10,000 spends \$345 per month on housing. Thus, at first glance the housing assistance appears to effectively increase the family's income by \$245. However, because food stamp benefits are partially determined by a family's housing costs, the food stamp benefits of a typical AFDC family of three that receives housing assistance would be reduced so that the housing assistance effectively raises an AFDC family's income by \$206 per month.

**FIGURE 1:
FEDERAL ENTITLEMENT SPENDING AS A PERCENT OF THE ECONOMY
1994 - 2030**



SOURCE: Center on Budget and Policy Priorities calculations based on data from the Bipartisan Commission on Entitlement and Tax Reform and the Congressional Budget Office, January 5, 1995.

Table 1: Federal Means-Tested Entitlement Programs - 1994

Means-Tested Entitlements	Benefit or Service Provided	Population Served	1994 Federal Spending	Program Spending as a % of Total Entitlement Spending	Program Spending as a % of Total Federal Outlays	% of Program Spending That Goes To AFDC Recipients	% of Program Spending That Goes To Elderly and Disabled
Medicaid	health care coverage	AFDC and SSI recipients Low-income children "Medically Needy" persons	\$82 billion	10.4%	5.6%	18%	67%
Food Stamps	in-kind nutrition assistance	Households with incomes below 130% of poverty	\$25 billion	3.2%	1.7%	54%	13%
SSI	cash aid	Poor elderly and disabled	\$24 billion	3.0%	1.6%	0% *	100%
Family Support	cash aid (AFDC), child support enforcement, child care	Poor families with children	\$17 billion	2.2%	1.2%	100%	0% *
EIC** (refundable portion only)	refundable tax credit	Families with children that have incomes below \$28,550 (in 1996)	\$11 billion	1.4%	0.8%	data not available	data not available
Child Nutrition	school lunches, school breakfasts, child care feeding, etc	Children with incomes below 185% of the poverty line	\$7 billion	0.9%	0.5%	data not available	0%
Other	veteran's pensions, student loans, and other smaller programs		\$9 billion	1.1%	0.6%	data not available	data not available
Total:			\$177 billion	22%	12%	Estimate: 26%-33%	Estimate: 46%-50%

* Note: An SSI recipient can not also receive AFDC. However, a family may include both AFDC and SSI recipients. For example, in a three person family, two people may be part of an AFDC case while the third receives SSI due to that individual's disability.

**Note: The earned income credit was expanded under the 1993 Omnibus Budget Reconciliation Act. In Tax Year 1996, the expansions will be fully phased-in. Because most EIC recipients receive their credit after filing their annual tax returns, the majority of the budgetary impact of the EIC is felt in the fiscal year following the tax year. By FY 1997, the refundable portion of the EIC is projected to cost \$23 billion.

SOURCE: Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1996 - 2000, A Preliminary Report," January 5, 1995.

Mr. SHAW. Thank you, Mr. Greenstein.

Does anyone on the Republican side care to inquire? Democrats? Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman.

Mr. Greenstein, we have heard testimony from Governors here today and we had a couple of Governors—three Governors before the Full Committee yesterday, and Governors are suggesting that they would be able to maintain their stake in that program and expand the welfare-to-work initiatives with the funding allowed under the block grant structure.

And I have listened to your testimony. It is clear that you disagree with that and with the Governors' suggestion here with the program. That is not to say that you don't fully support moving people off of welfare into the work segment and, especially possible, the private sector.

Job creation and job opportunity you would be a strong advocate for that, but disagree with what the Governors are suggesting that there be a safety net for the poor.

Mr. GREENSTEIN. Mr. Ford, I am not an advocate of the status quo in the welfare system. I strongly support moving people off of welfare into work and I strongly support more flexibility in many areas for the States.

But I have been talking myself directly to some Governors as well as to their staffs and there are many of both parties who are very fearful of what would happen in a recession if these programs, AFDC, especially food stamps, were blocked and could not respond to the increase in need in a recession.

Let me be very clear, if you take a program like food stamps and even AFDC, the increase in need during recession is not primarily from people who are long-term poor, who are sometimes described as members of the underclass. I am talking about working families that in normal years aren't on welfare. They lose their jobs. They temporarily need some assistance and they get back on their feet and get off.

Those are the last people we should want to shut out and if you have a block grant in a recession, a State is forced to choose between cutting everybody across the board, instituting waiting lists, and those people can't get on, or raising taxes in the middle of the recession.

We did what I think was a few years ago widely regarded as the leading study on what did States do to respond at the State level, State budgets to respond to the recession in 1991 and 1992. And what we found was whether the Governor was Republican or Democrat, liberal or conservative, all Governors—in most States they were so tightly squeezed in the recession because States have to balance the budget in the recession and the revenues decline, that there were large and disproportionate reductions in aid including for the working poor and the homeless in many States during the 1991 and 1992 recession because they couldn't make ends meet.

And one of the things that helped those Governors was at least the Federal funding for things like food stamps and AFDC was there to help meet the additional need during recessions. If we pull that out from Governors, I believe that some of the very Governors who were here before you this week calling for block grants will

come back begging for help in the next recession. And if we have a balanced budget constitutional requirement and various caps, it is going to be very difficult to reverse gear at that point.

So that is why I am saying I am not calling for more money or less flexibility. Under the current structure, they go up in recession, they go down in recovery. That makes sense.

Mr. FORD. Well, Mr. Rector talked about the \$5 trillion and which you addressed somewhat in your opening statement on Federal poverty programs since the sixties, since the seventies, rather. Can you elaborate a little bit more on some of the programs, because I have a list of the programs that Mr. Rector made mention of and what we are really talking about is block granting the welfare program under the Contract With America, i.e., food programs for non-AFDC recipients, that apply to the elderly, housing assistance, other means-tested educational programs, the Pell Grant Program, and financial aid programs for college students as well.

Would you just elaborate briefly. My time is almost expired.

Mr. GREENSTEIN. Let me just say, \$5 trillion is a large number. Now, total Federal spending, this covers so many years, was over \$30 trillion during that period. Mr. Rector's figures account for less than a sixth of Federal spending during that time. And they include things like SSI for the elderly and disabled which has helped reduce poverty there. They include things like food stamps.

If we were to count food stamps in determining who is poor as though it were income, the poverty rate would be lower. We don't count it so it is not fair to say that food stamp spending went up. Medicaid spending went up. Poverty income didn't come down. They don't count when we measure who is poor and who is not.

But the evidence is pretty clear that there has been a significant reduction in the gap in nutrition between the poor and the rest of society as food programs expanded. There is a lot of research indicating that Medicaid has contributed to reductions in infant mortality and better prenatal and pediatric care. That doesn't mean to say they are perfect programs and can't be reformed.

I am just saying we can't simply say there is still poverty. There is a dollar figure. If you look—two quick figures. Female-headed families, very serious problem. But 15 years ago or so, 37 percent of all poor people lived in female-headed families. Today, 37 percent of all poor people live in female-headed families.

The figures that stand out more is the proportion of people who work but make wages that don't lift them above the poverty line. Here we have another anomaly. The earned income credit, help the working poor, so we don't count that in measuring poverty. So we can't really say here is all this money we spent but poverty didn't go down when we spent money in part for programs that we don't count when we determine who is poor, but that really did help in things like nutrition and health care.

Mr. SHAW. OK. Mr. Rector, would you like to comment?

Mr. RECTOR. I would love to comment on this. The fact of the matter, I have written for many, many years on precisely the errors in the measurement of poverty and Mr. Greenstein is now trotting out to defend the welfare state. It is the liberal establishment in Washington that is resisting making those very changes in

the measurement of the poverty which Mr. Greenstein is now saying are needed.

In fact, you could go back and find a series of papers in which Mr. Greenstein attacks me for making exactly the points which he just made right now. I would say if we went back to the chart that I had and showing the change in the official measured poverty rate which has been created and sustained by our government, the chart shows the official poverty measure which is broadcast to the American people, and this is the one which everyone in basically and most liberals in Washington insist that this is the gospel truth. Looking at the chart, the record is very, very clear.

I would say that basically, though, putting the caveats that Mr. Greenstein puts on there, there is some validity in those caveats, but what the chart really measures is the ability of people to sustain themselves. What you see is that prior to the war on poverty, people were conquering poverty through their own work and earnings and initiative and the poverty was falling very rapidly. As soon as the war on poverty begins, all of that self-sustained and self-initiated progress against poverty comes to a stop and the poverty rate starts to go in the other direction.

That is because, in welfare, as in most other things, you get what you pay for and the current welfare system pays for nonwork, and nonmarriage. It is an insidious system in which the more you spend, the more clientele for the programs you create. There is no way under this system that you can spend your way out of poverty. The more you spend, the more you erode the work ethic, the more out-of-wedlock births you have, the more people in apparent need of aid that you generate.

So you are caught in a spending trap under the current situation, particularly with regard to the collapse of the family. The more you spend, the more out-of-wedlock births you have, the more young mothers who cannot sustain themselves without government assistance. That is what is most directly reflected in that chart.

I would also comment about his allegation that welfare spending will not go up as a percentage of GDP. The figures I gave came directly from CBO. When you put in all of the welfare state, including Medicaid, the fact of the matter is that it will rise to 6 percent of GDP, \$550 billion by the end of the century. The welfare state, meaning cash, food, housing, medical care and social services that are means tested and for the poor is in fact rising as fast as any other category in the budget. It is rising as fast as Social Security and Medicare combined. It is a very rapidly growing figure. Those figures are directly from CBO.

The simple fact of the matter is that this is an enormously expensive system and it is important to look at the whole system. It is always easy as we did during the eighties to take one of these 175 programs and show that it didn't grow as fast as baseline and then claim, oh, Reagan has slashed the safety net. To claim we are cutting spending, when in reality the spending in aggregate is exploding because 174 other programs are growing rapidly. This is what happened in the eighties.

I would also say that there seems to be an underlying theme here that what causes spending to go up is a recession. Look at that chart. Even after adjusting for inflation, the welfare state

went up almost every single year with one exception. It is not a recession that is making spending go up. It is the fact that you have one program piled after another. You have enlarging entitlements that are taking an ever larger share of the population. We now have 1 out of 7 children on AFDC, 1 out of 10 people in the United States on food stamps. We are bringing more and more of the U.S. population under the umbrella of these antipoverty programs.

Mr. SHAW. I can readily see why you are seated at each end of the panel. Mr. Horowitz, would you comment on one thing for me please, and that is what would the effect of continuing this as an entitlement be if we have a balanced budget amendment. It seems to me in just looking at this that they are inconsistent, that you can't put these programs on autopilot if you are going to be constrained by a balanced budget amendment.

Mr. HOROWITZ. Well, as I have indicated, Mr. Chairman, when government and spending is on autopilot, it is a threat not just to the welfare system but to democracy as a whole, for spending to grow as it does when government grows by itself untouched by human hands.

But the point I want to make, Mr. Chairman, is, yes, it is a fiscal nightmare to have entitlements exploding. But I think the larger point is the point that Mr. Rector made. Which is that exploding welfare spending has created terrible consequences, and that its record over the last 30 years would be terrible even if we had had all the money in the world.

So I think it is wrong to put welfare on an entitlement basis. You become democratically irresponsible to put it on an entitlement basis. It is wrong in dealing with policy-sensitive welfare people, entirely aside from the fiscal issues, to allow the program essentially never to change and have clear bias against change. And the more we have entitlements, which are focused in particular committees, the more we also have the "tragedy of the commons" which my prepared remarks addressed.

Each committee has to worry about its constituency and its program and overall spending is not looked at by a single committee. That has been the cause of fiscal tragedy over the last 20 years. In fact, it was a tragedy between the 1890s and 1921. Until we got budget acts, each single committee had its own programs and its own appropriations and each agency submitted its special budget to those committees. That is an entitlement world, in effect. I could cite from Woodrow Wilson's State of the Union speech where he said that kind of government is utterly destructive. And the special committee which looked at the Budget Act in 1919 said, look, individual committees of Congress, you are going to lose some power but there is a common good here.

So I think in any world, but particularly in a world of the balanced budget amendment, we have got to look aside from entitlements. Entitlements are bad. But they are the worst in welfare where we need to take a fresh look every year to see how those programs are doing, so as to make the shifts operate with as much flexibility as possible.

Can I make one other point to Mr. Greenstein.

Mr. SHAW. Yes, please.

Mr. HOROWITZ. I think implicit in what Mr. Greenstein is also saying is unless you have it on autopilot, why nasty legislators will kick the poor at their hour of worst need. The record is precisely the opposite of that. I have seen you in debates in less formal settings than this, Mr. Greenstein; you didn't come far from making that point.

Mr. SHAW. Let the record reflect Mr. Greenstein is protesting your statement as you testify.

Mr. HOROWITZ. The record, as one looks at it, discretionary spending on low-income programs has gone up as rapidly on annual budget appropriations as have entitlements. Every Member here sees it—

Mr. SHAW. Mr. Horowitz. I think you have more than responded.

Mr. English. Mr. Ford.

Mr. FORD. Mr. Chairman, is it possible to give Mr. Greenstein just a second or two to respond to the other two witnesses.

Mr. SHAW. I think they were responding to him. If you would like to proceed 1 minute, Mr. Greenstein, I am sure that the others will allow some time for that purpose. Now, let us go on in the orderly process because I used my time to give Mr. Rector time to respond, and I am sure some of the Members will be equally generous. If they are not, I will make time at the end of all the questions.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Olasky, prior to the evolution of the modern welfare state, what was the approach taken to work illegitimacy and other issues of moral behavior by those who ran charitable institutions that provided services to the indigent?

Mr. OLASKY. Well, they understood that just material help would not do it, they had to challenge people on values, that at times lifestyles had to change. They did not believe in one size fits all. They realized that you take a couple of people with the same material circumstances, one may need a pat on the back and some encouragement and material help, another may really need a push. And so they had different behaviors for different types of value problems.

Mr. ENGLISH. Thank you.

Mr. Horowitz, in assessing a variety of proposals to return funding and program authority to the States, some have expressed the concern that Governors may not pass on funds and flexibility to cities and counties. In your view, what steps can be taken to prevent this?

Mr. HOROWITZ. Well, I think it is going to be a subject of very sticky negotiations, but I would say this: One of the real handmaidens over the years of the collapse of federalism have been the big city mayors who found it easier to come to Washington and bypass the States. I think this has been destructive to the flexibility of the system as a whole.

I also think that mayors may have had a point 20 years ago when State governments were less professional than they are today. So I do think that a level of protection may have been necessary, but I would say that, on the whole, I trust the States to be fair arenas in which the cities can give as good as they get, duking it out with other groups.

I think we also now have a welfare program not going to the poor, the Great Society welfare programs are money that goes to the rich people who deliver services, so they have got plenty of muscle as well to have their program needs met. I think States can handle the matter. I would say maybe some measure of municipal protection, but nothing of the sort that was talked about 10, 20 years ago. Let the States be the battlegrounds and I think all sides can favorably be heard.

Mr. ENGLISH. Thank you. Mr. Horowitz, in your testimony, you made some interesting points. After you had been in the Federal Government, the Congress had a tendency to take block grant programs and then gradually add entitlements to them and there was kind of an entitlement creep.

I was wondering if you could amplify on that and also expand on your view of why there should be a procedural point of order against new entitlements built into any welfare reform proposal that is passed.

Mr. HOROWITZ. Mr. English, I may have misspoke. I didn't mean it is an entitlement creep, I meant it is a categorical creep.

Mr. ENGLISH. I am sorry, that is what I meant.

Mr. HOROWITZ. What happened, we took lots of programs, we put them into block grant programs, we reduced the regulations on those programs. As I remember, we battled. Indeed we had the battle, as I said, with the Governors to reduce the Federal regulations in some cases from thousands of pages to handfuls of pages. We declared a revolution achieved. There was a hiccup period, that is all, and then before long, Members of Congress wanted to start their own new categorical programs.

Committees got bored not having action and not doing new things, so we began to recategorize once again on top of the block grants. That is the sort of thing I think we need to avoid. We cannot have block grants of our existing, overlapping programs that Rector has talked about, and then declare victory. Because, if history is any guide, in 10 years we will have 300 new ones. And I think if we make the judgment to devolve these areas into the States, we ought at the Federal level to have real ways of making it stick.

Mr. ENGLISH. Thank you. Thank you, Mr. Chairman.

Mr. SHAW. Thank you.

Mrs. Kennelly.

Mrs. KENNELLY. A question. We are going to be right back here next week with hearings on welfare reform so we are going to begin with the marriage penalty. And Mr. Greenstein, because of the work you have done on the earned income tax credit, could I ask you to comment on the Speaker's request that the Congress should try to eliminate the marriage penalty in the earned income tax credit?

Mr. GREENSTEIN. Well, I think this is a worthy thing to look at and clearly we need to look at marriage penalties wherever they exist, but I think we need to be very careful and this is a complicated situation.

If you have a program that is means tested, people above a certain income level, aren't eligible, then you automatically have certain kinds of disincentives in it. As your income goes up, your bene-

fit goes down. Two people marry, their combined income is higher. You work more and you earn more, your benefit goes down.

A question that we always have to face in a means-tested program is how to design it to control costs and minimize disincentives at the same time, and sometimes those things are in conflict. If you take the earned income credit, there is a part of the earned income credit income spectrum where there is a marriage penalty.

But the example the Speaker gave is one that would apply in that extreme form to only a very small number of cases. His example involved a mother with two children and a father who is the custodial parent who himself is living with two children, they are both at about \$11,000 a year and the question is whether they married. For them, yes, there is a significant marriage penalty in the earned income credit but there aren't very many cases like that. As you know, most children live with their mothers not their fathers.

There is a part of the earned income credit structure where there is a marriage benefit now where it rewards marriage. Here is where you have a welfare mother with children and she doesn't work. There is a guy she is seeing who is a low-wage worker and he doesn't have children.

If she marries him, she loses her welfare and she loses Medicaid for herself and perhaps for some of her children. That is a disincentive to marriage. That is a problem with the welfare system today. The earned income credit helps because when she marries him, while she loses her welfare, they as a married working couple with children are now eligible for the EITC and it offsets the loss in welfare.

Who am I more worried about? The two single parents, one male, one female. They each have two kids. They are going to marry each other. They are both working and they earn \$11,000. Or that welfare mother I want to get off welfare. The area where it is a marriage bonus is at least as important as the area where it is a marriage penalty, so it is complicated.

But there is one other key point. How would you reduce the marriage penalty in the EITC? There is really only one way to do it that I know of at this point. You would have to significantly lower the earned income credit for single parents and raise it for two-parent families. What that would mean is that while you would be reducing the marriage penalty, you would be reducing the work incentive, too. You would be reducing the incentive for a mother to work her way off welfare because that single mother on welfare, if she worked and got off of welfare, she would get a much smaller EITC than she is eligible for today. We want to make her better off if she works than if she is on welfare. This would go in the wrong direction. We ease one disincentive, we increase another disincentive.

And there is one final problem. If you raise the EITC for families, married families, you have to raise the income limit at which they qualify for the EITC. If you give them a bigger EIC and you keep the income limit at the same point, you have to take so much away from them as they earn each additional dollar that you give them a work disincentive.

The EITC is already going to go up to \$28,000, \$29,000 a year. You want to fix the marriage penalty in that way you are talking about, maybe people up around \$35,000 or more would be eligible. There are a hell of a lot of people around \$35,000, and to pay for it, you have to cut even lower in the EITC for that single working mother. So I am very concerned about getting people to work their way off welfare.

I am concerned about that marriage penalty, too. But we have got to be careful that we don't do more harm than good. And a number of us looked at this problem in 1993 and we didn't like the marriage penalty that was in there but we thought that the alternatives would cause more problems and that, on balance, this was a good structure. It has a marriage bonus at the bottom and, most important, is the incentive for people to work their way off welfare.

Mrs. KENNELLY. Thank you.

Mr. SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Dr. Olasky, I want to tell you how pleased I am to hear your comments about volunteerism. As a member of President Reagan's Advisory Council on Voluntary Services in the first part of the eighties, I just want you to know that—and that as a result of a career of volunteerism—I want you to know that I think that is an underrespected way of doing business, and anything we can do now to increase the respect for volunteerism, the results of their work, I think, will add to what we can produce on the nongovernment funded side of the ledger.

Mr. Rector, I wanted to ask you a question. You offered earlier to give us some thoughts and I would like to take you up on your thought to tell us how we can control spending, Medicaid spending without shifting costs to the poor or undermining our support for the poor, because I think there are many of us, certainly most of us on this panel, who would agree with Dr. Olasky's discussion about compassion, that there needs to be something provided but that we can do it more effectively and with greater positive incentives.

Mr. RECTOR. I would say that what we ought to do is simply accept a goal as a Nation when you look at the projected cost increases and so forth of limiting the growth in welfare spending to inflation. When people criticize the Contract and say kids will be dropped in the streets and so forth, there is an underlying empirical assumption that we are going to have an ever-increasing number of people on welfare in the future, and if we don't simply accept that and have entitlements grow to match that, that somehow kids are going to be jeopardized.

What I would say is, the best thing we can do in terms of cost containment, is simply to take the bulk of the means-tested programs listed in the Talent bill which I think is the bill that goes farthest in this direction, and put them all into one block grant to the States and allow that grant to grow at the rate of inflation. Thus, we would be spending about the same amount as we are now in the future.

We are assuming that you at the State level can find a way to change things so you are not going to have an ever-increasing population on welfare. You will have the same basic level of population

on welfare you have now. We will let you have money increased at the rate of inflation.

I would do the same thing with Medicaid. The huge explosive growth in Medicaid is that we have these open-ended entitlements in which the criteria for eligibility is expanded each and every year. I would say with Medicaid, let's take what we spent last year, give it as a block grant to the State, allow it to increase at the rate of medical inflation.

If you do those two things together, two block grants, one for Medicaid, one for the rest of the means-tested programs, allow them both not to be cut but to grow at the rate of inflation, you are talking about \$75 billion of savings off of the baseline in 5 years on the nonmedical, and about another \$75 billion of savings on the Medicaid—\$150 billion of savings. And that is savings off the CBO baselines which I would suggest to you, in my experience, have always been quite low and in fact underestimate the rate of growth that we can expect on these entitlement programs.

So let's make block grants. Let's create a series of conditions where we can enable the Governors to constrain the rate of growth of the population on welfare. I don't believe, however, that we should simply give, as Congressman Levin indicated, the gasoline and then get out of the car and let them drive. If the Governors want to have blanket authority with no responsibility, then what we should do in that respect is simply eliminate all these Federal programs, give the money back to the taxpaying households of Michigan or whatever, which would amount to about \$2,500 of tax rebate per household.

To get rid of all the Federal means-tested programs, give it back to the taxpayers of the State and then let Governor Engler or Governor Thompson, or whatever, put that money back that is in the hands of the taxpayers and spend it on their own programs. That is true federalism where the Governors raise the money and spend the money.

If you are raising the money up here, I think that you have to have, not micromanagement, but macromanagement, general principles about how Federal money is going to be spent. The money needs to be spent to promote marriage and self-sufficiency, not dependence and illegitimacy. I think if you are raising the money, you have the obligation to insist on those general moral principles.

Ms. DUNN. Thank you.

Mr. SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you. It is lunchtime. But let's finish up. You know, this has been an interesting day. I do think all of us want to check our facts. Mr. Rector, you have repeated a number of times, I think, one formulation was as soon as the war on poverty began, the drop in poverty came to an end.

I wouldn't for 1 minute defend every program that was inaugurated in the mid to later sixties, but I don't think your chart shows that. The drop in poverty, as I read your chart, continued through the early seventies and began to go up again.

Mr. RECTOR. What the chart shows is that the drop—

Mr. LEVIN. I mean it is right there.

Mr. RECTOR. It is also available on, basically, page 5.

Mr. LEVIN. I know, but that is a little hard to read. That is clear, it seems to me as I see it, 1965, and you can check here, it is 15 percent, and then it continued down, leveled off but then continued down until it looks like 1973 or 1974.

So my only suggestion is, as we debate this, exaggeration is an enemy and I think for you to say and I took your words, as soon as the war on poverty began, the drop in poverty came to an end, I don't think is true in your own chart; is it?

Mr. RECTOR. What I would say is that if you look carefully at the chart, what happens is that roughly from 1966 through 1970, that the rate of decrease slows down dramatically. It is also difficult to define exactly when the war on poverty started.

Congressman, the real program started to kick in around 1968. So what you would see is that there in between, say 1965 and 1970, that the spending starts to go up. We add on a National Food Stamp Program in 1968, I believe. Medicaid comes on as the national program in these years. The spending starts to kick up between 1965 and 1970.

And you see things in real life don't immediately stop. You see the curve slowing down and then basically, from 1970 on, you have a leveling off. It jumps up a little bit or goes down a little bit depending upon whether you are in a recession and then from the midseventies on it starts to go up again.

Mr. LEVIN. All right, look. All I am saying is I think it is not accurate to say, as soon as the war on poverty began, the rate—the decrease in the rate of poverty—

Mr. RECTOR. Three years after 1965 the progress basically comes to a stop when the major war on poverty programs come into effect. There were very few programs that were implemented at the exact point at which Lyndon Johnson—

Mr. LEVIN. I fully understand that. I think Mr. Greenstein wanted to say something.

Mr. GREENSTEIN. I think this whole discussion is offbase, I will tell you whether they are liberal or conservative, there are very few economists who would subscribe to this analysis. During the period that poverty is going way down, we had a booming economy. We had rapid rate growth. We had high rates of productivity growth.

The very point on that chart where poverty stops going down, around 1973, this has been written by economists of all persuasions, is the point at which wage stagnation sets in and productivity growth in this country stops growing forward at a substantial rate.

Wages are a very substantial factor here. You go to Wall Street and ask people if they think the Food Stamp Program or the AFDC Program rather than trends in the international economy and others are the reasons for the 20-year slowdown in the rate of productivity growth in the U.S. economy. People will look at you like you are a little bit offbase. These are fundamental issues that relate to the larger economy.

If you could just look at things like the fact in 1979, 12 percent of full-time, year-round workers not on welfare were earning a wage too low to lift a family of four out of poverty. It is now up over 16 percent. You can look at the percentage of families with

children where the head of the household works that are poor. It is higher now than it was then.

Wages are not growing the way they did. Take the middle class. Median income. People with the median income, right in the middle of the society, aren't on welfare. The median income in this country rose rapidly during the period that the poverty goes down and it is generally stagnated during the period that poverty stopped going up.

The general analysis of this is that it is not primarily war on poverty programs, that had it not been for things like expansion in SSI, the poverty rate would have gone up more. The poverty rate primarily tracks the economy. It is pushed up more by more single-parent families. It is pushed down a bit when cash benefits go up but the single most dominant factor is the strength of the U.S. economy and what it is doing for wages and employment, especially at the bottom of the income spectrum. And to pretend that the primary factor is not economic really is to ignore most of the work in the field.

Mr. LEVIN. Well, my time is up. I don't think we are going to resolve this today. I think it is important to stick to the facts. Thank you.

Mr. SHAW. OK. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mr. Greenstein, you would agree, or maybe you state your opinion from some of your earlier comments, that you feel that the welfare system as it currently works doesn't work, yes?

Mr. GREENSTEIN. I would say the welfare system as it currently works does some things—performs some positive functions but also causes some real problems.

Mr. ENSIGN. Do you think that the illegitimacy rate in this country has gone up in any small part due to the welfare state?

Mr. GREENSTEIN. This is a matter on which there is a great deal of research and the—

Mr. ENSIGN. What is your opinion on that?

Mr. GREENSTEIN. My opinion is that the bulk of the research is, which is that there may be an effect from welfare here, but if there is, it is relatively modest. We find illegitimacy rates rising as rapidly among women with more education, people in other countries with different social welfare systems. In particular, I would note that if AFDC were the driving factor, then we would have expected as AFDC benefit eroded, as they have in the last 10 or 20 years, then rates of out-of-wedlock births would have slowed or gone down and they didn't. Yes, I think there may be some effect. But if there is, it is relatively modest.

Mr. ENSIGN. Since the sixties and this whole war on poverty started and the Great Society programs, with these statistics on crime, illegitimacy, educational performance, does it—I mean, does it seem to have any kind of causal effect, first of all, to you that maybe what we have been doing here from Washington has been part of the problem?

Mr. GREENSTEIN. Let me just say on educational statistics, the proportion of the low-income population that has a high school diploma, college degrees, have gone up very sharply.

Mr. ENSIGN. So you think that people are doing better in education today than they did 30 years ago, the poor community?

Mr. GREENSTEIN. Let me be very clear. I think that a lot of schools in the poor community are horrible and it is a national disgrace. But I am saying it is a complex situation, that it is also true if you look, for example, at single mothers, the proportion of single mothers who have graduated from high school is now nearly twice as high as it was in the sixties.

We have mixed developments there. The single development that clearly is negative is this large increase in the proportion of births that are out of wedlock. That is highly negative. I think it is as negative as you think it is negative. All that I am saying is, I do not think, and the research doesn't support, that the major cause of it is the welfare system.

The major causes of it, I think, are that there are a lot of the cultural developments, whether it is the rate of divorce among middle-income families, the rate of divorce among low-income families. We have—you look at the proportion of women who are college educated who give out-of-wedlock births, it was virtually unheard of 20 years ago. While it is still small at the bottom, it is growing rapidly.

We want—

Mr. ENSIGN. Hold on 1 second. I control the time here.

One other point you made earlier, and this point has been brought up several times during the hearings in the last few years, and that is this part about if caps had been put on, the States would have less money to do things. Do you think that the last few years we have had these increases because we did not have those caps? If those caps would have been put on, do you think that this body—and we all agree welfare reform needs to take place—do you think that this body may have taken steps earlier than this if those caps had been put on. Would those caps have been terrible if we would have put those on?

Mr. GREENSTEIN. No, not necessarily. Let me be clear. I don't think this is a question of open-ended autopilot or a block grant. We have a process that, in my view, we should use more which is the budget reconciliation process. I was one of the members of the Entitlement Commission who was disappointed that we didn't reach consensus on that commission and who was ready to vote for some tough changes in entitlement programs that wouldn't have been very popular.

The reconciliation process is one we can do that through. My concern is, if you think a given program is going to cost too much in future years, change who is eligible. Change the benefit levels. But what I would argue against is making a change whereby if a recession hits, we can't serve the working families that lose their jobs and a change where we have too little money in one State and too much money in another State because we have a formula that doesn't match need.

I think the question is, you determine what path you want to be on when you pass a budget resolution. You think entitlements cost too much? Put a reconciliation structure on it including one into the Ways and Means Committee. It has worked in the past, it can

work again. It is just in the past we have only done that every, you know, odd number of years.

If you have a moral pressure to reduce the deficit, you can't do a reconciliation bill every year—you can do a reconciliation bill every year, but the question is not to have this problem in recessions and not to misallocate means among States.

Mr. ENSIGN. My time is up, Mr. Chairman. Thank you.

Thank you to all the other speakers.

Mr. SHAW. Thank you. And I thank this panel and the other two panels for a hearing that is very fruitful.

I would like to make one quick comment with regard to the entitlement versus block grant issue. It doesn't necessarily have to be either/or. We have got a model to draw from with unemployment compensation. You can have basic yearly supplements, yearly appropriations that can be made and then you can put an emergency fund on top of it which would automatically trigger, so I don't see this as something that we have to do all one way or the other.

I think we can come up with a hybrid because I do believe very strongly, as Mr. Horowitz and others have pointed out, that the democratic process does require us to look at these programs every year. By our looking at them, and deciding what to do with them, I think certainly reinforces congressional responsibility.

I want to thank the Members for their attendance today. It was 100-percent attendance. I know we have lost a few as the afternoon has drawn on. But I think this is one of the finest Subcommittee hearings that I have ever been to and I think if there is one thing that has come out of this hearing it is that we certainly do share more points of agreement than disagreement.

And I am really wowed by the fact that I feel certain that we are going to be able to report out a bill that is going to have majority support from both parties. Thank you.

Mr. GREENSTEIN. Mr. Chairman, could I just have 30 seconds, about 1 minute. Maybe I can make a further area of agreement.

Mr. SHAW. Proceed.

Mr. GREENSTEIN. Simply on this chart over here, what it shows and these are the—

Mr. SHAW. Don't say anything that Mr. Rector is going to have to reply to.

Mr. GREENSTEIN. I am not sure he will disagree. This chart shows that Medicaid spending is projected to rise rapidly. Other entitlements driven by Medicare and Social Security, those are the two that are projected to rise.

Let me be very clear, and maybe I didn't state it precisely enough earlier, non-means-tested entitlements other than Medicaid, the long range CBO forecast from the year 2000 out through 2030 is that they are either flat or slightly declining as a percentage of GDP.

Mr. Rector is correct that if you do all means-tested entitlements, including Medicaid, then it is up. If you separate them out, Medicaid goes up sharply, the rest of them are pretty flat.

That is all I wanted to clarify.

Mr. SHAW. Thank you. We stand adjourned.

[Whereupon, at 1:49 p.m., the hearing was adjourned, to reconvene at 10 a.m, Friday, January 20, 1995.]

WELFARE REFORM

FRIDAY, JANUARY 20, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 10 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. Good morning and welcome to the second hearing of the Subcommittee of the 104th Congress. As is our custom, we are only going to have one opening statement from either side.

Congressman Ford has asked that he be able to yield 1 minute to Mr. Levin, and I have agreed. But to give the majority opening statement this morning will be Dave Camp from the State of Michigan. David.

Mr. CAMP. Thank you, Mr. Chairman. I thank you for yielding. This morning we will discuss a very important issue, the quickly spiraling rates of out-of-wedlock births. We as a Nation have to find a way to stop this problem. Our intent is to stop the cycle that leads so many families into poverty.

Working together we can accomplish this and forge a new future for our children. We want to help families find opportunity and become self-reliant, not reliant on government. Illegitimacy is a social catastrophe. As today's hearing will demonstrate, there is a good reason to judge the Nation's soaring out-of-wedlock birth rate as the leading domestic issue of our times.

Here is why: As shown by the superb charts prepared by Ruth Wasem and her colleagues at the Congressional Research Service, rates of illegitimacy are spiraling out of control. This chart shows the rise of out-of-wedlock births among both African-Americans and whites. For African-Americans, we have reached the almost incomprehensible level of 7 out of 10 children born outside marriage. For whites, if current trends continue, one of four children will soon be born outside marriage, and the rate is growing faster for whites than African-Americans.

The consequences of illegitimacy can be summarized in one word: Disaster. As shown in the material we have given to Members of the Committee, children living in households headed by a never-married mother are nearly eight times as likely to be poor as children living in two-parent families.

In addition, children living in households headed by a never-married mother are more than 10 times as likely to receive cash

welfare as children in two-parent families. Differences of this magnitude between groups of Americans are extremely rare.

With the help of prominent conservative thinkers, several of whom will testify today, Republicans have succeeded in drawing the Nation's attention to the magnitude of the illegitimacy crisis. Millions of Americans now understand that out-of-wedlock births are at the center of a tangle of social pathologies, including school dropout, welfare use, unemployment, drug addiction and crime.

We have also succeeded in getting most people to agree that illegitimacy is bad for children and that such behavior by parents is irresponsible. Republicans want to lead the Nation to take the next two steps. We want to send a strong signal from the Federal Government that taxpayers are no longer willing to provide a comprehensive package of public benefits to young men and women who violate social convention by having children they cannot support.

Specifically, we want to reduce the size of the welfare package that the Nation's taxpayers provide to these teens. Rather than the standard package of cash, food stamps, and medical care, we want to limit benefits to include just food stamps and medical care, while block granting to the States the cash portion for State-developed programs.

In addition, we want to prevent the incentive for young mothers to establish their own households. By removing cash and housing benefits, we will send a clear signal that society is cutting back on the rewards it now provides for irresponsible behavior.

We realize that some will criticize us for ending cash benefits to these mothers and children, so be it. A most fundamental principle of human behavior accepted by almost all reasonable people is that if you reward something, you get more of it.

Federal policy now rewards the formation of never-married families. We intend to reduce the size of the reward. Second, we want to fundamentally change the rules of welfare so that States are given the flexibility they need to attack this problem. Some States will try special programs to counsel, educate, or train these mothers. Some States will emphasize making young fathers work. Some States in cooperation with local charities will require young mothers to live in group homes where they can receive the help they need to become good parents and independent earners.

As individual States and local governments develop policies that work, Congress will help show other States and cities how they did it. We believe this two-part strategy will reverse the devastating rise of out-of-wedlock births.

It is not compassionate to continue a policy that lures young mothers and fathers into creating a family they cannot support and cast millions of American babies into lives of poverty and destitution. Let's reduce the Federal subsidies for irresponsible behavior, and in so doing, we will begin to break the cycle of poverty that is passed from one generation to the next. That would be the kindest policy of all.

Thank you.

Chairman SHAW. Thank you, Mr. Camp.
Mr. Ford of Tennessee.

Mr. FORD. Thank you very much, Mr. Chairman. Mr. Chairman, the issue that we are addressing today, welfare dependency and the rise of out-of-wedlock births cries for our attention and for a humane and responsible solution.

What this bill does is to take a group of American children and say that because of the circumstances of their birth, that they will be denied the assistance available provided to other Americans. This is wrong and shortsighted. We, as a Nation, have a responsibility to take care of every child in America, to ensure that every child in this country grows up healthy and ready to learn.

I have heard that this bill would hurt children and that a generation of children might have to be sacrificed. This is not acceptable. In the wealthiest, most powerful Nation in the world, we should not sacrifice any child. While it is wrong to have a child you are not equipped to care for, it is morally bankrupt for a Nation to turn its back on children.

In June 1994, a group of 76 highly respected scholars and researchers in the area of poverty, labor market, family structure, and representing diverse political viewpoints, institutions and disciplines, concluded in a statement on welfare and out-of-wedlock childbearing that welfare programs are not among the primary reasons for the rising number of out-of-wedlock births, but poverty does harm children, it deprives them of fundamental needs necessary for their growth and development as young adolescents.

We need enlightened public policies which will address the social immune systems of our communities, policies which strengthen families and neighborhoods and provide safety nets against harsh realities of everyday life for Americans who live in poverty and distress in this Nation.

We don't believe that the solution to this problem is to make children born out of these mothers forever ineligible for government assistance. We think the solution is to make sure that the teens stay at home under the supervision of responsible adults and to learn to raise their children right.

In fact, 90 percent of teenagers who are currently on AFDC do not live with another adult—do live with another adult relative, but only 10 percent, which is 32,000, who cannot and should not live at home. We think the solution is to put them in a residential home with their children, teach them parental skills, provide the children with early education, Head Start, and to make sure the mothers stay in school. But you don't take infants away from their mothers and put them in institutions.

Mr. Chairman, I would like to say that President Clinton deserves particular credit for placing this issue squarely on the American radar screen. Our task is to work together to make certain that both parents are expected and able to support and nurture their children. It is equally important that the children born to these young parents not be punished for their parent's mistakes. They are blameless in our society, and I look forward to the testimony today before the witnesses who are on this panel and other panels.

However, Mr. Chairman, I know that we spoke earlier before this Committee session, I do want to express to you my profound disappointment with today's witness list. When you and I met last

week, I understood that the Democrats would be able to name one witness for each panel. We recommended Rebecca Blank who will testify on the second panel as a part of the first panel today. Her credentials on the issue of out-of-wedlock births are impeccable, and I look forward to a healthy discussion today, but, Mr. Chairman, we certainly as Democrats on this Committee look forward to having full participation with all of the witnesses who will be testifying before this Committee.

[The prepared statement follows.]

OPENING REMARKS
OF THE HONORABLE HAROLD E. FORD

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

Hearing on Illegitimacy and Welfare

Friday - January 20, 1995

In America the time has come for us to construct public policy which demonstrates support and caring for America's children and their families, including those who are having babies out of wedlock. They are all our children. There are no illegitimate children in our nation. We do not need to create another group of outcasts. All children need opportunities to develop socially, culturally, educationally, physically and culturally.

Yes, it is time for us to reform a welfare system created to serve previous generations of Americans. It was not designed to address the complex and vexing problems of our times, especially the rising rates of out-of-wedlock childbearing, the high incidence of poverty and welfare among single-parent families. The public welfare system in America was not designed to address the serious problems of the poor, including those who are teenagers with young babies.

The War on Poverty and other programs of the 1960s and 1970s were not sufficient to overcome the profound effects of poverty on minority citizens. What we have inherited is a public assistance program, largely AFDC, which does not adequately deal with poor Americans. We provided security for working Americans in the Social Security Act, but we did not address the problems of the poor.

Poverty, poor education, unemployment, inherited disadvantage, low aspirations and school achievement are some of the important conditions which the best social science research has demonstrated as having strong relationships with out-of-wedlock child bearing.

The Republican Personal Responsibility Act has numerous provisions that would deny welfare benefits to poor children and their families. These provisions include:

- o the denial of housing and cash assistance to families in which a child was born to a young unmarried mother before her eighteenth birthday,
- o the denial of assistance to children for whom paternity has not been established,

- o and other child exclusion and time limit provisions.

Advocates of these measure argue that the most Draconian steps are justified because welfare is a primary cause of out-of-wedlock childbearing by adolescents. This argument is based on the view that ending welfare for these children will significantly reduce out-of-wedlock childbearing.

In June, 1994 a group of 76 highly respected scholars and researchers in the areas of poverty, the labor market and family structure and representing diverse political viewpoints, institutions and disciplines concluded in a statement on welfare and out-of-wedlock childbearing that welfare programs are "not among the primary reasons for the rising number of out-of-wedlock births." But poverty does harm children. It deprives them of fundamental needs necessary for their growth and development as young adolescents.

Rather than focus the debate in a negative way, why can we not do as our friends in Western Europe, that is, pay greater attention to the developmental needs of our children and their families, starting at very early ages. The needs of teenagers, those who have never given birth and those have, face immense challenges. A developmental perspective addresses the problem of teen pregnancy. This perspective includes a preventive and remedial response to teen pregnancy.

We need enlightened public policies which will address the social immune systems of our communities; policies which strengthen families and neighborhoods and provide safety nets against the harsh realities of every day life for Americans who live in poverty and distress.

Head Start works from a developmental perspective. Head Start provides holistic intervention. Head Start and programs like it demonstrate effectiveness of strong community and family social immune systems which serve as buffers against teen pregnancy and other social ills of our society.

We must curb teen pregnancy by instituting comprehensive approaches which address the complexities of adolescent development, and strengthen family and community support systems. We must pursue changes in our public welfare policies which will increase economic opportunities for youth and provide employment for parents so they can leave welfare and poverty and move into the workforce. Rather than blame the individual, we must couple individual responsibility with community responsibility and support.

Mr. Chairman, our responsibility, in fact our duty as craters of welfare reform legislation is to demonstrate that we care about this nation's children and we will support their development and well-being. We have a responsibility not to punish them or give up on them, but to invest in their future.

Mr. LEVIN. Will the gentleman yield briefly?

Mr. FORD. I will be happy to yield to my colleague.

Mr. LEVIN. I appreciate you doing that and the indulgence of the Chair. I would just like to say a very brief word about the impression I had reading over the testimony last night.

As I did so, I had a couple of impressions. First of all, I think it is something we all agree on that out-of-wedlock births are indeed a serious, I think a grave social problem. Second, it is a matter of concern to all of us, to all of us. And third, as I read the testimony, it seemed to me that there might be more room for common ground here than some think.

I would just urge as we tackle this vital issue that we not fall into easy polarization, that we look for common ground here, not for tactical advantage. I see no reason at all for this to be a liberal, moderate, or conservative issue.

I think one other point that came through, especially in Professor Loury's testimony, let's also not oversimplify this issue. I think this is a warning that we should all keep very much in mind. This is an issue that cries out for our attention. It is so serious that it cries out for our serious attention, and, if possible, for an answer that cuts across some of the traditional lines and bipartisan lines.

Thank you for yielding.

Mr. RANGEL. Mr. Chairman, I know the rules. But you and I have worked together for so long, therefore could I ask for unanimous consent to make a short statement?

Chairman SHAW. I had asked Mr. Ford. Are there any other Members that want to make a short statement or otherwise? I will go ahead and allow that, but before you do, I will take the privilege of responding to a couple of comments that Mr. Ford made with regard to the way that we have set up this hearing.

Mr. RANGEL. Mr. Chairman, if you would yield, my short statement would deal with that, and perhaps you would let me make one statement.

Chairman SHAW. I would like to go ahead and make a brief statement. As the Democrats did when they were in the majority, I must retain the control of the schedule.

Mr. Ford misunderstood if he thought I said that each panel was going to have a witness who was selected by the minority. That agreement was never made. My only agreement was to be much fairer than the Democrats were to us, and perhaps that was the reason for the misunderstanding.

I will say, and as you will recall, the first nonmember witness of the Full Committee chaired by Chairman Archer was Secretary Shalala. And further, if you will recall, during previous welfare hearings during the Republican administrations, it was the third day of hearings before an administration witness was ever invited.

The first nonmember witness of this Subcommittee was Secretary Bane of the administration. So I think that as far as being fair, that I have certainly been fair. I am doing this for a very special reason—because I want to produce a bipartisan bill, and I want our Democrat colleagues to be part of that process.

Mr. Ford made several statements about turning our backs on the young children, and then talked about wanting them to stay in school and do certain things to turn their lives around. I think if

we would focus on what we all want, and that is what we want, to focus on their young lives and to help them do something with their future, I think we can come up with some very constructive legislation because we do agree on so much.

On the question of turning our backs, I think I can sit here and make the argument that throwing a 15-year-old mother a check every month is turning your back on her rather than trying to be constructive. And as far as taking children away from their mothers, the Federal Government in my memory and to my knowledge has never taken a baby away from anybody, nor is there any legislation that has been proposed or planned or on the books that would allow such an atrocity. That is not the function of the Federal Government.

The States have to make that type of determination as to the well-being of the child. I will yield for 1 minute to Mr. Rangel, and then we are going to go ahead with the panel.

Mr. FORD. Mr. Chairman, do I get a chance to respond to that?

Chairman SHAW. Well, I told Mr. Rangel that he could speak.

Mr. RANGEL. Mr. Chairman, the only reason that I took this extraordinary measure to ask for unanimous consent was because I think that the problem that we face today does not lend itself to a political solution, and so far this Committee has not really engaged in a political conflict, even though we know it is going to happen.

I just wondered, however, that if we are going to test bipartisanship, this should be it. It may not prevail throughout the Subcommittee, or the Committee, or the House, but we all agree that these are children that were created by God and irresponsibility. Lack of morality of the parents is an issue that we have to deal with, but we also have to deal with that child.

Now, the Democrats did a lousy job of dealing with it, and to a large extent, the voters got frustrated and they brought you guys in to handle it. But that doesn't mean that you have the answer, and that we don't have it.

And so I would like to believe that you are secure enough to be in charge of this Committee and have control of this Committee without saying that just because somebody is a Democrat, we can't have one person on a panel to express the different views. There is no one on this Committee that has the answer. If we did have the answer, we wouldn't have to go through this process.

Now, all of the witnesses, whether they are from the Heritage Foundation, or Bill Bennett's group, or whomever, recognize that we have the same problem, and if someone misunderstood you, they also misunderstood your staff, and people outside misunderstood your staff. Whether it was a good or bad idea to suggest that we could have one person on each panel, I don't know, because that is a mathematical, political question.

But let us at least try with this particular subject, and that is to try to prevent unwanted children from being born, to try to prevent the temptation for abortion, to try to prevent the need for adoptions and children who are unwanted being sent to institutions, and let us try with this, because if this becomes the political issue, I don't see how the other issues we could possibly expect would be done in a bipartisan way.

So don't give up control; stay in charge. I loved it when I had it, I want you to enjoy it, but to say that we can't put up a witness that may differ from the views that you campaigned on, to me, goes beyond the political decision.

Chairman SHAW. Charlie, that is not the case. The witness is on the second panel.

Mr. RANGEL. Oh, so we get one out of every two panels? How would you like to do it? Do we have one witness for today?

Ms. DUNN. Mr. Chairman.

Chairman SHAW. I think the gentleman is well aware of the fairness that I have extended. I have told Mr. Ford that if he feels that he is being mistreated or if any of the Members on this Committee on either side of the aisle feel that they are being mistreated as to the order of witnesses, to give me a call. We will talk about it, meet me on the floor, talk to me in the halls, come into my office, invite me to your office, I have even said that I will come to the Democratic Caucus if you want to discuss things.

I think you are absolutely right—this is a bipartisan issue. We are dealing with the future of the American people—not Democrats, not Republicans, not one ethnic group, or religious group. We are talking about the future of this country and we are going to carry this process forward.

And I am determined, and I think you know and have worked with me enough to know that I am not going to throw partisan politics in anybody's face. I am going to work for solutions, but we have got to do it in an orderly manner and therefore I will now go forward in an orderly manner and introduce the first panel.

Seated at the first panel are some outstanding scholars and social thinkers. We have Glenn Loury, who is a noted thinker and writer on problems of the underclass. James Q. Wilson is a most distinguished social scientist who is well-known for his works on crime, bureaucracy, and moral values. And, of course, a face that is very familiar to many of us on this Committee, particularly Charlie Rangel and me, Mr. Bennett, who is a former Secretary of Education and Drug Czar whose "Book of Virtues" has spent many weeks on the "New York Times" bestseller list. I think perhaps your book now is the second most talked about book in Washington, but it certainly continues to be a most popular book.

I will invite the panel to proceed as they see fit. Your written statements are made a part of the record. Feel free to summarize if that is your wish.

Mr. BENNETT. Thank you.

**STATEMENT OF GLENN C. LOURY, PH.D., PROFESSOR,
DEPARTMENT OF ECONOMICS, BOSTON UNIVERSITY,
BOSTON, MASSACHUSETTS**

Mr. LOURY. Thank you, Mr. Chairman. It is an honor and a privilege to be here. I would just like to take this moment to say that I don't appear here as a Democrat or as a Republican, and I don't come to grind a partisan act. I am coming to offer for your consideration such observations and thoughts as I can that will be of help to you in the difficult and important work that you are trying to do, and I appreciate the opportunity to do that.

Look, we all know what the problem is. Illegitimacy rates are going through the roof. What in the sixties Senator Moynihan identified as a problem in the black community has now become a problem in American society. There is now talk about the coming of the white underclass.

What we don't know is what to do about it. I don't have a corner on that truth. I do know this, though, in my review both of the statistical literature and of the reports of people who go into communities and observe, interview and talk, that the consequences of illegitimacy, of out-of-wedlock births, of broken families for families and children are very deleterious. I think there is an absolute consensus on that, and there is not any doubt.

People are hurt, lives are being chewed up and destroyed by what is happening in our country. The underlying root causes are complicated and involve many different interacting factors. It is my view that for many years certain analysts understated the extent to which the provisions of social welfare programs encouraged destructive behavior.

It is also my view, Mr. Chairman, that the process that has been set in motion by the developments both cultural and policywise in our country has now embedded itself to such an extent in many communities that changing the financial incentives of welfare is probably not enough to reverse the process that has been set in motion.

Let me put it this way: You can pull on a loose thread and unravel a garment, but pushing on a string will not put the weave back together again. Through an array of changes in our social policy and in our broader cultural milieu, we have pulled on the string of the fabric of marriage and family and there are many people that we can point the finger at to blame for that, but that unraveling won't necessarily be undone purely through matters of finance and public policy.

That is not to say that we should not try to revisit the question of the design of our welfare policies so as to be a part of the solution. I think we should, indeed I think we must, and not only for reasons of policy in the immediate sense, but for reasons of politics and social meaning in the broader sense.

I think we have to send the right signals through our governmental programs about what we Americans value and about what ways of living we affirm as appropriate and correct. But what I am saying is that we must not be too sanguine, almost arrogant about our ability to push and pull and manipulate and maneuver in order to fix what is a very subtle and complicated problem.

I know I don't have time here to go into all of the details, but I try to explain in my more extended written remarks why I come to this conclusion, and I try to describe to you in some detail in those remarks the social context, especially in the inner city where the illegitimacy rates are three-quarters, 80 percent in many communities. There families cower because of the fearsome behavior of young men who have not been civilized, which is to say they have not been properly socialized within a family context so as to have bred into them the values that will allow them to conduct themselves in such a way as to permit a decent life to take place in their

communities. Such young men are really perpetrating a reign of terror.

I have tried by reference to that milieu and the fine descriptions that we have by many researchers who are at work, to give you some flavor of the complexity, give you some sense of the fact that those communities will not be remade from Washington, of the fact that what has happened there, the great tragedy that is playing itself out there is not going to be reversed because we changed the incentives provisions of public transfer programs.

Also, I invite you to think about how it is that the real sources of moral authority and cultural change in those communities might be empowered, to begin what will undoubtedly be a decades long process of transformation that has to start some time in those places to bring about change. So that is one point that I want to make. You can't push on a string.

I want to make another point too, Mr. Chairman, and that is that there is a genuine dilemma in this area. We refer to it in economics as the samaritan's dilemma. It is a fundamental problem of helping, and bear with me for 1 minute if I sound like a professor, because the point is worth making. We won't let people starve in the street in a decent society. We will not allow children to go unhoused and unfed and uncared for. We simply won't. We want the people who are immediately responsible for the care of children to comport themselves in such a way that it is not necessary for the State to come to their rescue.

And yet to the extent that such people know that they will not be allowed to languish, to the extent that we cannot commit ourselves to withholding help from such people, there is a basic limit on how much pressure you can put on them to get them to change their behavior.

Now the point is, changing the identity of the samaritan does not solve the dilemma. So if public provision is cut back, which may be the appropriate thing to do, for the reasons that I have already said—because the government must set the right moral tone and must through its policy convey the values of the voters and the people—to the extent that private provision comes in to take its place, the private providers become the samaritans, and the dilemma remains unsolved. It is a real dilemma. Unless we change the values of the people, not their incentives, but their beliefs, their ideals, the meaning that they attribute to what they do in their lives, we will not solve the dilemma, and for that reason, I think fundamental attention must be directed to the value shaping, the character forming institutions in society which thankfully are not organs of government, but reside as I hope they always will with the people.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Testimony of Professor Glenn C. Loury
before Human Resources Sub-Committee, Committee on Ways and Means
U.S. House of Representatives
Washington, DC January 20, 1995

Mr. Chairman: I want to express my gratitude for this opportunity to offer my views before this distinguished committee on these crucially important matters. It has been my conviction for many years now that the rise in out-of-wedlock births represents a significant threat to the strength of our country, and the various communities within it. In this testimony I explain why I have reached this conclusion. My academic title is University Professor of Economics at Boston University. Yet I appear here before you not mainly as a technician, but as an intellectual who has been thinking hard about the problems of social disorder in America, and especially in urban America. So I will offer my thoughts on the broad ethical and philosophical dimensions of your committee's concerns, as well as report to you on the findings of recent social research.

The Problem of Family Structure

There is now a consensus among social analysts that the dramatic changes in the structure and stability of the American family over the last thirty years have had negative consequences for the quality of life of our citizens, especially children. These changes are reflected in the sharp rise in divorce rates during 1960s, and in the increasing incidence of out-of-wedlock childbearing, especially among young women. In the 1950s and early 1960 the divorce rate was approximately 10 per 1,000 married couples per year. It has since risen to more than twice that level. The proportion of children born out-of-wedlock went from 5% in 1960 to 27% in 1990. About 57% of black children born in that year were born to unmarried mothers, while this was the case for about 17% of white children. Each year over 1 million children go through divorce or separation and almost as many more are born out of wedlock.

These developments have had a dramatic impact on children's lives. Single parents (usually women) are more likely to head economically troubled families. We now know that one-half of single mothers live below the poverty line, compared to one-tenth of married couples with children; that single mothers are far more vulnerable to welfare dependency, and that they stay on welfare longer. Among never-married mothers 40 percent stay on for 10 years or more. Moreover, welfare dependency tends to pass from one generation to the next within single parent families. For whites, daughters with single parents are over 50 percent more likely to marry as teenagers, 111 percent more likely to have children as teenagers, 164 percent more likely to have a premarital birth, and 92 percent more likely to dissolve their own marriages.

There is also good reason to believe that welfare dependency has potentially harmful effects on participants and their children. In the mid-1980s David Ellwood (now Asst. Sec. at HHS) estimated that roughly 30% of mothers entering welfare for the first time eventually accumulated eight or more years on the program. More recently, Baruch College economist June O'Neill has calculated that half of teen unwed mothers (in the NLSY sample) go on welfare within two years of their first birth, and 80% eventually go on. She has further calculated that, among those going on welfare in the period 1978-1984, half had accumulated more than 5 years on the program by 1991, and one-third had accumulated more than 7 years. O'Neill has also found that parental dependence on welfare is strongly associated with negative outcomes for children. Young women raised in welfare families are significantly more likely than similarly situated women in families not on welfare to go on welfare themselves, to stay on for a longer period of time, to drop out of high school and to bear a child out-of-wedlock.

The ways in which coming from a broken family affect the likelihood that young girls become pregnant are subtle and complex. Dennis Hogan and Evelyn Kitagawa at the

University of Chicago, using a random sample of black females aged 13 to 19 living in Chicago in 1979, compared girls who live in married-couple families with those living in single mother households. They found the rate of premarital parenthood to be highest among the teens living with their mothers alone. Yet, those teens living with mothers and grandmothers fared as well as those in married-couple families. They also found that the extent of parental control exercised over early dating had significant and large effects on the probability of the teen becoming pregnant; indeed, parental control of dating was by far the single most powerful explanatory variable. The importance of control of early dating behavior suggests that, in addition to the structure of the family itself, the specific actions of adult family members toward teenage daughters is crucial to avoiding early pregnancy. Elijah Anderson has also found evidence for this among his informants in a North Philadelphia community. He notes that the presence of a father in the girl's household, or of older male siblings or even uncles actively involved in the girl's life, may lead to the girl being treated more respectfully by the boys with whom she interacts.

A recent innovative study by Bronars and Grogger published in the December 1994 *American Economic Review* uses data on a sample of married and unmarried women, some of whom had given birth to twins, to assess the impact of the birth of an unexpected additional child on various measures of the mothers' well-being. They found that an unexpected additional child had no impact of the well-being of married mothers, but affected unmarried women adversely, reducing labor-force participation, increasing the odds of being in poverty, and raising their chances of receiving welfare. Though most of the adverse economic effects of unplanned motherhood were found to dissipate over time for whites, there were larger and more persistent negative effects on black unwed mothers.

In short, the social science literature, both quantitative and qualitative, is unambiguous in identifying the negative consequences for families and children of marital disruption and out-of-wedlock childbearing.

The "Moynihan Report" Revisited

Of course, most Americans know this instinctively, without having to be told by social scientists. Indeed, concern about problems of family disruption has an been important social issue at least since 1965 when now Senator Moynihan issued his famous report on the "Negro Family." By daring to suggest that dysfunctional family behavior among poor blacks constituted an insuperable barrier to economic equality, Moynihan elicited an emotional, ideologically-charged response which permanently altered racial discourse in America. The now-familiar indictment, "blaming the victim" literally was invented in reaction to Moynihan's argument. A dear price was paid for this response, though not by those who led the charge.

What in the 1960s was a question about black society has in the 1990s become critical for all Americans. Charles Murray has announced to much fanfare the coming of the white underclass. Having essentially written-off the black community as a lost cause--with an illegitimacy rate nationwide near two-thirds, and even higher in the inner-city--pundits, politicians and scholars come now to contemplate what might be done to save the rest of America. The answer seems to be that we must place greater emphasis on "values." And, while I am all in favor of this, I am less than sanguine that the fix will be so easy.

People are not automata; their behavior in matters sexual may not be easily manipulated by changing their marginal tax rates or their reciprocity status under welfare programs. It is my conviction that the problems of illegitimacy and family breakdown are, at base, cultural and moral problems, which require broad societal action in addition to legislative change. The emergence of morally authoritative public leadership can have only a small effect here, and is unlikely to occur in any event. Yet, in every community there are agencies of moral and cultural development which seek to shape the ways in which individuals conceive of their duties to themselves, of their obligations to each other, and of their responsibilities before God. These mainly though not exclusively religious institutions

are the natural sources of legitimate moral teaching--indeed, the only sources. If these institutions are not restored, through the devoted agency of the people and not their government, then the behavioral problems which Moynihan first noticed thirty years ago will persist, threatening the survival of our republic.

Marriage as Social Capital

In my early writing on economic inequality in American society I introduced the concept of "social capital." Many others have found this a useful notion, and it is now in wide use in the social sciences. The term emphasizes the importance for economic development of non-economic resources. It refers to aspects of social organization (families, social networks, adolescent peer groups) that help individuals to act for their own economic benefit. The term also captures the idea that the institutional infrastructure within a given community (civic and religious organizations) helps to empower individuals for participation in economic and political life, and that the ideals and values which are transmitted and reinforced through social mechanisms can impact powerfully on economic performance. The point is that the extent and quality of relationships among persons can usefully be conceived as an economic asset, in some cases as important as physical or financial capital for determining whether or not a community can prosper.

The process by which a person moves from childhood to becoming an effective adult is like a production process. The output, a citizen, is produced from inputs of education, parental attention and concern, acculturation, nutrition, etc. Some of these inputs are bought and sold on markets, but many of the relevant inputs become available to the developing person only as the byproduct of noneconomic activities. Parental attention and concern, for example, accrue to a youngster as the consequence of the social relations which obtain between mother and father, and their respective families. So, within any community a crucial resource needed to produce tomorrow's citizens is the quality of social ties between today's men and women of child-bearing age. This is an elemental social fact.

In a recent essay in *Policy Review* anthropologist David Murray has documented the extent to which all human societies develop norms surrounding the bearing and raising of children which respect this elemental social fact. He stresses the universal recognition of marriage, and child bearing within marriage, as a means of domesticating--one could also say of civilizing--young males. "Neighborhoods without fathers, are seedbeds for predators" writes Murray. George Gilder has also stress this theme. Communities in which the vast majority of families consist of women without men who consider themselves responsible for their children, tend to be "under-capitalized" in a resource vital for social development.

This is, in my judgment, a central reason for the economic and social problems besetting inner-city communities today. As Gilder has recently written, "Society is continually beset by an invasion of 'barbarians,' i.e., teenaged boys. Unless they are tamed by marriage and the provider role, they become enemies of civilization. Males rule, whether through economic power as in civilized societies, or through violent coercion by the male gangs in the inner city (a so-called matriarchy where mothers cower in locked apartments, terrorized by their sons.) Thus, it is crucial to consider the impact of the welfare state on the socialization of young men." I am saying here that marriage should be seen as an important form of social capital. In the absence of marriage, and the joining of families which marriage represents, there are simply fewer people around to help a struggling young couple with the overwhelming task of raising children.

Moreover, the "legitimacy" of children is an important concept. Anthropologist Murray refers to it as "nothing less than the orderly transfer of social meaning across the generations." The Harvard sociologist Orlando Patterson has elaborated a persuasive and influential theory of slavery, in which the concept of "natal alienation"--the separation of close relations between children and their forebears--plays a key role. Marriage, by creating legitimate children, ties families of people together into mutually supportive social relationships.

The Inner-City Context

I would like to explore more fully the inner city social context within which the problems of out-of-wedlock births manifest themselves. Perhaps our best guide in this matter is ethnographer Elijah Anderson of the University of Pennsylvania. Anderson has been a close observer of life on the streets of ghetto America for nearly a quarter-century. His recent work is based on extended interviews and observation in a North Philadelphia neighborhood. He relies heavily on the concept of "the streets," the physic and social milieu in which people interact. In these poor communities the physical environment is dilapidated, dirty, unsafe, unkempt, noisy. Young people spend a lot of time "in the streets," day and night. The streets are full of women and children. Men, especially, in the roles of husbands, are scarce. Quoting Anderson: "The demoralization and deterioration of the neighborhood are omnipresent: open-air drug sales, numerous pregnant girls, incivility, crime, many street kids, few up-standing residents."

There is what one might call a "moral ecology" of the streets. Ghetto neighborhoods are heterogeneous places. People of different generations, different family structures, differing degrees of economic stability, and different values interact there. Anderson talks of a clash between "street" values, and the values of "decent folk." These are the words reportedly used by the people themselves. There is a complex interaction between these different value systems. This is especially so for the young, who because of peer pressure want to be seen as socially "hip" not "lame." Yet, being "hip" may mean, to some degree, compromising with "street values," while behaving "decently" can cause one to be thought of as "lame." Peer groups are critically important among these youngsters. Children sometimes, in effect, raise themselves. They may be more influenced by their peer group than they are by any other source of authority in their lives.

Nevertheless, in the community which Anderson observes there is also a culture of decency. This culture is connected with close, extended families where the work ethic is important, where getting ahead is prized, where religious influences often remain strong. In such families, parents are often engaged in a struggle for the hearts and minds of their children, as the "decent" and "street" values assert their mutually incompatible claims.

Most relevant for my concerns here is Anderson's description of codes of behavior in sexual matters between boys and girls in these communities. The people involved are often quite young. Quoting Anderson: "Complicated by peer pressure, ignorance, passion, luck, intent, conquest, religion, love, and even profound hostility between young men and young women, these sex codes evolve... (They are) nothing less than the cultural manifestation of a persistent urban poverty. It is a mean adaptation to blocked opportunities and profound lack, a grotesque form of coping by young people constantly undermined by a social system that has historically limited their social options and, until recently, rejected their full citizenship."

Sex often results in pregnancy in this world. Quoting, again, "With the dream of a mate, a girl may be indifferent to the possibility of pregnancy, even if it is not likely that pregnancy will lead to marriage. The pregnant girl can look forward to a certain amount of affirmation, particularly after the baby arrives, if not from the father then from her peer group, from her family, from the Lord, and, ultimately from welfare from the outside society." A large part of the girl's identity is provided by the baby and the peer groups among the girls in these communities. Becoming a mother can, Anderson writes, be a "strong play for authority, maturity, and respect." The girl's outlook is crucial to determining what her behavior will be. Her education, her sense of self-respect, her wisdom, whether or not she has had mentoring from "decent" role models within "decent" families--these will all be critical factors affecting the outcome. Her parents may be able to instill some sense of hope, a positive sense of the future, a healthy self-respect. Or, she may have siblings whose success helps her to achieve this. Ministers and teachers can play this kind of role by communicating the expectation that girls should strive to do something with their lives.

However, where such communicated expectations are absent, where some sense of hope or possibility about the future is not present, the prospect of having a baby, far from being regarded as a negative, may well be seen as a positive. And that can be reinforced, not only by the financial benefits that might come from the state for support for the child, but, perhaps as importantly in the world which Anderson describes, by the status that a girl gains with her peers, and by the extent to which she is seen within the peer group as coming of age for the having of the child.

Anderson's descriptions of the attitudes of boys are chilling. Concerning pregnancy, boys are described as generally, though not always, resisting owning up to being the father of a child. Such owning-up would counter their hit-and-run exploitative peer-group ethic. Also, paternity is often uncertain. Girls may or may not want to identify the real father. Acknowledgement of paternity by the boy's family, often determined by his mother, may be based upon the baby's appearance, with the child being incorporated into the boy's extended family by the boy's mother if she thinks the baby looks like her son, and so on.

The general conclusion emerging from this kind of ethnographic observation is that inner-city communities are complex, heterogeneous cultural contexts. Behavior around issues of sexuality and childbearing are influenced, but are far from being completely determined, by the provision of assistance from the state. There are large numbers of families struggling against the economic and cultural odds to raise their children to live decent lives, and many of these families are, despite their best efforts, failing at this task.

Values, Public Policy, and the State

Public policy is more than the implementation of technical solutions to the problems of governance. It is also a powerful symbolic mechanism through which are communicated the values and beliefs of a people. As George Will has famously put it: "Statecraft is Soulcraft." The means-end calculation of the social scientist or policy analyst is insufficient to provide a full account of what government does. Crucial also is the expressive content of government actions. The actions taken by Congress in the next months regarding welfare reform will represent a powerful expression about the duties and obligations of citizens, and about the standards of conduct expected from individuals. These messages will both shape and reflect the values of the citizenry.

It is now widely accepted that placing upon welfare recipients the obligation to engage in activities which limit their dependence is necessary and legitimate public policy. Far from being punitive, as some liberal critics of this proposal allege, the imposition of such obligation represents a keeping of faith with a social accord of mutual expectation. The key point to recognize is that the state cannot escape the necessity to communicate some moral message by the actions it takes, even if only by default. The failure to impose obligations on recipients is also an action, which signals what is valued in society.

The audience for these normative messages is not limited to the set of people directly affected, but extends to the entire population. Indeed, sustaining political support for public provision to the needy requires the maintenance of some compatibility between the values expressed through the policy, and the beliefs broadly held by the public. The conduct of public policy also communicates something to the citizenry at large about the moral standing of those persons directly reached by policy. In the case of welfare, structuring assistance so that it leads to the eventual attainment of self-sufficiency by recipients actually shows respect for the subjects of state action, and enhances the dignity of these persons. By holding up a common standard of behavior to all citizens we evidence our confidence that those who may now need our assistance are capable of becoming self-reliant. This avoids the situation in which "we" who are capable of responsible conduct and of generosity, deign to provide for "them" who, by virtue of their dependency are rendered objects of our concern, but are not treated as responsible moral agents. The notion that to treat the poor with dignity one must withdraw all constraint on the recipient and simply hand-over the benefit unencumbered is in fact a contradiction. The absence of an enforced expectation that

those in need will, in due course, join the self-supporting concedes that the needy are incapable of actions regarded as minimally expected of ordinary citizens—hardly a dignified posture.

Thus, in addition to providing direct economic incentives (via the tax code and through the design of programs providing financial benefits), the state sets the moral background within which civil society operates. But it is the civil sector of families, community organizations, churches and various private philanthropic undertakings which must do the real work of promulgating and instilling values. The role of the state, while important in matters of public communication, is ultimately quite limited in matters of transforming the values of individual persons. One source of this limitation is the fact that encouraging "good behavior" intrinsically requires that discriminations be made among persons based on assessments that are difficult, legally and politically, for public agencies to make. Having distinguished between right and wrong in public rhetoric, it becomes necessary in the concrete, ambiguous circumstances of everyday life to discern the extent to which particular individuals have risen to, or fallen short of, our expectations. That is, promoting virtue requires that standards be set and communicated, and that judgments be made as to whether those standards have been met. The making of such judgments requires knowledge about individual circumstances, and the drawing of distinctions between individual cases, which may exceed the capacity of public institutions. Because citizens have due process rights which cannot be fully abrogated, public judgments must be made in a manner which can be defended after the fact, and which carry a high burden of proof as to their legitimacy. Families and churches are not constrained to the same degree.

Consider the difficulty of a state-sponsored agent making the judgment as to whether a welfare recipient has put forward adequate effort to prepare for and find a job. The information available for this decision is generally limited to the observations of a social worker, and the self-report of the welfare recipient concerning her activities, together with a check on whether job interviews previously arranged have been pursued, etc. Beyond this, very little information can be brought to bear. Action to limit the assistance due to a belief that the recipient was not trying hard enough might not stand-up to subsequent judicial review. (Indeed, such actions might not be carried-out by state employees who believed the obligations thereby imposed were not appropriate.) But, of course, families and communal groups providing help to the same individual would base their continued assistance, in part, upon just such information. They would discriminate more finely than a state-sponsored agent ever could between the subtle differences in behavior among individuals which constitute the real content of morality and virtue.

This point is especially critical when behavioral distinctions may have a disparate impact by race, and where charges of racial discrimination could arise. Anticipating these charges, public agents may withdraw from the degree of scrutiny of individual behavior which produced the racially disparate outcome. The fact is that the instruments available to public agents for the shaping of character are coarse and relatively indiscriminate, in comparison to the kinds of distinctions and judgments which people make in their private social lives all the time. Moreover, the ways in which a public agent can sanction individuals' dysfunctional behavior—withholding financial benefits primarily—may not be as compelling as the threat of social ostracism and peer disapproval which is readily available in private associations. The purpose of these observations is to caution against an overly optimistic assessment of the power of legislation to reverse the regrettable trends in the social behaviors of citizens.

It is also the case that state action is encumbered by the plurality of views as to what constitutes appropriate values in our society. The public morality reflected in state action is necessarily a "thin" conception of virtue, weak enough to accommodate the underlying diversity of value commitments amongst the various sectors of our society. This contrasts sharply with the "thick" conceptions of virtue characteristic of the moral communities in which we are embedded in private life. The conflict over sex education illustrates this

point. Introducing into the public schools in any large city a curriculum of sex education that teaches the preferability of two parent families might be resisted by educators who would cite the great number of their students from single parent backgrounds. Yet it is arguable that these are the students most in need of hearing the authoritative expression of such value judgments. Of course, the same would not be true of sex instruction undertaken in a parochial school context.

My general proposition is that civil society and the state provide complimentary inputs into the production of virtuous citizens. Legislators should look for ways to encourage virtue by encouraging the development and expansion of those private, voluntary associations within which the real work of character development is best done. Mutually concerned persons who trust one another enough to be able to exchange criticism constructively, establish codes of personal conduct, and enforce social sanctions against what is judged as undesirable behavior, can create and enforce communal norms that lie beyond the capacity of the state to promulgate effectively. The coercive and resources of the state, though great, are not especially subtle..

I believe these considerations are especially critical for black Americans to recognize. For, when one considers the great problems of our inner-cities, it is inescapable that at the root of these problems lie dysfunctional behaviors of citizens which ultimately are not amenable to state-sponsored remedy. This means, in my opinion, that the intellectual, religious and civic leadership of these communities must embrace their responsibilities to provide moral leadership, to an even greater extent than is already being done. Black leaders must work, with public officials and with other Americans of good will, to build communal institutions that can instill in our youngsters a normative framework sufficient to allow them to partake of the great opportunities which this society offers.

Chairman SHAW. Thank you, Mr. Loury.
Mr. Wilson.

STATEMENT OF JAMES Q. WILSON, PH.D., COLLINS PROFESSOR OF MANAGEMENT AND PUBLIC POLICY, UNIVERSITY OF CALIFORNIA AT LOS ANGELES, LOS ANGELES, CALIFORNIA

Mr. WILSON. Thank you, Mr. Chairman. I have not submitted written testimony to the Committee, but I have asked your staff to distribute and make available to you three statistical charts to which I want to refer.

The theme of my remarks is that we must escape from two views. First, we must escape from the view that we are debating whether poverty or illegitimacy causes welfare, or that welfare causes illegitimacy and poverty.

The real issue is what kind of behaviors are occurring and to what extent welfare poverty, or other factors contribute to those behaviors. Second, we ought to escape from the view that we are promising the American public a cut in the welfare rolls, a savings in tax moneys or a requirement that the mothers of young children work. Those may be desirable things, but what I think the American public expects of us is that we try to save the children, because we have put an entire generation and more at risk, and that generation is in danger of reproducing itself.

Table 1 is a snapshot of the American public taken by the U.S. Government in interviews of some 48,000 households. What it shows is the percentage of children who have certain difficulties depending on whether they were raised with both parents or were raised by a never-married mother with no father. In every column—being suspended from school, having emotional problems, displaying antisocial behavior—it is quite clear that the child, whether male or female, whether white, black, or Hispanic, is at much greater risk of having these difficulties—prematurely ending school, having emotional problems, engaging in antisocial behavior, including delinquency—if that child lived with the mother only.

It is not on this chart, but I will add one note. Only at the highest income level, that is to say mothers earning over \$50,000 a year, the Murphy Brown income, if you will, is the child immunized from the consequences of being raised with a single parent.

Table 2 is not a snapshot, it is a motion picture. It follows children in this country over many years as part of the National Longitudinal Study of Youth. The three columns show these children the income levels of their parents—the bottom 10 percent, the median income, and the top 10 percent. And inside the boxes are numbers reflecting the probability that a child of a certain income level with a certain family structure will or will not have the highest levels of juvenile delinquency, according to that child's own reports.

And again you see that no matter what the income level is, children raised by single mothers with no fathers present are significantly more likely to be at the very highest level of delinquency.

The final table, table 3, puts this into a world context and reinforces the point that my colleague, Glenn Loury made. We are part of a worldwide change in the family. This shows the percentage increase in out-of-wedlock births from 1960 to 1992, from countries as different as Australia, Canada, Denmark, Italy, Japan, the

Netherlands, Switzerland, the United Kingdom, and the United States.

Now, the conditions of growing up as an out-of-wedlock child differ in these countries, but throughout the world, we have seen a fundamental shift in the attitude people have toward the importance of marital commitment. This underscores the difficulty of the task of pushing on the thread in order to reweave the sweater.

Now, why is it that at any income level and for any racial group, being raised in a mother-only family makes you worse off? There are three reasons. First, resources. Two parents can provide more love, more time, and more money than one parent. Second, role models. Children, but especially young boys, need adult role models; young boys especially need fathers they can respect.

And third, community maintenance. A neighborhood that consists of one or two single-parent families will not have its social control threatened. But once you have created a neighborhood in which all or most of the children are growing up in single-parent, mother-only families, you are creating a neighborhood with men, but no fathers. As a result, the social control that all communities try to maintain is weakened, because the people who primarily provide that order, fathers who take responsibility for their children and their neighborhoods, are absent.

Why has there been this increase in illegitimacy? Since it is a worldwide phenomenon, it clearly is not because of a defect peculiar to the United States. Since it has been going on since the early sixties, in good times and bad, it clearly is not simply the result of the business cycle or of changes in unemployment rates.

I believe it is the result of a change in the level of stigma or shame that is attached to the idea of an out-of-wedlock child; I believe it is a result of a change in the commitment that the modern family, especially the modern young family, brings to the marital bond. I believe it reflects in part the availability of governmental entitlements. But I do not think that reversing the entitlements, as Professor Loury accurately said, can change all of the problems.

We must recognize that we have always had at-risk children. But when that 800 pound gorilla, the Federal Government, walked into the room with AFDC, it frightened away or pushed off into the corner many of the programs designed to help those children, and now we forget that they ever existed.

For decades we have had charitable boarding schools where parents could voluntarily place children who needed care. For decades, we have had maternity homes, such as the Florence Crittendon homes, where young women could live shortly before giving birth and then for a year or so thereafter in order to learn how to take care of their children.

We have had family shelters and group shelters, many of them now being operated by religious groups. It seems to me that it is incumbent on the Federal Government in redesigning the welfare program to take advantage of those private initiatives and to encourage the States to experiment with those initiatives. The States should be encouraged to fund family shelters and maternity homes, to allow money to flow through churches, the Salvation Army, and other groups, for the purpose of providing an environment in which the next generation of children can grow up without being part of

a world in which they learn from everything about them that they have no reasonable expectation of marriage, that sex is about action and not about commitment, and that fatherhood is less exciting than being a free floating impregnator.

Thank you.

[The charts follow:]

Table 1

	Suspended From School		Emotional Problems		Antisocial Behavior	
	Both Parents	Mother Only	Both Parents	Mother Only	Both Parents	Mother Only
Males	6.4%	24.3%	3.3%	4.7%	27.5%	36.0%
Whites	4.1	9.1	2.7	6.8	23.5	27.0
Blacks	8.5	18.2	2.3	3.3	28.6	37.4
Hispanic	6.9	16.5	1.5	6.3	28.1	34.1
Below \$10K	5.0	16.2	2.3	5.4	23.8	37.9

SOURCE: "Family Structure and Children's Health: United States, 1988", Series 10, No. 178, National Center for Health Statistics.

DATA: 1988 National Health Interview on Child Health. Interviews with adult household members for 17,110 children ages 17 and under living in a sample of 47,485 households.

"Both Parents" = Child living with both biological parents

"Mother Only" = Child living with never-married mother and no father.

Table 2

CHANGES OF A WHITE MALE BEING A DELINQUENT,
BY FAMILY STATUS AND PARENTAL INCOME

Family Status	PARENTAL INCOME		
	Bottom 10%	Median	Top 10%
Two Biological Parents	8.1	8.8	9.2
Unmarried Mother	14.3	15.4	16.1

DATA: National Longitudinal Study of Youth. Family Status measured when boy was age 14. Delinquency was self-reported; numbers in Table are probability (e.g., chances in 100) of boy reporting more delinquents than 90% of the other boys.

Table 3

PERCENTAGE OF OUT-OF-WEDLOCK BIRTHS

	1960-1992		
	1960	1992	Change
Australia	5%	24%	19%
Canada	4	29	25
Denmark	8	46	38
France	6	33	27
Germany	6	15	9
Italy	2	7	5
Japan	1	1	0
Netherlands	1	12	11
Spain	2	10	8
Sweden	11	50	39
Switzerland	4	6	2
U.K.	5	31	26
U.S.A.	5	30	25

SOURCE: Daniel Patrick Moynihan, "The Great Transformation," The American Enterprise, Jan./Feb., 1995, p. 41.

Chairman SHAW. Dr. Bennett.

**STATEMENT OF WILLIAM J. BENNETT, PH.D., CODIRECTOR,
EMPOWER AMERICA**

Mr. BENNETT. Thank you, Mr. Chairman, ladies and gentlemen. It looks like the moral of the story has been taken up by my colleagues, so as much as I am used to being asked to address that, let me try to get a few facts on the table in addition to what has already been brought up.

I agree with everything that has been said so far and I don't think anything of a political nature has yet been said by members of this panel. I do want to say that the jurisdiction of this Committee does border on the jurisdiction of another problem which will have to be addressed. If it is true that attention is going to have to be paid to the welfare problem, and I congratulate you for paying that kind of attention, attention must also be paid to the drug issue. You will not get ahold of the welfare problem unless you get ahold of the open air drug markets and crackhouses.

If the places that Jim Wilson and Glenn Loury are talking about, the homeless shelters, and the shelters for unmarried women and their babies are places where drugs are readily available, we will just compound our problem. So at another time we can talk about that.

This March marks the 30-year anniversary of a report called the "Negro Family: The Case for National Action," which is also known as the Moynihan Report. It is one of the most important pieces of social science ever produced. This 78-page report offered by Senator Moynihan, now the senior Senator from New York, then an Assistant Secretary at the Department of Labor, concluded the breakup of the black family constituted the single most important social fact in the United States.

When the Moynihan Report was made public, Newsweek magazine referred to its stunning numbers. The "New York Times" editorialized that whatever the index of social pathology, it is apparent that the Negro family in the urban areas of this country is rapidly decaying. William Ryan of Harvard, one of Moynihan's most prominent critics, warned of frightening statistics about broken Negro families, illegitimate Negro children and Negro welfare recipients. Martin Luther King, Jr., categorized the existing breakdown of the Negro family as a social catastrophe.

That was then, consider now. In 1991, 68 percent of all black births were out of wedlock. Only 6 percent of black children born in 1980 will live with both parents through age 18, according to some projections, and more than 70 percent of black children will have been supported by AFDC payments at one point or another during childhood.

In recent testimony at a Senate Finance Committee hearing chaired by Senator Moynihan, Professor Lee Rainwater of Harvard predicted that by the end of the century out-of-wedlock birth rates for minorities will be 80 percent, while the out-of-wedlock birth rates for Americans as a whole will be 40 percent.

The Moynihan Report had little to say about the white family save that the white family has achieved a high degree of stability and is maintaining that stability. Alas, Mr. Chairman, that stabil-

ity has now dissolved. During the intervening 30 years, white family structure has been severely eroded by high rates of illegitimacy, divorce, desertion, and welfare dependents.

White illegitimacy, for example, has increased from 4 percent in 1965 to 22 percent in 1991. The percentage of white females who are divorced has risen sharply. If these trends continue, they will have even more serious consequences for American society than the decline of the black family, since whites constitute a much larger segment of the population.

This rapid and massive collapse of family structure is without precedent among civilized nations. Our country cannot sustain it; no country can. No society has ever survived with single parenthood as the norm. The American public in general, and the black community in particular, would surely give its collective eyeteeth to wake up one morning and again face the frightening statistics of 1965. Those so-called frightening statistics, Mr. Chairman, would be good news today.

The Committee should consider this question: What words can adequately describe the situation we are in now if frightening statistics describe 1965? If social catastrophe was what Moynihan called the situation three decades ago, how do we describe it today? Well, this report, the Moynihan Report, places our current situation in historical context and it clearly reveals two things.

One is that the Nation has taken a ruinous social slide over the last three decades. The other is that we have become in many ways inured to the trauma. One thing we need to guard against is viewing these out-of-wedlock birth rates as sterile or abstract numbers, because behind these numbers there are real life stories, tragedies, wasted lives. Although single women can do a fine job raising children—my mother was divorced, she raised my brother, Bob, and me, it is a lot harder to do alone. We know also that the chances of successfully raising children in a single-parent home are not nearly as good as raising children in a two-parent home. Every civilized society has understood this. They have known too that you cannot raise young boys to become responsible men unless there are other men, good men in their lives. Jim Wilson has spoken to that already.

I think the relevant question for this Committee then, Mr. Chairman, is the degree to which welfare programs have unwittingly promoted illegitimacy. I think a strong case can be made that welfare has contributed a lot to illegitimacy. It sustains it and it subsidizes it, and what you subsidize you usually get more of.

Welfare is illegitimacy's economic life support system. I believe that the intellectual debate about the role of welfare and illegitimacy is essentially over. President Clinton helped end it when he said in an interview,

I once polled 100 children in an alternative school in Atlanta, many of whom had had babies out of wedlock, and I asked them, if we don't give any AFDC to people after they have had their first child, how many of you think it would reduce the number of out-of-wedlock births? Well over 80 percent of the kids raised their hands. There is no question that ending welfare for single mothers would work. The question is, is it morally right?

That is a good question. I believe the answer is yes.

There are a number of sound policy options from which to choose. I would very much like to see a radical devolution of power, that is, return power, money, and responsibility back to the States, those laboratories of democracy. In any case, Mr. Chairman, we are now engaged in a vigorous debate about the best means to reform welfare, but it is important that we keep in mind the end game, namely, sometime soon we want welfare to end.

When it does, we can judge those policies and their broad social implications against reality. Mr. Chairman, our welfare system is the most pernicious government program of the past quarter century. It is also ironically one of the best intentioned. We have lost large parts of an entire generation because of the terrible human wreckage left in its wake. Enough is enough. It is time to pull the plug—for the sake of the children. Let's get to it.

Thank you.

[The prepared statement follows:]

TESTIMONY OF WILLIAM J. BENNETT
EMPOWER AMERICA

Mr. Chairman and Members of the Committee:

It is a pleasure to address this committee on a subject of enormous importance. Illegitimacy is the single most destructive social pathology in modern American society. I appreciate the Committee's decision to focus attention on this issue, and the willingness of many of you to tackle it head-on.

Mr. Chairman, I believe that any meaningful reform of our current welfare system must address the problem of illegitimacy. My statement will thus focus on the significance of the increase in illegitimacy; the attendant human cost; and the role of our current welfare system in sustaining and perpetuating illegitimacy.

The Increase in Illegitimacy

This March marks the 30-year anniversary of "The Negro Family: The Case for National Action" -- also known as the Moynihan Report, one of the most important pieces of social science ever produced.

This 78-page report, authored by Daniel Patrick Moynihan, now the senior senator from New York but then an assistant secretary at the Department of Labor, concluded that "[The break-up of the black family] is the single most important social fact of the United States today.... At the heart of the deterioration of the fabric of Negro society is the deterioration of the Negro family. It is the fundamental source of weakness of the Negro community at the time.... The family structure of lower class Negroes is highly unstable, and in many urban centers is approaching complete breakdown."

When the Moynihan Report was made public, *Newsweek* magazine referred to its "stunning numbers." The *New York Times* editorialized that "whatever the index of social pathology...it is apparent that the Negro family in the urban areas of this country is rapidly decaying." William Ryan of Harvard (one of Moynihan's most prominent critics) warned of "frightening statistics about broken Negro families, illegitimate Negro children, and Negro welfare recipients." Martin Luther King, Jr. categorized the existing breakdown of the Negro family as a "social catastrophe."

That was then. Consider now.

In 1991, 68 percent of all black births were out-of-wedlock. Only 6 percent of black children born in 1980 will live with both parents through age 18, according to some projections. And more than 70 percent of black children will have been supported by AFDC payments at one point or another during childhood. In recent testimony at a Senate Finance Committee hearing chaired by Senator Moynihan, Professor Lee Rainwater predicted that by the end of the century out-of-wedlock birthrates for minorities will be 80 percent, while the out-of-wedlock birthrate for Americans as a whole will be 40 percent.

The Moynihan Report had little to say about the white family save that "the white family has achieved a high degree of stability and is maintaining that stability." Alas, that stability has

now dissolved. During the intervening 30 years, white family structure has been severely eroded by high rates of illegitimacy, divorce, desertion and welfare dependence. White illegitimacy, for example, has increased from 4 percent in 1965 to 22 percent in 1991. The percentage of white females who are divorced has risen sharply. If these trends continue they will have even more serious consequences for American society than the decline of the black family, since whites constitute a much larger segment of the U.S. population.

This rapid, massive collapse of family structure is without precedent among civilized nations. Our country cannot sustain it; no country can. The American public in general -- and the black community in particular -- would surely give its collective eye teeth to wake up one morning and again face the "frightening statistics" of 1965. Mr. Chairman, the committee should consider this question: what words can adequately describe the situation we are now in? If "social catastrophe" described the situation three decades ago, what words can possibly describe our much worse situation now?

The Moynihan Report places our current social situation in historical context, and it clearly reveals two things: one is that the nation has taken a ruinous social slide over the last three decades. The other is that we have become in many ways inured to the trauma.

The Human Cost

One thing we need to guard against is viewing these out-of-wedlock birth rates as sterile or abstract numbers. Behind these numbers there are real-life stories and tragedies and wasted lives. Although single women can do a fine job raising children -- my mother was divorced and raised my brother Bob and me -- it is a lot harder to do it alone. And we know that the chances of successfully raising children in a single-parent home are not nearly as good as raising children in a two-parent home. Every civilized society has understood the importance of keeping families together. They have known, too, that you cannot raise young boys to become responsible citizens unless there are other good men in their lives -- men who will spend time with them, discipline them and love them.

There is a large economic dimension to illegitimacy. Children in single-parent families are six times as likely to be poor as those in intact families; and far more likely to stay poor. Consider just two Census Bureau facts: (1) the family income of black two-parent families is almost three times the family income of white single-parent families; and (2) children in white single families are two-and-a-half times more likely to be living in poverty than the children in black two-parent families. The 1991 median family income for two-parent families was \$40,137. For divorced mothers, it was \$16,156. And for never-married mothers, \$8,758.

But there is more -- much more -- than economics involved. Children in single-parent families are more likely to drop out of school; do poorly while they are in school; have emotional problems; become criminals; use drugs; be a victim of violent crime; and be physically and sexually abused. In short, we are producing a lot of "at risk" kids. And as

John J. DiIulio, Jr., professor of politics and public affairs at Princeton University, recently wrote, "they become juvenile and adult violent crime victims and criminal predators. They end up jobless and on welfare. They do drugs and get sick. A high fraction of the black males finish life in prison (nobody visits) and dead (nobody mourns) well before their time."

The Role of Welfare

One of the reasons that I have some confidence in the direction the nation is heading on welfare is that increasingly there is agreement on two important premises. The first is the widespread acceptance of overwhelming empirical evidence: the current system is a complete failure. We have spent enormous sums -- \$5 trillion -- over the past three decades on welfare programs, and what do we have to show for it? An underclass which is much larger, more violent, more poorly educated and which consists of many more single-parent families.

The second area of agreement is on an important moral principle: having children out-of-wedlock is *wrong*. Not simply economically unwise for the individuals involved, or a financial burden on society -- but morally wrong. Even Secretary of Health and Human Services Donna Shalala, she of impeccable liberal credentials, said in an interview that "I don't like to put this in moral terms, but I do believe that having children out-of-wedlock is wrong." I hope that the administration and the Congress enacts legislation which is intellectually consistent with that analysis.

The relevant question for this committee, then, is the degree to which welfare programs have (unwittingly) promoted illegitimacy. I think a strong case -- a commonsense case -- can be made that it has contributed a lot. Welfare may not cause illegitimacy, but it does make it economically viable. It sustains it and subsidizes it. And what you subsidize you get more of. Welfare is illegitimacy's economic life-support system.

I believe that the intellectual debate about the role of welfare in fostering illegitimacy is essentially over. President Clinton helped end it when he said in an interview that "I once polled 100 children in an alternative school in Atlanta -- many of whom had had babies out-of-wedlock -- and I said, 'If we didn't give any AFDC to people after they had their first child, how many of you think it would reduce the number of out-of-wedlock births?' Over 80 percent of the kids raised their hands. There's no question that [ending welfare for single mothers] would work. The question is...is it morally right?" That *is* a good question -- to which the answer is "yes." It is morally right because many more people would live better if we scrapped the current system, which subsidizes out-of-wedlock births.

I believe that making adoption easier is an essential and compassionate part of welfare reform. Adoption is the best alternative we have to protect a child's interest in a post-welfare world. The demand is virtually unlimited (at least for very young children), but current laws make adoption exceedingly difficult. Lifting restrictions on interracial adoption and easing age limitations for adoptive parents will help ensure that large numbers of

children will be adopted into good, stable, loving homes. And for older children we must invest generously in the kinds of congregate care and group homes that provide order and love.

I will admit that there are easy answers on this issue; every reform will involve some social dislocation. The fact is, no policy proposal is free of a potential downside. Unfortunately, we have inherited a disaster.

My own view is that ending welfare is prudent and humane -- prudent because the social science evidence is in: illegitimacy is the surest road to poverty and social decay. And welfare subsidizes and sustains illegitimacy. It is humane because, again, many more people would live far better lives if we scrapped an entire system that subsidizes out-of-wedlock births. Here's "tough love" on a large scale: end welfare, and young girls considering having a baby out-of-wedlock would face more deterrents, greater social stigma and more economic penalties arrayed against them if they have babies. There would, therefore, be far fewer births to unwed mothers, and far greater life opportunities for those girls.

I applaud the new Republican majority for taking serious steps toward dismantling the current welfare system. That you are willing to re-examine the core assumptions of current welfare policy is very good news indeed, as is the fact many Republicans are challenging the idea that AFDC, housing subsidies and food stamps should retain their status as open-ended entitlements. While I don't embrace every part of the welfare proposal outlined in the "Contract for America," I believe it is a good start. It is far better than what we have now.

There are a number of sound policy options from which to choose. I would very much like to see a radical devolution of power -- that is, return power, money and responsibility back to the states, those "laboratories of democracy," where the most innovative and impressive reforms are taking place. I think that you'll agree that the governors have a far better track record than the Congress when it comes to implementing genuine welfare reform. I have outlined here some of the broad policy outlines which I would like to see states embrace. But we should give states the freedom to experiment; what works in Utah, after all, may not work nearly as well in New York.

We are now engaged in a vigorous debate about the best means to reform welfare. But it is important that we keep in mind the end-game; namely, sometime soon we want welfare to end. When it does we can judge those policies, and their broad social implications, against reality.

Mr. Chairman, our welfare system is the most pernicious government program of the past quarter century. (It is also, ironically, one of the most well-intentioned). We have lost large parts of an entire generation because of the terrible human wreckage left in its wake. Enough is enough. It's time to pull the plug. For the sake of the children.

Let's get to it.

Chairman SHAW. Thank you, Dr. Bennett, and I thank also Mr. Wilson and Dr. Loury.

Mr. Camp, would you care to inquire?

Mr. CAMP. Thank you, Mr. Chairman. Professor Loury, can you tell me why the rate of illegitimate births rose sharply in the late eighties? Has your analysis allowed you to draw any conclusions in that regard?

Mr. LOURY. Mr. Camp, no, I can't. I am not aware of any analysis that has specifically, in the technical literature, that has specifically addressed that question, nor can I think offhand of anything obvious that has changed in the environment of the late eighties to which one could attribute.

Mr. CAMP. All right. Dr. Bennett, you mentioned the drug problem. My question is, how has the current welfare system contributed to the rising crime rate and drug abuse in America, and what factors may have been involved?

Mr. BENNETT. Well, Mr. Camp, I think any police sergeant in the country will tell you that the day the welfare checks go out is a big day for drug buys. That is just the way it is. That is just the way the world works, and it has been in the drug literature. You know we have a phrase called "enabling behavior." Unfortunately, in the case where people have reached bottom or close to bottom, they use what money is available to buy drugs.

Second, the neighborhoods in which you are trying to do constructive and positive things, are beset by open air drug markets, by the presence of criminals, and the like. Good people don't want to be on the streets. They may not want to walk to church or take that course in remedial education because of the threat on the street.

When I was Drug Czar, Mr. Camp, whenever I went to a city—and I went to 105 cities—I would ask to be taken to the worst place. The place I almost always ended up was public housing. There was the world Jim Wilson described, a place of women and children. There were no men there, except of course the day we got there, when there were lots of cops, local bureaucrats, camera crews and so on. But about the only men around on a daily basis were the drug predators who were waiting to make their easy hits. So at least in those ways the two are connected, and in other ways too.

Mr. CAMP. Thank you. Dr. Loury, I appreciated your testimony and the complex factors that have resulted in some of the problems you are discussing today. Would you agree with the statement that welfare subsidies sustain illegitimacy?

Mr. LOURY. Yeah. The statement is true almost by definition in the sense that the entitlement status of the mother who presents herself with the child born out of wedlock and is therefore able to receive the check both provides a direct subsidy and also becomes a lifeline, becomes a way of sustaining herself in that condition. So that is certainly true.

Mr. CAMP. Thank you. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman. Mr. Bennett, in your testimony you stated that the social science evidence says illegitimacy is the surest road to poverty and decay. I would like to

take issue with that statement and point out that according to the most respected social scientists, just the opposite is true. That is, poverty and decay are the surest roads to illegitimacy.

I guess in the most recent data, 1988, the National Center for Health Statistics indicates that most teens do not want to get pregnant for any reason. In fact, 85 percent of these teen births are unintended. That means only 15 percent were intended and out of the 15 percent, half of those births were to teens 18 and 19 who were in fact married.

Mr. BENNETT. What is your question, sir?

Mr. FORD. Well, you make this statement that the surest road to poverty is through this out-of-wedlock birth.

Mr. BENNETT. You don't think that is true?

Mr. FORD. Well, it is clear that among teenagers from the ages of 15 to 18 in many cases, in the majority of the cases that, yes, that is true. But when you have to say that these kids are in poverty, then the teenage—I mean the teen pregnancies take place and once again they are still in poverty; it is not teen pregnancy and poverty, it is poverty and pregnancy.

Mr. BENNETT. But it may sure go a long way toward keeping them in poverty. I mean we do, Mr. Ford, know some things about what improves your chances of getting out of poverty, and I think the literature—I am going to have to yield to James Wilson or Professor Loury here, they can comment as they wish, but I believe the literature is pretty clear that if you are in poverty and want to get out of poverty, there are certain conditions you need to satisfy.

There are not a whole lot of them, but they are pretty straightforward. Finish high school, get a job or marry someone who has a job and don't, if you are a woman, don't get pregnant before you get married. And I think that if you observe those conditions, your chances of moving up in American society are pretty good. If you don't, I think they are pretty bad. But on the overall social science evidence, I would like to yield to my colleague.

Mr. FORD. Should we take some preventive measures, though, before these teen pregnancies take place and let's take a closer look at what Head Start does and how we can educationally, socially—

Mr. BENNETT. Sure. We should take a hard look at the evidence, we should take a hard look at programs. I will tell you one of the best programs I know of is a program my wife runs in this city called Best Friends. It is a program for teenage girls in the District of Columbia and it has an extremely low rate of pregnancy among the girls who participate.

There are programs like this around the country. They need to be rigorously evaluated and assessed, but I believe it has been demonstrated that there are programs that can encourage young women in the direction they ultimately want to go.

Mr. FORD. Mr. Wilson, you talked about out-of-wedlock births in 15 European countries in your testimony with the charts from the Moynihan data. It is clear that out-of-wedlock births are high in other countries, but when you look at those teenage pregnancy problems and that other countries have generous welfare benefits, certainly it is not equal to the percentages that we are faced with

in this country if we are looking at just the welfare benefits themselves when we talk about how we ought to cap families simply because children are having children for the sake of welfare benefits.

With generous benefits you see in other countries as you stated in your testimony, you will see that our teenagers are having a much higher rate of teenage pregnancy problems than they are faced with in other countries that have much more generous welfare benefits.

Mr. WILSON. That is quite correct, Mr. Ford. That is why I wanted to focus my testimony not on the relationship between money and pregnancy or money and welfare, but rather on the relationship between out-of-wedlock births and behavior. Because even in these other countries, in Sweden, in the United Kingdom, children born out of wedlock to a mother who never marries, are increasingly at risk for delinquency.

Mr. FORD. And they are taking other steps in early childhood education, they have been able to give child allowances and protect the children before the teenage pregnancy problem takes place.

Mr. WILSON. The problem is not whether we want to prevent teenage pregnancy, the problem is whether we prevent it among young women who never get married, because in no matter what country you do that, you are putting the child at risk, and reducing the risk to the children ought to be our primary goal.

Mr. FORD. Why do you think cutting welfare benefits from teenagers would force this problem to go away?

Mr. WILSON. I don't believe that taking welfare benefits away from teenagers would cause the problem to go away. I think it might ameliorate it. I think we don't know enough yet about what would make this problem go away and that is why I would like to see the widest possible experimentation at the State and county level with the Federal Government serving as a monitor and evaluator to see whether, instead of sending welfare checks to the young girl, it helps to send them to family shelters in which the mother and her child are raised in an environment that promotes a different set of expectations for the child and absolutely protects them from the drugs and alcohol in the streets.

Mr. FORD. That family shelter that you are talking about would mean the mother and the child?

Mr. WILSON. Of course, of course. Oh, absolutely.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman, and thank you, gentlemen, for your testimony today. Before I ask some questions, I just want to make it clear to anyone who may be listening to this discussion that the bill under consideration, or that at least was attached to the Contract With America, does not call for cutting off Medicaid to children who are born to teenage single women and does not call for cutting off food stamps. It only calls for cutting off cash AFDC benefits and housing subsidies, that is it. So we are not talking about throwing these kids out on the street completely, not giving them any support at all—we are just talking about cash and housing subsidies.

Now, having said that, I would like to clear up at least a question that I have. I think Dr. Bennett directly addressed the ques-

tion of whether cutting off cash would contribute to solving the problem or not—or perhaps ameliorating the problem of teenage pregnancy, illegitimate births in this country.

But Dr. Loury, you and Mr. Wilson kind of hinted around, but you never really hit it squarely. I would like to know from you, do you think that the steps that are outlined in the proposal that we are talking about, taking away cash benefits and housing subsidies, would have any effect, any positive effect on the rate of illegitimacy among teenagers in this country?

Mr. LOURY. Well, I think it is hard to say with any precision because we don't have scientific evidence. My gut is it would have some effect because it makes it now more difficult for the mother to contemplate. And so the incentives for her are moved in the right direction. But I am doubtful that it will have a big effect. We can argue about what is big. Big enough to make us think that we really made a dent in the problem. That is my sense of it.

Mr. WILSON. Could I add one thing?

Mr. MCCRERY. Sure.

Mr. WILSON. The State of New Jersey has experimented with a cap on welfare benefits, denying extra benefits or increased benefits to a second child born to a woman already on welfare. Professor June O'Neil of Baruch College has written an evaluation of this, which you may be familiar with, and she does find some effect. It is a fairly well-done study with the usual scientific controls. This suggests to me that what common sense suggests is true; that if people can't get money for having more children, they are less likely to consider having them.

But I want to endorse Professor Loury's view that neither her data nor any other data that I know of suggests that zeroing out the cash benefit or even materially reducing the cash benefit will make a dramatic difference, at least in the short run, as to how many children are born out of wedlock. Because if this is a worldwide phenomenon, if it is the result of some cultural redefinition of what marriage and commitment is all about, we can't expect that changing the cash income of a family by \$100 or \$200 a month is going to make that big a difference. It seems to me that we have to think about changing the character and the commitment because that will make a bigger difference. The best way to do that—

Mr. MCCRERY. Unfortunately.

Mr. WILSON [continuing]. Is to resocialize those children.

Mr. MCCRERY. If I might grab back my time. Unfortunately, some of those things aren't within the power of this Subcommittee. The welfare program is, though. And so I am going to take the liberty of saying that you both agree with me that at least this would be a positive step toward fighting the problem of illegitimacy in this country. And if you disagree, I will give you a chance to say that.

Dr. Bennett, one word from you, though, about your suggestion and your praise of the move toward devolution of authority for these programs to the States. I agree that the best system would be for the States to handle these programs, for the States to raise the revenues to support these programs and for the States to create them and manage them.

However, we are a long way from there, I think. While I agree with your general statement that devolution of power to the States is desirable, I think, at least for now, we need to have some guidelines from the Federal Government to the States, such as a work requirement, such as time-limited benefits, such as no cash to teenagers having babies. Do you agree with me that we ought to, at least for now in maybe a transition period, attach a few strings to the money that we give back in block grants to the States?

Mr. BENNETT. Yes, you may decide that is the most plausible way to go. I think that in many ways the political question, Mr. McCrery, turns on what you think you can work out most cooperatively with the Governors. I would think in terms of principles rather than rules in terms of your guidelines, because I think it is important to let the States try some things. About the only successes we have, I think you will agree, in this whole universe of welfare have come from State initiatives. The evidence shows that there have been some successes, some modest improvement in New Jersey, in Michigan, in Wisconsin. So I would want to encourage in that direction.

We also need, as Professor Loury said, to try a host of different things, different kinds of institutions. Remember, your task here is finite. You cannot fix this problem. You are only the Federal Government. This is a cultural problem. It is a moral problem of tremendous dimension. You cannot, if you do everything right, end illegitimacy in this country because of the other things that are involved. Do not commit the fallacy of the sufficiency of government, now a Republican sufficiency of government substituting for a democratic sufficiency of government.

Mr. MCCREY. I agree with that. However, surely you wouldn't suggest that we allow the present system to continue as it is?

Mr. BENNETT. No, sir. I think that is what is critical, is that we look at the present system. When people say what will happen here, what will happen there, what will happen to this child, what will happen to that child, against what standard, Mr. McCrery? It has to be judged against the current standard. Look at what the last 30 years have wrought. Look at the body count. And then try some things. Whatever you do, don't stay the course.

Mr. MCCREY. Thank you. We are going to have to recess for just a moment. The next questioner will be Mr. Collins followed by Mrs. Kennelly. We will recess for as short a period as possible. Probably about 10 minutes.

[Recess.]

Chairman SHAW [presiding]. If the guests could be seated and the Members take their places, we will commence with the questioning.

OK, Mr. Collins, you will inquire, followed by Mrs. Kennelly.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Wilson, you mentioned both compassion and responsibility, the fact is that this Nation is one of compassion. All of us are very compassionate when it comes to people who are in need. But with compassion comes good intentions. There is an old saying that the road to the poorhouse was paved with good intentions. And I think that is what has alarmed this whole Nation—the fact that many

things that we do out of compassion and out of good intent have led us into a deficit situation. This Nation is flat going broke.

Also, in the area of responsibility, I think the Nation as a whole wants to see more responsibility, more responsibility from the individual in the area of families. And I think some of the ideas that we are trying to put forward which will stop giving cash benefits to certain people of certain age groups may, in some way, assist with that responsibility. Do you not agree with that?

Mr. WILSON. I share your view that it is desirable to reawaken our sense of responsibility and not to have programs that erode it. My view is, however, that to get from this world where that sense of responsibility has broken down to that world in the bright future where it will be alive and well and require no government program, we have to move through several stages of rebuilding generations that are now at risk for being lost. And it seems to me one of the reasons why I would like to see some part of cash benefits go to fund family shelters is because I believe that the fundamental mistake we are making is to think that the government can act on the individual directly.

The government can best act through mediating institutions. I would like to see the generation of children born yesterday, about the same time my grandson was born, and the generation that is going to be born next raised, if they are at risk, in an environment where they are taught responsibility, as well as compassion, and protected from drugs and alcohol and grow up not believing if you are a male that a sign of respect and reputation in your neighborhood is your ability to impregnate more than five women.

Mr. COLLINS. I agree with that. I have no problem with that. That leads me to the next phase of my questioning, and that is that in the steps that you mentioned, it is kind of common knowledge that we are overall at least a generation away from making an overall change in the situation. In the attempt to change that generation, based on what has happened in the last 30 or 40 years, should we phase in steps to make those corrections? And any of you can join in. And I want to give you an example of phasing in. The Georgia Legislature, in 1992, on an education bill that was going through, put a provision that just simply said that the year—in the year beginning 1996 that any child who was 16 years of age who dropped out of high school or did not enter into some other type of educational program, like a GED equivalency, and they were on—receiving AFDC benefits, they would lose those cash benefits.

Now, the key point was 1996. That left the gap for those who were 16 to 20 to be phased out of the system and not affected. It also gave 4 years for those who would be entering into that situation the thought that they need to prepare to finish school or continue their education. Do you think there are other areas that we could do that type of phasing out or phasing in of programs that would assist people and still shift some of the responsibility?

Mr. WILSON. I think there are many such programs. I think we might want to phase in a program where the AFDC check must be given on condition that the father has been unambiguously identified so that at least child support can be collected.

Mr. COLLINS. The question is, though, at what point in the future should these types of regulations or changes in law go into place? Should they be immediate? Should they be 2 years, 4 years out?

Mr. WILSON. I don't think we yet know enough to have one national rule that fits all the States. What we have learned about the relationship between welfare and work and the promise of certain workfare programs was the result of State initiatives extracted from a reluctant Federal Government. What we know about potential welfare caps were State initiatives extracted from a reluctant Washington.

What I would like to say is not, "What is the date certain by which these things should be phased in?" but how best, using our fiscal resources and legislative imagination, can we encourage a sufficiently radical level of State experimentation so that in 1996 or 1997 we really know what works.

Mr. COLLINS. Thank you.

Chairman SHAW. The time of the gentleman has expired. This panel can only be with us approximately another 20 minutes. They have another commitment requiring them to leave at 11:40, so if we could expedite the questions.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman.

Mr. Chairman, I don't want you to think that my willingness to go along with regular order did not highlight my disappointment that there was not another witness at this table. I can't speak for Dr. Loury or Dr. Wilson, but I know Dr. Bennett as millions of Americans know him on television.

You not only do not mind a different philosophical viewpoint, you delight in it. And I think this problem before us that we want to solve needs every philosophical point of view and every idea that we could have. So I would hope we could get one of our representatives just so we could have more ideas.

I was listening to you, Mr. Wilson, about what happens when you have a community where you have more than you need, obviously, and more than you would want of unwed mothers with children and you said that the first person to step in at a certain point is the police. And I just would like to keep the record straight, having looked at this question and having been studying this question for years, especially as a city councilwoman and living in an urban center, the grandmother is often the intervener, the protector, the one that tries to make it work when it falls down for the child. And so I would just like to give her credit, because she is the one who tries to keep the police from the door often.

Having said that, there is one other thing I would want to say. I would hope that as we move together—all of us want to lower the number of out-of-wedlock births. There is no doubt about it. It has gone beyond acceptability, it has gone beyond what we can handle. But in the process, let's don't stigmatize the child as it used to stigmatize you if you were illegitimate. The Catholic Church wouldn't ordain somebody that was illegitimate. I couldn't figure that one out, but that was the way it was. And I would think no matter how conservative you are, you would know that there are going to be unintended births, we have to deal with that.

The other day we had a panel of experts on adoption, and they were here about the tax credit in the Contract for adoption, and we all think that is—that it is a good idea for special needs children especially. But these experts kept getting back to the fact that they were afraid that the adoption assistance program that we have in place for special needs children would be hurt and that if we didn't—if we just gave across-the-board credit and we didn't give to it the special needs, those children would be in foster care and be hurt. When I asked these experts if they thought this plan to have a child under 18, not have assistance, insisting that the child—and it is a child, 15, 16 years old, in the home, we asked them did they think it would increase adoption, they said no. What they were afraid of is that the child would be in the home. Because every mother loves their child, and the child would stay there for maybe 2 years, then be put up for adoption when they are a special needs child. We know some of these homes are dysfunctional homes. Have you thought out what we do—now, I know what you are saying, Mr. Wilson, nonprofits. Do you think there is a possibility that we will come up with any funding for a home for the mother and the child so the atmosphere can be a good atmosphere? I mean, what do we do if this—in our haste to reform, we get more special needs children and that is—that is the result and we are looking around at that some years from now?

Mr. BENNETT. Well, let me comment first, we may disagree. I hope we will restigmatize, Mrs. Kennelly. That is the only way I can put it. Not the child. You should not stigmatize the child. They should not be stigmatized or blamed for things.

Mrs. KENNELLY. You hope we will restigmatize?

Mr. BENNETT. No, the child should not be stigmatized. You should not be blamed for things over which you have no responsibility. But unless we start stigmatizing these men, for example, the men Jim Wilson cited who think it is a show of macho and maleness to impregnate five women, unless we can as a society stand there and say this is wrong, we are finished as a society if we don't know that fundamental difference.

Mrs. KENNELLY. Dr. Bennett, I thank you for saying that.

Mr. BENNETT. Good.

Mrs. KENNELLY. Because in the Contract, we don't even address that. It is all the woman's responsibility. I thank you for that.

Mr. BENNETT. Well, I am glad we agree on that. It is a very important part of it. As with the drug war, as Mr. Rangel can remember, it was only when we got to the point where we could say drug use was wrong that we started to make some progress.

Mrs. KENNELLY. Thank you for that, too. Because along this reform area that we are going, we have preventive drug programs that look like they might be under attack, also. And Dr. Bennett, I live in a city. I know how hard it is to get that young woman from her bedroom, her living room—

Mr. BENNETT. Right.

Mrs. KENNELLY [continuing]. Out to the street when those drug dealers are there. That is when impregnation often happens, when those people are around, don't have drug training. Go into the prisons on a drug charge and come out as a serious drug user. So thank you for that, too. I hope you talk to people who you influence

and make sure they are aware of unintended consequences as we move toward the need for reform.

Mr. BENNETT. We are bound to have unintended consequences pretty much no matter what we do. But the thing that I want to emphasize is that the burden of proof has got to be on anyone who wants to say that we shouldn't experiment, we shouldn't try different things, that the current system is fine. On grounds of body count and compassion, the current system has to end.

Mrs. KENNELLY. I agree with that, too, sir.

Chairman SHAW. The time of the gentlelady has expired.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman.

Secretary Bennett, many in the welfare reform debate, particularly on the left, seem to be associating compassion with aggregate levels of Federal spending on welfare programs. In your view, is it possible to reform the current spending levels for welfare?

Mr. BENNETT. Yes, I imagine you could. Money is not the issue, to me. That is not the part I care about. I think the American people would be happy to pay the bill that they are paying now if it worked. We have been upping this bill for 20, 30 years. I think if we were getting results, the American people would say fine, pay it. But things are getting worse, not better.

My guess is—my guess is that you could probably do it for less, but it all depends. It depends a lot, I think, on what gets funded, what takes the place of things that are now being funded. Some things will be more expensive, some won't be expensive at all.

I just want to make one point. The single most effective thing that can happen to a person is for that person to examine his or her own conscience and decide they want to change their lives. I am thinking here about some of these men again. I don't know how we get to them. But I will tell you what I learned in the 105 visits as Drug Czar. Life refocusing efforts that do not have a moral or spiritual component are doomed to failure.

In the business of welfare and drug treatment, if we are not in the life refocusing business, we are wasting our money. And I think the three of us believe that you have a much better bet using your resources—maybe a smaller amount of resources, in an institution which can address the person at a moral level and at a level of personal responsibility and a religious level than through a government bureaucracy. I just think your odds of success are better there. If I have spoken incorrectly—

Mr. ENGLISH. So aggregate levels of spending then are a blunt instrument for assessing a policy—

Mr. BENNETT. Absolutely.

Mr. ENGLISH [continuing]. When it comes to welfare reform.

Dr. Loury, you have spoken very eloquently on the limits of the ability of welfare policy to address some of the underlying concerns. Let me ask you, in your view, how can government policy best accommodate those character-forming institutions you talked about in your testimony?

Mr. LOURY. Well, I would like to associate myself with some of the things that Jim Wilson has been saying about trying to get involved in interacting with the recipients. We must look to those institutions that have the authority and the fine discriminating ca-

capacity in the way in which they interact with these women and their children, to be able to help them change their lives, help the women change their lives. That is, when the check or a part of the check goes to the church, then the church and the congregation of people who know the community, who know the local situation and who have a history of involvement and concern with the person, can bring all of that to bear in saying let's assess the situation; what is needed here? What can you do? Are you really trying? Did you do the right thing, and so on. They can project to that person a set of ideals credibly. Not preach at them from a mountain on high, but put to them in terms that they can understand in their own language and the concrete conditions of their own lives and say, look, John over here is living the right way, Judy over here is living the right way, we want you to be able to do that, too. We want to help you. We are concerned about you. This is what you have to do. We are going to be here for you but we expect something from you.

When you have all of that, it seems to me, you have the ability to truly reach someone. And I think the policies should at least allow the possibility of invoking that kind of institutional capacity. And it may be that the design of that policy at the State and local level would be more likely to succeed in both identifying and holding accountable these local institutions for the doing of this kind of work.

Mr. ENGLISH. Thank you, Dr. Loury.

Thank you very much, gentlemen.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Welcome, gentlemen. Obviously, the goal of this welfare proposal that is in the Contract, what we are trying to devise today is to reform welfare in order to break the cycle of poverty that we believe begins with the young unwed mother having an illegitimate birth. I think it is a great tragedy. But for my edification, I would ask each of you to define for me a term that I think has gotten badly mischaracterized in this debate and consistently as we work toward a new paradigm, I would like to know from each of you how you define compassion.

Mr. BENNETT. Well, it is one of the virtues. Compassion literally means suffering with someone. Compassion isn't cheap. Compassion isn't just sort of tearing up while you are watching a soap opera. Compassion in the traditional sense, the moral, religious sense of the American tradition is to suffer with someone, and that means to be with someone, to act in a way so as to alleviate pain. This is very important vis-a-vis Mr. English's question because some people have argued, I think fairly persuasively, that simply sending money from the Federal Government is not only not a compassionate act, but you are trying to buy out of compassion.

The real compassion is volunteer work, that work that is done in churches, communities by a large number of American people. There is a problem in a society when you ask how compassionate are you? Well, look at the size of our budget. Well, what do you do with somebody? Do you work with an organization? Do you help children? No. But I sent my check last month. You can't get there

from here. We are human beings. Some of this has to be done in a human-to-human way. That is what compassion is, actually suffering with other people.

Mr. LOURY. He is the author of the "Book of Virtues" so I don't know if I can add anything other than to say I would have said something about a deep and abiding concern for the welfare. I think that is implied by what Dr. Bennett has said, for the welfare of another. And that that involves a respect for the dignity and worth of the person and that sometimes the way in which that concern and respect is shown is not by what it is that you have given but by what it is that you expect of the person.

Mr. WILSON. Compassion arises because of the natural feeling we have for our own children and they for us. If you think what compassion means in a family, it doesn't mean letting a 6-year-old do whatever he wants. It means coupling love with expectations, coupling concern with responsibility. It means tough love.

Programs that change people by spiritually or morally refocusing the lives of people are based on that philosophy; 12-step programs are compassionate programs but they do not let you get away with just anything. They hold you to very high standards of behavior. And they do it without any money, without any bureaucracy. That is compassion. It is not a warm, fuzzy feeling. It is an engagement that reconciles love with expectations.

Ms. DUNN. Thank you. And since I am still under the deadline, I ask you my second question which, in my mind, relates to what you have just done for me. If you were writing this welfare reform plan as we are at this moment, what would your proposal look like? What would you include in it? Where can we make a difference?

Mr. WILSON. Could I start? I don't know how to write bills. I am an ivory tower professor. But I would hope some way could be found to encourage the States to use the cash component or all of the component of welfare, the welfare package, to experiment radically with very wide alternatives, subject to only two real conditions: That they have to be done on a racially and ethnically non-discriminatory basis—

[Disturbance in hearing room.]

Chairman SHAW. I would remind the lady that you are a guest here. If you would please be seated, you are welcome to stay. Otherwise, I would ask that you leave. Can I ask that the ladies be removed from the hall if they cannot act as our guests.

Mr. FORD. Mr. Chairman, they sound pretty good to me. It sounds as if we ought to let them speak and replace these three men.

Chairman SHAW. I would ask the Ranking Member of this Committee to please support me when I am trying to maintain order.

Mr. FORD. Mr. Chairman, I do support you in maintaining order. But I think they have made the point that we have made on this Democratic side of the aisle. We have three males talking about problems that women are faced with in the poor communities of our society. I respect all three of them.

Ms. DUNN. Mr. Chairman.

Mr. Chairman—

Mr. FORD. I don't think they are that much of an expert.

Ms. DUNN. Mr. Chairman, I am a woman member of this panel. I am very interested in what our witnesses are saying. I would ask that they be allowed to continue.

Chairman SHAW. We will have a balanced hearing, but we are going to proceed in an orderly fashion.

If the gentlelady from Washington will proceed.

Ms. DUNN. Thank you very much, Mr. Chairman. I would ask that our witnesses be allowed to give us their point of view. As the only woman Member of this Subcommittee, I happen to be very interested in all pieces of advice. We are writing an important, expensive bill. It is time to get on with solving this problem that the people have elected us to address.

Gentlemen.

Mr. WILSON. I apologize, Mr. Chairman, for being male, but it was a matter beyond my control.

I would hope that the bill could, by a use of guidelines, principles, or financial incentives, or all of the above, encourage the most radical experimentation among States in alternative ways of supplying child care to young people who are in the predicament we are describing. And that would include family shelters, maternity homes, welfare caps and other devices.

One of the remarks I heard from a person before she left the room was that many persons on welfare have suffered from abuse. That is indeed true. And that is why dealing with this problem as if we were sending checks from the National Treasury to an individual ignores the social context into which these problems have emerged. It sends checks to people who may be suffering from these problems, passing these problems on to their children and living in communities where there is no succor.

It seems to me establishing a mechanism whereby we fund, at least in some places, self-contained communities, invented communities, homes to do this, we would learn more than we now learn by either spending more money or less money to individuals. And I think the Federal Government ought to reserve out of the welfare budget a small amount to be used for careful and objective evaluations of what these States do. We have learned a great deal from what MDRC has told us about workfare. And our knowledge is vastly greater because of the work of Judy Gueron. We must do the same, I think, with new inventions.

Chairman SHAW. The time of the gentlelady has expired.

I would like to yield at this time to Mr. Rangel, who will be the last questioner.

Mr. RANGEL. Thank you, Mr. Chairman.

I hope this panel would not believe that it would not be a panel that I would not have personally and politically selected. So I hope that you don't have a stigma merely because the Republican leadership selected you. I just wanted to make certain that we participate in the selection.

We all agree there is a serious problem. We all agree that the Democrats in 40 years have not provided a solution and we soon are going to agree that the Republicans haven't come up with one. One thing that is abundantly clear is that we are going to have to do something about it because it is terrorizing the communities where people are trying to find hope for the future.

I, like Mr. Bennett, was raised without a father, but I bet you we were raised in communities where men and community leaders felt they had an obligation because of racism and segregation. Black professionals couldn't get out of my community, so I went to church and I saw lawyers and I saw doctors. I bet you that everyone had an opportunity to get a job. We had low-level jobs that people could get that gave you dignity and hope that you could do better. But we are not talking about that today. Those were the good old days, even though I didn't know it.

But today, a large number of the people that we are talking about, if we are allowed the luxury even to forget their color, since you know, it embarrasses some people to talk about it, if we just pick the communities of the highest poverty, the highest unemployed, the highest homeless, the highest number of people, Mr. Bennett, who are addicted, the highest number of people that are selling drugs on the street, the highest number of people that have relatives and family in jails, I bet you that we would be dealing with the mothers that are having these children. We used to be able to say unwanted children. But when a teenager can have so little hope for her life, so little expectation of marriage, no stigma at all that she wants this child just for love, we got a problem.

And these kids that we are talking about are running around with pride knowing that they can bring in a life and just walk away from it, one of the problems that they have is that they know one thing: When we talk about America and high-tech jobs and all of these international agreements, they know you are not talking about them. They know that people are not leaving those schools getting jobs. They know that they have no hope for the future that they would become a part of the American dream, and quite frankly, if it wasn't for 4 years in the Army, 1 year in combat and the G.I. bill, I would not have had more self-esteem than I deserve coming from the community in which I came from.

So what I am saying is that while the experts come up with their solution, no one is going to challenge me that if we did in these communities what we are prepared to do this week for Mexico, to give a guarantee of \$40 billion to educate its people, to make them productive, to make them competitive, to make them consumers, to buy American goods, I bet you one thing: If we did that in these inner cities, you will tell me that the persons that are working, that are educated, that are producing and contributing to society are not the ones creating these problems. You know it and I know it. But we don't talk about investing in these communities. We are now talking about solutions that if it is possible are worse than democratic solutions that are in this bill. So my question is this: Since we all agree to the depth of the problem, let's find out some of the solutions that are recommended and see whether or not you would agree with me that as bad as Democrats were, this ain't much better.

They would suggest that as we allow the States to experiment with alternative ways to deal with this problem one of the things mandated is that if the mother is 18 years old and not married, period, end of story, no benefits for the child for the rest of his childhood. Does that make any sense at all? They would suggest that if someone was on welfare and got pregnant the second time, they

don't want to hear any excuses. That pregnancy means you should never expect anything for the second child. They would suggest that if a woman got pregnant and the father was identified and the State did nothing to establish paternity that it is not the State's fault. No benefits for the child because paternity was not established.

Now, we want to really try to deter these births, but if we all agree that these kids want these children and that dollars are not the motivation that they are doing it, I think you would agree with me that these solutions are not the answer and that we should continue to come together and work together to try to find out whether we can do better.

Mr. Chairman, I hope that we can get this panel together in a room and in an unpartisan way, and not look at each other's registration cards, even though I suspect Dr. Bennett's is different from mine, and see whether or not we can come up with some answers, because we have agreed on the depth of the problem and what is causing it. And whether poverty is causing illegitimacy or whether out of wedlock is causing poverty, who cares? We want to stop both.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you. Thank you, Mr. Rangel. And I would like to thank this panel. My apologies to Mr. Neal.

Mr. RANGEL. Mr. Chairman—

Chairman SHAW. Because we are out of time.

Mr. RANGEL. The only thing I wanted to know is whether or not these three points, the 18-year-old cutoff, the no-paternity/no-benefit, and the fact that if you are not working in 2 years, whether there are jobs there or no jobs there, are supported by any of you?

Mr. ENSIGN. Mr. Chairman, we didn't get a chance to question.

Chairman SHAW. Mr. Ensign did not question. I would ask the panel to reply to Mr. Rangel in writing to those questions.

[Mr. Wilson's reply follows:]

We now know so little about how best to reduce welfare spending, enhance the lives of the affected children, and facilitate the mothers' movement into the work force that I would support a few carefully controlled and carefully evaluated experiments doing each of these things in interested States. Only by doing this can we assess the costs and benefits of these strategies. Until we learn these things, I would oppose a blanket Federal ban that would deny benefits to any girl under the age of 18, to girls that fail to establish paternity, or to girls unable to find work within 2 years. I would, however, support a Federal law that allowed States to try these things, provided that Federal funds were supplied to evaluate their efforts.

Mr. RANGEL. You can nod your head if you want if you agree.

Mr. BENNETT. It is more complicated than that. Remember the old drug war days? We have put a treasure, a fortune, into our cities and the results aren't too good, I will tell you. I don't know how many trillion dollars we have put in programs and the results are not impressive. If we could have bought our way out of this problem, things would be a lot better now than they actually are.

Second, I would actually support some of those proposals in some places to see what works. You want to do something different probably in South Dakota than you want to do in New York City. But yes, I think that the kind of thing they did in New Jersey, some

of the proposals that you mentioned ought to be tried in some places.

Again, you have to measure this against the benchmark of what we have got now, and what we have got now is disaster. I actually think that in some places if you adopted the rule that any child born to somebody under 18 will not receive Federal funds, you would actually see fewer children born out of wedlock. You would see less misery. You would see some break in the cycle.

It wouldn't eliminate it, but I think in some places this would be a very rational and intelligent way to go. My own guess is, as I said before, is that we are going to have our best luck, our best success working through those mediating institutions where the message is not just cash, but cash plus expectations. Some demand, some expectation that people adjust their behavior. But we have got to get the burden of proof right.

This ridiculous debate that has gone on the last few weeks about snatching babies from the arms of mothers to throw them into orphanages, there is no snatching of babies. Mothers are being—babies are being thrown by their own mothers into dumpsters, out on the street, put on radiators. I mean, we have got catastrophes going on now in many of our communities.

That little boy was that buried in Chicago, that 11-year-old that was buried with his teddy bear, he was—as the Cook County social worker said, this boy was a sociopath by the time he was 3 years old. And there are hundreds of cases like that every month. So you know, the burden of proof has to be better than what we have got now. I think you could try a dozen things. My guess is if you were sensible about your dozen, eight of them would be better than what we have got now.

Chairman SHAW. Thank you. I would like to thank the three members of the panel for being here with us today.

Moving on to the next panel, I have consulted with Mr. Ford, who agrees with me, we are going to have a reverse in order and it certainly is in no way slighting the second panel. But the third panel is on their lunch hour and they have to get back to work. And I would like to go ahead and get them on.

At this time I would like to introduce Pam Harris White of District Heights, Maryland. She is a property manager for a private employer. She is a former recipient of Aid to Families with Dependent Children. Our other witness is Amy Hendricks of Temple Hills, Maryland. She is a student and former recipient of Aid to Families with Dependent Children.

If these two ladies would please sit down at the witness table.

Mrs. KENNELLY. Mr. Chairman.

Chairman SHAW. Yes.

Mrs. KENNELLY. May I just make a point about what happened a few minutes ago.

I certainly do not condone, would never condone public interruption of committee meetings. But I would just like to make a point of what is happening out in the country. Women are being very frustrated and a lot of our initiatives on welfare reform is the responsibility of the woman, responsibility of the mother. This is to highlight the reason why some of us think child support enforcement legislation should travel with this legislation. Those young

women that just spoke up from the audience drove down this morning, I understand, from Massachusetts with a 2-year-old. You should try being in a car with a 2-year-old for 8 hours. And what they are saying, they are frustrated that they are not being heard from. We understand we have a witness situation. If child support enforcement was looked on as important as welfare reform, I think we could satisfy the lack of understanding that we are dealing with helping women as well as trying to make them take the entire responsibility for what is happening in this country.

Chairman SHAW. I would like to address this issue and I think the gentlelady from Connecticut will be glad to learn that I intend to offer an amendment to the bill on precisely what you are talking about, and that is the child support enforcement provision. We are working with the administration now and hopefully we are working with your staff also in order to come up with a noncontroversial amendment that all of us can agree to.

Mrs. KENNELLY. I am very glad to hear that, Mr. Chairman.

Chairman SHAW. OK. Ms. White, would you please proceed with your testimony? We have the written testimony that we will place in the record and you may proceed as you see fit.

STATEMENT OF PAM HARRIS WHITE (FORMER RECIPIENT OF AID TO FAMILIES WITH DEPENDENT CHILDREN), DISTRICT HEIGHTS, MARYLAND

Ms. WHITE. Good afternoon. My name is Pam Harris White, and I would like to thank the Committee for giving me the opportunity to provide testimony. You are to be commended for getting input from persons who have received welfare and can relate to the question of welfare reform from a frontline perspective.

A word about myself. I believe my experience on welfare is a microcosm of the issues, problems and challenges faced by single parents, a valuable resource in determining how best to reform the system. Thank you. I am a 39-year-old mother of four children. I had my first child at the age of 15. This dramatically changed my life because although I lived with my parents, I dropped out of school to care for my child. As a young dropout with no diploma, no marketable skills, no child support, I applied for and received public assistance. This started a vicious cycle and what I call the yo-yo syndrome. I wanted to work. I tried to work. However, I did not make enough money to support my family. And so I found myself back on welfare. I did obtain my diploma but my lack of skills stopped—they still provided my, you know, with a stumbling block. So the cycle continued. I got married. I got divorced. And now with four children, I was back on welfare.

I was well below the poverty line and began to wonder how and if I would ever make it. My hope and motivation was always my children. I became determined to do whatever was necessary to ensure that they had the opportunity and did not have to experience life the way that I had experienced it. So I found a program called Project Independence which was for single parents. The program gave me the thing that I lacked. That was skills.

Today I am gainfully employed as a property manager and I am totally independent of welfare. I want to add with pride that all of my children are doing very well. My oldest son is the—he is in his

last year of law school. Next to him is my youngest son. He has his own business. My two daughters are doing well in middle school.

I bought and purchased my own home. They are all drug free. They have never been involved in criminal activity and I am not a grandmother.

Now, to the focus of the deliberations today, my life experience tells me that while illegitimacy obviously increases the welfare rolls, that most women do not become pregnant to get welfare, nor do they have additional children to increase their benefits. Rather, the causes of teen pregnancy are multiple.

Teens tend to act before thinking of the consequences. Poor motivation and lack of education are key factors. I must also add that a lack of values and the decline in the morals and religious beliefs are also reasons why teen pregnancies occur, with the high cost to both the person and to society.

To close, I believe welfare reform needs—I believe welfare needs to be reformed. It must be time limited so that there is clearly a beginning and an end. There should also be performance standards, which the recipient must meet to continue to receive welfare. Examples of these standards are community services, skill training and responsible parenting. There should be something you work for, not wait for.

Finally, there needs to be a strong support system that is there to encourage the support during the downtimes that are sure to occur. The PIC Program provided me this support. We must tell it on the mountain that welfare is not an end but a means to an end, employment and self-sufficiency. The reform package must supply the resources, the tools to enable the welfare recipient to gain the necessary skills to be truly independent.

I again thank you for the opportunity to testify.

Chairman SHAW. Thank you for your testimony, Ms. White.
Ms. Hendricks.

STATEMENT OF AMY HENDRICKS, STUDENT (FORMER RECIPIENT OF AID TO FAMILIES WITH DEPENDENT CHILDREN), TEMPLE HILLS, MARYLAND

Ms. HENDRICKS. Good morning. My name is Amy Hendricks and I am a high school graduate and I come from a very motivated family. I went to college. While in college I became pregnant and had a baby out of wedlock. I dropped out of college and I had my son. Two months after my son was born I was awarded assistance, AFDC, Aid to Families with Dependent Children.

The reason why I got on welfare was because I didn't have the education or possess the skills necessary to get a job that would support my child and myself. With no serious career plans, I could not support or provide my son with the things he needed, such as child care, transportation, food or shelter, and I realized early that I could not make it without an education or specialized skills training, because I wanted my son to have an opportunity in life.

What it was like for me being on welfare is that I was on welfare for 7 months. During those 7 months, I would sit down and cry because I was so frustrated and depressed. I knew I didn't want to be on welfare. I wanted—my goal was to finish college.

At the time I applied for welfare, nobody in the system, the intake worker or anyone else discussed with me ways or assistance to make welfare short-term. While at home, I knew I wanted a college education, but I could not make the connection to get back in school. I was being pushed back and forth in the system.

As I continued to try to find a way off welfare, the system told me to wait until my child was 3 years old before I could get into a program, but I just couldn't accept that. That is when I got mad and I began to fight. I started going back asking questions of my caseworkers, exploring on my own options that were available to me.

Through this exploring, I found the Project Independence Program, which is run by private industry counsel. My son, Jason, has just turned three. If I had done what the system wanted me to do and just waited, I would just be in the process of going to school. But instead, I am graduating May 25, 1995, at 7 o'clock from Prince George's Community College, and I have been accepted to the University of Maryland information systems and management program. I am so glad I am a fighter because the system tried to keep me down, but I would not let it.

We need a welfare system that will help people when they are down and out, not keep them down. Thank you.

Chairman SHAW. Thank you for your very fine testimony.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. I applaud both of you ladies for your tremendous show of courage. When I was a young man, my parents were divorced and so I grew up with a single mom until my mom married later in life, and so I experienced a lot of things.

But 30 years ago, when she would have actually made quite a bit more money going on welfare at the time, there was quite a bit of a stigma attached in the community to go on welfare. What we did is we lived with other families, my grandparents helped out quite a bit, would help buy our schoolclothes. There doesn't seem to be that support system any more in the community with families nearly like there used to be, and there also doesn't seem to be the stigma attached to going on welfare, so that it is easier in some cases where someone may have fought earlier to get off and not get in that dependency cycle.

Do you feel that in this welfare system, by getting it more back to the local areas, by trying to strengthen churches and community to get more involved, do you think that will have any impact in the communities as far as having fewer people go on welfare in the first place?

Ms. WHITE. Yes, I do. You made a statement also about support systems. Unfortunately, grandmothers have to work now, so grandmothers are at work also. But the churches, the community at large, can be the second family too, you know, help support mothers that are on AFDC.

I would also think that if there is something implemented as to where the mother has to work, to give back or something in that nature, it helps build that person's self-esteem. I can't imagine anyone feeling that it is OK to be on welfare. It is a very degrading feeling. People, to me, I think once you go to apply for it, assist-

ance, you have to have it. I mean you are in that state where you have no other alternative.

The way it is set up now, it can entrap you, it can box you in, so that with the reform that you all are putting together, the package that you are putting together, if you were to mandate that in order to receive public assistance, that mother would have to punch a clock perhaps or volunteer at a hospital or wherever their interest is. This would, of course, put them in the arena of saying look, I am going to work for this, instead of sitting home and looking at soap operas, I am now going to apply for the next position that comes available.

There is a whole spectrum of things that need to be done, and I am sure that you all are looking at, besides the mere fact that one is just getting a check, there is a whole spectrum. The child support issue is a very large issue that I hope will be addressed. Because if the fathers were more responsible, there would be less people on welfare.

Mr. ENSIGN. Some of the people have mentioned the fathers and that this welfare reform doesn't take into account the fathers nearly enough. What do you think can be done about bringing some accountability back, making people take responsibility for the children that they are fathering? I know it is a very difficult question. Believe me, we are having a lot of difficulty with it up here, too.

Ms. WHITE. I am trying to form it in a way that will be acceptable. You really can't implant in people and clone in people the fact that they should be responsible. No one should have to make them do anything. However, because we have come to that arena now, that you have to make them, we need to strongly enforce the consequences.

If you don't take care of your kids, you go to prison. If you don't take care of your kids, we garnish your check. I mean we should stop playing with them, pitty-patting. We need to actually have something in line where there is a consequence for not taking care of your kids. It is just that simple.

Mr. ENSIGN. Getting back to myself when I was a child, we had a father who did not pay the child support payments, living across State lines. I understand the difficulties of that. Anyway, thank you for your testimony today. I appreciate it.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. Ms. Hendricks, you were how old when you got pregnant?

Ms. HENDRICKS. I was 22 years old.

Mr. FORD. You were out of high school and all of that.

Ms. HENDRICKS. Yes.

Mr. FORD. Was this an intended pregnancy?

Ms. HENDRICKS. No, it wasn't an intended pregnancy.

Mr. FORD. Was it that before you were pregnant, did you think in terms of if you got pregnant, you could go on welfare to take care of your child.

Ms. HENDRICKS. No. After I had my child and I did work before I went to college, but after I had my child I found it very difficult to work and go to school and take care of him, and I saw the only means was to go on welfare to support my child until I could better myself and get a college education. But it was very depressing. It

felt as though the system had just trapped me in and I was looking for a way out.

And it seemed as though the system, as it is now, was content to just have me stay in the system and not go to school and get out. And if I wasn't a fighter and didn't look for a way to get out, I think that I would just be—it would become a way of life, a culture, to just be on welfare, and that is not what I wanted.

Mr. FORD. Are you receiving child support now for your child from the father?

Ms. HENDRICKS. From the father? No, I am not.

Mr. FORD. You are not. Have you tried or made any attempts to do so?

Ms. HENDRICKS. Yes, I have.

Mr. FORD. What if they had taken your child from you at birth if you had applied for AFDC for the child? What would have been your reaction if, according to Speaker Gingrich's proposal and some of the first childbirths, if they had taken that child from you, would you have been able to cope with that? What would have been your response or reaction to that?

Ms. HENDRICKS. Well, I don't believe in abortion. If they had taken my child from me, I think it would have been devastating to me.

Mr. FORD. Had you known that they would have taken the child away from you at the time, would you have considered the abortion?

Ms. HENDRICKS. No, I am not a believer in that. I don't think I would have chosen that route.

Mr. FORD. All right. Had you not been able to receive welfare benefits, do you think you would have been where you are today, graduating from a junior college and accepted into the University of Maryland?

Ms. HENDRICKS. No, I don't think so, because I think everyone at some point in time may need help or some type of assistance, and I think it should be there for them. You know, sometimes you have stumbling blocks, but I think you have to—

Mr. FORD. So the AFDC was a bridge for you to move on to have a child, to get some support and move right on with your educational opportunities; is that correct?

Ms. HENDRICKS. Yes.

Mr. FORD. Thank you very much, Mr. Chairman.

Chairman SHAW. Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman. For the record, our Republican proposals don't suggest any such thing such as taking a child away immediately.

Ms. White, you mentioned that there should be consequences for someone who doesn't take care of their child. Could you elaborate on that a little bit?

Ms. WHITE. I guess the only thing that I could elaborate about would be to quote from the Bible. A man who doesn't take care of his family is worse than an infidel. It is just that simple. You know, there are consequences in life. He had mentioned, Mr. Ford had mentioned the issue about taking your children from you.

Mr. CAMP. Yes.

Ms. WHITE. No one—I think that parents, husband, wife, they plan pregnancies. People make mistakes. But when you make a mistake in your teens, you are going into this thing for the thrill of the moment. You are not looking at there is a possibility of a baby, and these days and times with AIDS, the possibility of even death, I am saying that something needs to be done.

There are many, many children that are being birthed, the father is here or across the State line, as he said, the mother is there struggling with the children wanting better for her children. I just feel that there ought to be something implemented that will make both parents responsible.

When the ladies were here, the outbursts that they made, I felt for them because I understand the pain that they are experiencing. Mothers feel like why should I be carrying this load alone? It takes two to tango. Where is my partner? He should be made accountable.

Mr. CAMP. Thank you. Ms. Hendricks, you said that because of some of the rules and regulations you felt like you were held down. Is that because—why don't you tell me more about that.

Ms. HENDRICKS. OK. I said that the rules and regulations, it felt like they were holding me back because it seemed like there weren't any programs, that they were content for me just to stay in the system and keep receiving a check instead of trying to go out and better myself, and I think it became depressing and it is also frustrating to just have to sit back in a system when you know you can do better.

I think there needs to be more programs or whatever. You know, people need to have a way out. When you go into the system, I don't see anyone saying, well, this is the way out. Let's make this short-term. I think a lot of times they just get content to be in the system, and I don't think that is right.

Mr. CAMP. So you would like to see either an incentive or something that would spur people on a little bit to get off of welfare and try to better themselves?

Ms. HENDRICKS. Yes. Some help as far as that, yes.

Mr. CAMP. And did you feel, as you—and I congratulate you for what you have done and wish you all the best. Do you have a better feeling about yourself since you have gotten off welfare and have made the advances you have made?

Ms. HENDRICKS. Yes. I do feel that my self-esteem has gone up a lot. I do feel better about myself on the whole because I feel like I am going to be productive in society now. I see a way out, you know. I see hope as far as that I am going to get my degree and I can move on with my life. I feel like once you do get into the system sometimes you get pushed around and you get trapped in it.

I think they need to sit down and really listen and talk with individuals and find ways, you know, programs where people can better themselves, a way out of the system, not just to be content to be in the system, but it should be like a steppingstone to help you get out of the system and better yourself.

Mr. CAMP. Thank you. Thank you, Mr. Chairman.

Chairman SHAW. Ms. White, let me ask you a question. I believe you said you were 15 years old when you had your first baby; is that correct?

Ms. WHITE. Yes, I was.

Chairman SHAW. And that you lived at home.

Ms. WHITE. Yes.

Chairman SHAW. And I assume your family was supportive?

Ms. WHITE. Yes.

Chairman SHAW. Looking back, would you have been equipped emotionally or mentally to have gone into a home setting of your own?

Ms. WHITE. No, sir.

Chairman SHAW. And received the cash benefits without just someone sending you a check every month?

Ms. WHITE. No, sir, I don't think so. I think that at the age of 15, looking back, I was still a child and I had made a mistake and with my parents' nurturing and constant preaching, it helped me to regain a lot of my self-esteem, because what happens I think a lot of things that are not mentioned, or that is not known is that the dropout rate is high for teenage pregnancy as well, because the person transforms. They are no longer like the average teenager. They are now a parent, so there is something to look at in that as well.

But they were nurturing to me and I don't think that I would have been able to support myself and do the things that are necessary to run a household at 15, no.

Chairman SHAW. Thank you.

Ms. WHITE. May I add something also?

Chairman SHAW. Yes, please do.

Ms. WHITE. I had read something where the average timeframe that a person is on welfare is approximately 9 years, and it is just my thinking that if this is true, then perhaps we need to find something that would invest in the people, again, talking about short-term programs.

If we invest in people, we invest in the family, then we could nip a lot of things in the bud and we won't have a cycle of families, mothers being on welfare, their children, their children's children and so forth. We need to really look at investing in people.

Chairman SHAW. Thank you.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman. Ms. Hendricks, congratulations on your graduation. It looks like a good future.

Ms. HENDRICKS. Thank you.

Mrs. KENNELLY. Could you just tell me, you were using the system, you used the system the way it was supposed to be originally used. When you have a rough patch in life, then you have AFDC to hang on to until you get back on the right track, and you did it beautifully.

When you were going to school now—first of all, when you were on AFDC, you took care of the child. Then when you got off AFDC and you went back to school, am I right?

Ms. HENDRICKS. No. I am currently still on AFDC right now, but I am going to school. I am getting my degree in May, but I am currently still on AFDC. But I do plan, after I get my degree and I start work, I do plan to be off of AFDC permanently.

Mrs. KENNELLY. Who took care of your son while you were at school.

Ms. HENDRICKS. Through the program, Project Independence, they paid for child care for a relative to stay home and take care of my child.

Mrs. KENNELLY. So, obviously, that was a great help.

Ms. HENDRICKS. Yes. Without that, I wouldn't have been able to go to classes and put in the amount of study time which I needed to obtain good grades. It also helped relieve some of the stress of not worrying is my child OK while I am in school, knowing that he is being taken care of well.

Mrs. KENNELLY. Once again you proved the point that it is very hard to do without good child care.

Ms. HENDRICKS. Yes.

Mrs. KENNELLY. By the way, thank you, Ms. White, for speaking out about child support enforcement and the Chairman said he is going to address that. And I hope, Mr. Chairman, that we will take a look at the bipartisan bill that the Women's Caucus is doing and, hopefully, it is not just in a block grant. But it is a necessary part, Ms. White, you think, not just for you to try to do right, but the father of the child to support the child?

Ms. WHITE. Absolutely. The children need both parts, because you are breaking a cycle. If you look at the history of women on welfare, nine—well, I don't know the percentages, but I will just say for the record.

Mrs. KENNELLY. By the way, the percentage of the average time on welfare for a person is 2 years, not 9 years.

Ms. WHITE. Two, OK. If you look at the percentage of mothers that have children and they are on welfare and then their children end up in the system as well, that cycle, to me, can be broken if you invest in those children, if you invest in those children by investing in that parent. Because whatever that parent has, she is—even indirectly, she is teaching her children.

There are a lot of things, day care, affordable housing, this is a big spectrum, a big puzzle and there are many, many pieces that have to be focused on and put together in order for the reform to work.

Mrs. KENNELLY. Ms. White, were you on AFDC when you were living at home?

Ms. WHITE. For a period of time, yes, I was. I didn't get on right away, because, again, my parents took care of me. As I got older and I was fumbling through jobs and what have you, you know, waitressing.

Mrs. KENNELLY. Did you move out or did you stay at home?

Ms. WHITE. I moved out and I got on AFDC.

Mrs. KENNELLY. Thank you very much, and I congratulate you both.

Chairman SHAW. Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman. I would like to add my congratulations to both of you, and particularly to Ms. Hendricks who is moving on and on, up and up, and that is what we like to see.

Ms. Hendricks, you were 22 years old when you had your child.

Ms. HENDRICKS. Yes.

Mr. MCCRERY. And so you are 25 years old now, I guess, or thereabouts.

Ms. HENDRICKS. Yes.

Mr. MCCRERY. And when did you first go on AFDC? When did you first begin collecting AFDC?

Ms. HENDRICKS. In October 1991.

Mr. MCCRERY. And have you been continuously on AFDC since that time?

Ms. HENDRICKS. Yes.

Mr. MCCRERY. When do you plan to move off of AFDC? Have you looked that far ahead?

Ms. HENDRICKS. Yes. After I receive my degree from Maryland, I plan to get a job and move off of AFDC permanently.

Mr. MCCRERY. You said earlier that the system seemed to want to trap you. Would you elaborate on that?

Ms. HENDRICKS. Yes. It seems as though they were content to just have me collect the check and get used to a certain culture or way of life, just collecting AFDC instead of looking at making it short-term and finding a route, a way out.

I felt like I had to do that on my own and I was very depressed being on AFDC. No—I didn't see any hope for, you know, a brighter future, as if I was going to find a job or something. It just seemed like I was just stuck. A cycle and I didn't—the outlook didn't look good. It looked like it was just going to be a continuous cycle, but I know that wasn't what I wanted.

Mr. MCCRERY. So do you think it would be OK for us to require people who are on AFDC to get schooling or go to work?

Ms. HENDRICKS. Yes. I think they need some type of specialized training or schooling, and they need to work, if they are able to work, yes.

Mr. MCCRERY. And this feeling of being trapped that you talked about was a result of the system telling you, you don't have to go to school, you don't have to do anything, you just need to collect your check every month.

Ms. HENDRICKS. That is the way I felt, as though they were telling me to wait until my child was 3 years old, yes.

Mr. MCCRERY. OK. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I enjoyed both of your testimonies and admire you both. The hopes of this and other Members is that we will break a cycle of poverty.

And as I listened to you all testify, especially you, Ms. Hendricks, it looks like you were beginning to be trapped and you noticed and saw that entrapment as it was taking place. Because if I heard you right, you said that there was—they told you to wait 3 years to try to raise yourself out of that trap or to get out of that trap?

Ms. HENDRICKS. Yes. As far as to wait 3 years before I attempted to get into a program, and that is when I began to look for a program on my own. I just didn't want to accept that.

Mr. COLLINS. I think that is great. And what was the program?

Ms. HENDRICKS. Project Independence. They have the JOBS Program as well as day care for children, which is essential for single parents in order to get schooling or training, and they have support groups there. Because your self-esteem can go down and I think that was very important.

Mr. COLLINS. Is this a local, a State of Maryland project, program?

Ms. HENDRICKS. It is located in Prince George's County. I am not really sure if it is—I think each county has their own type of programs. I am just familiar with Prince George's County because that is the county where I reside.

Mr. COLLINS. Good. Thank you. I am very proud of the fact that the State of Georgia is beginning to implement a program that is called a Work First Program. When someone in your situation applies for assistance, the first thing they do is try to help you at that point figure out how you can keep from becoming entrapped, and I think that is—you saw it on your own, but I am really proud of the State of Georgia doing that.

Ms. White, you mentioned the PIC Program, and the fact that we need to invest in people with expectations. The PIC Program is an example of that; is that not true?

Ms. WHITE. It is the same program.

Mr. COLLINS. I am very proud, again, of our State. We have what is called the Peach Program, and, of course, being the Peach State, you know. But it, too, invests in an individual with expectations of work after the program, but what we have run into is under the current law and some of the current regulations, especially in the area of housing, if there is also—if these adults are not living at home, they have their own apartment in subsidized housing. Once they complete the program, the PIC or Peach Program and go into the workplace, within so many days or months they have to report those earnings and once they report those earnings, then their cost of living in that particular setting goes up, because the rent is increased based on income, which immediately makes their bottom line less, and which is an incentive, then, to go back to where the bottom line was better and that is back into the entrapment of the system.

But the point I want to make, the PIC Program and the Peach Program both were administered at the local level and it is at the State level and not at the Federal level. Are you aware of that?

Ms. WHITE. I was not—I know that it needs to be nationwide, because it is just that effective. I would love to see a program of this nature nationwide.

Mr. COLLINS. Well, those are programs that are being implemented throughout the country, throughout the Nation. But the point is that they are locally administered or State administered and not federally administered, and that is, again, the gist of the GOP plan, the Republican plan is to help States with funds to implement programs that do invest in the individual with the expectation of good results, and to help them out of the trap.

I thank both of you for being here. I really enjoyed your testimony, and congratulations to both.

Chairman SHAW. Mr. Rangel will inquire.

Mr. RANGEL. Mr. Chairman, let me congratulate you on your lack of bias in selecting witnesses. Ms. Hendricks here is testifying and all of you are congratulating her, that somehow she got pregnant, she got in trouble, she went for help, it was complicated, but she had the drive and the initiative to say I am not going to get lost

in this system, I am going to go to school and make something out of myself.

Clearly, she has proven that and the system is helping her to achieve, and I hear over there, my God, isn't that wonderful. It is my understanding.

Chairman SHAW. It is a very fair hearing, isn't it Charlie?

Mr. RANGEL. Whatever. Whatever. My time, Mr. Chairman. Now, this lady should know that under your plan, Ms. Hendricks, under the Republican plan, you could do what you want for 2 years, but under this plan that we are listening to testimony today, at the end of the 2 years, if you are not working, that ends any support for your child. Do you know that, under the Contract?

Ms. HENDRICKS. No.

Mr. RANGEL. OK. That is why I wanted to congratulate the Chair for bringing you here, because that would have ended all of these hopes and dreams if at the end of 2 years we say, well, if you are not working you are out of business, right?

Now, Ms. White, I like when you said you were looking—you said it eloquently that, hey, this baby took two people and we really should try to make this person have some responsibility and not just do what he has done and walk away.

Do you know that in this bill before us under the Contract with all of America that there are no provisions that deal with this fellow? It is as though the women did it by themselves. Did you know that?

Ms. WHITE. Yes, I am fully aware of it.

Mr. RANGEL. And you testified that it should be there.

Ms. WHITE. It should be.

Mr. RANGEL. Let someone charge my Chairman with being prejudiced against Democrats. So these are at least two witnesses who say this bill would not work for them. But let me say this, thank God that the welfare system, as bad as it was and is, worked for you two. Thanks for coming.

Chairman SHAW. Does the gentleman yield back his time?

Mr. RANGEL. Yes, I do, Mr. Chairman, and thank you again.

Chairman SHAW. Thank you, Mr. Rangel.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman. During his testimony, Dr. Loury suggested that welfare reform should institute a system that sends the right signals to people in the system. You have, obviously, both been heroic in your efforts to escape from the welfare system, but what we have found is that because of some of the provisions in the current system, that Mr. Collins touched on, the fact that as you work your way out of the system, you receive progressively less access to help and to benefits. In fact, people in the welfare system trying to escape and trying to work, trying to better themselves, face some tax rates, something like over 70 percent on their extra effort.

I wonder if you can quantify your feelings on what sorts of signals this situation sends to you when you, if you are working your way out of the welfare system, have higher real tax rates than millionaires? Would you like to comment on that?

Ms. WHITE. Repeat the question, please.

Mr. ENGLISH. Well, you were working your way out of the welfare system and you were losing benefits because of the extra income you earn. You may be facing tax rates in effect greater than 70 percent, and that is higher than what we tax millionaires.

Dr. Loury said that he wanted to see a welfare system that would send the right signals to people in the system who are trying to work their way out. I wonder if you could give me your reaction to what sorts of signals the current system sends to you by penalizing your work to that extent. I know, it is an essay question.

Ms. WHITE. Well, just to reiterate something that she had said, she felt trapped and that she had to fight. Well, unfortunately, everyone does not have that fight in them, and what the system does is if you decide that you are going to go out and get a job, let's say you get a job that is minimum wage, well, if you can't afford to pay housing, and you are forced back into welfare, child support issue again, the signals to me that it sends is that they handcuffed you to stay still.

When the handcuffs are released and the support system is properly placed, that it becomes a springing board, then you can take, for instance, as an example, I remember I started a job. I was still in the system, and I had to report my earnings, but when you go to work, now you need a dress, stockings, shoes, your hair done, makeup. The kids need lunch, things that are additional to your grant. You get the same amount of your grant 12 months out of the year. However, your needs change and the grant needs to change.

You know, these are the signals that I got; that they are not trying to help me. However, when you think about the overall, if you look at the overall picture, the help should be consistent upon individual levels as opposed to just a pile of names and numbers.

Mr. ENGLISH. That makes sense.

Ms. Hendricks, do you want to add to that at all?

Ms. HENDRICKS. I think just to say again what Pam was saying that you do feel trapped, basically and the incentives need to be there also, I think.

Mr. ENGLISH. Thank you so much for taking the time out in your day to participate in this. I really appreciate your time, your willingness to come forward and offer personal experiences which so often are not included as part of the hearing process. So I appreciate very much your time.

Did you have something to add, Ms. White?

Ms. WHITE. I would like to add something. If it had not been, however, for the system being there, even in the condition that it is in, how would I have fed my kids? How would I have been able to support them? What would have happened to their medical needs? It is a need, it is definitely a need, and I know that you all feel that you have a great weight upon you. It is a need, and it needs to be reformed also.

It needs to take into consideration families. We need to get back to the family. We can't take people's children from them and send them to orphanages and think that that is going to solve the problem. What is going to solve the problem is we need to get back to basics, and that is our morals and our values and our religious con-

nections, community at large and realize that we are not in this melting pot alone.

Mr. ENGLISH. I quite agree. Thank you very much, Mr. Chairman.

Chairman SHAW. Thank you.

Mr. Nussle will inquire.

Mr. NUSSLE. Thank you, Mr. Chairman. Your testimony has been excellent today and it goes along very well with Ms. Kellog's from the first day—she happens to be here, and welcome back—and my understanding is that some of the work she has been involved in as well. So we are seeing kind of both ends of the spectrum here, both from the first day, kind of the big picture down to how this applies in specific situations, and you both talked about plans and how you need, you need to have a plan. You are going to unlock this, if you are going to get out of it, you need some help.

I mean, that is clear. You can't just throw people off. I know there are some people that would love to have that mischaracterization out there in the media right now that somehow people are going to be thrown off. That is fine if that is the way people want to play. That doesn't help us move forward, but that is fine if that is the strategy.

The question is, what kind of plan should we have? Is it fair to have a plan that says to people, we are going to help you, but we need you to help yourself. We want it to be for a specific period of time. We are going to give you a deal where you can participate in job training and get back on your feet and we don't want to lock you in. We want to mold to what you need, which is the way the Iowa plan works where I come from. We kind of tailor it to what you need, because one size doesn't fit all.

So is it fair to have a plan, and is it fair to have a time period where we say, this is when the deal ends and you got to work with us during that period and this is how we are going to unlock you from this dependency that you have been on for so long? Is that a fair way to present this to people?

Ms. WHITE. I think it is fair. I also think that your insight of one size doesn't fit all is the focus, because her situation is different from my situation. She has taken the initiative to want to go to medical school. She should be given that opportunity. Checks and balances. Just check her grades, make sure that she is actually going forward. You know, it should be something that is tailored to the individual. There should be limitations on the timeframe. And it makes sense to me.

Mr. NUSSLE. We were talking earlier about, you know, a 2-year timeframe, and I would address this to Amy. I mean would it be fair to have that kind of a timeframe and to suggest to you, this is how we are going to help, this is how we think you can help yourself and this is the timeframe that we think you can do it in. Would that kind of deal work for you?

Ms. HENDRICKS. I think you would have to be realistic with the timeframe if you were going to implement a timeframe, because for each individual, like Pam was saying, it is different.

Maybe you need to sit down and they need to make a plan to find out what exactly a person needs, how much time do they need and be realistic about it, not years upon years, but maybe enough time

for them to go to school or training, get specialized training or get what they need to move on so that they won't have to go back on welfare once they do get off.

Mr. NUSSLE. Well, just for the basics, just to, you know, get enough training and education to go out and find maybe your first job, maybe your second job. Do you think in your situation that 2 years would be a reasonable timeframe to get that training and at least—I am not talking about a college—I understand that takes longer, but just the training and experience and some education to get you on your feet for that first job, is that a reasonable timeframe?

Ms. HENDRICKS. For me personally, no.

Mr. NUSSLE. It wouldn't have been?

Ms. HENDRICKS. No.

Mr. NUSSLE. You don't think you could have gotten the training—I am just talking about your first job. I am not talking about a career. Obviously, it takes a while for that, but just for your first job, do you think you could have accomplished that in 2 years?

Ms. HENDRICKS. Well, I don't think I could have in 2 years, because there are other intangibles also that play a part of that, such as child care, because it is harder when you have a child to do those things. So I personally don't think 2 years would have been enough.

Mr. NUSSLE. And that is part of our current system, too.

Mr. FORD. Will the gentleman yield?

Mr. NUSSLE. Well, no, actually I don't have much more time, and I guess I would like to end with this question. If you thought—because it has been mischaracterized, I think, here today, that children will be taken away from mothers as soon as it happens and all of this kind of stuff.

Let me give you the option that appears to be out on the street right now for a lot of mothers, and that is throwing away their baby in a dumpster as opposed to giving an opportunity, whether it is an orphanage, that word was used, but it doesn't have to be an orphanage, but some kind of placement for the protection of that child.

Given that kind of option, don't you think it is fair in some instances if that is what is going to happen under our current system that maybe we ought to think, for the protection of that child, that there will be some removal in some instances where that is the only option that appears to be available? Wouldn't that be a fair system as well? What would be your advice? I mean if the only option is dumpsters versus orphanages, what would you choose?

Ms. HENDRICKS. I wouldn't want to put a child in a dumpster, of course, but—

Mr. NUSSLE. Well, that is what the Speaker said in his speech, and, unfortunately, some people take that and mischaracterize it and use it as the format for plans all along the way. And I would just say to the rest of my colleagues on the panel, it is that kind of conversation and discussion and mischaracterization that is going to make it very hard to move forward in a bipartisan fashion and work toward a plan that solves these problems for the people that are testifying here.

Mr. FORD. Mr. Chairman, could I be recognized just for about 30 seconds? To put it a little bit clearer, Ms. Hendricks, under Speaker Gingrich's proposals you are presently on welfare in school and if you had another baby he is proposing that they would take that baby away from you and place that baby in an institution. In other words, automatically take the baby right away from you. Do you think that would be the right approach in this—

Mr. MCCRERY. Mr. Chairman, I am not going to allow him to mischaracterize the proposal. That is not what Mr. Nussle is talking about.

Chairman SHAW. I think the gentleman from Tennessee knows very well that that is not the proposal and I would challenge the gentleman from Tennessee to point anywhere in this legislation where it states the Federal Government is going to take or can take or is empowered to take or has ever taken any baby away from its mother.

Mr. FORD. Under the current program we have not, Mr. Chairman. But the Speaker of the House, your leader, is proposing it in the welfare reform package or where the additional child would receive no funds at all and would never be eligible in her whole lifetime and would be penalized because of the mother, who had an unintended pregnancy.

Chairman SHAW. With all due respect, I am going to now excuse this panel. Thank you for your testimony.

Mr. RANGEL. Mr. Chairman.

Chairman SHAW. Let me finish. The gentleman from Tennessee is mischaracterizing the position of the Speaker. I think that is too bad, because we on the Republican side have reached out to the Democratic side and I will continue to do so to work in a bipartisan manner for the good of everybody.

Mr. Rangel pointed out that we weren't filtering witnesses to only sell one side. We are going through this hearing process to learn, all of us to learn, the Republicans and the Democrats to learn, so that we can come up with the best possible bill. That is what we want—all of us want to help people.

We will disagree somewhat on how to do that. But all of us want to arrive at the same place, and by sharing ideas, sharing point of views, having open hearings, hearing from a wide variety of witnesses—that is the best way to do it and that is the way I intend to conclude the hearing.

Mr. FORD. Mr. Chairman, if she was 16, 17, or 18, that is what Speaker Gingrich is proposing in his Contract With America, or in her case now they would cap all benefits, whereas the kid would not be eligible for any additional AFDC benefits, and that is what the Republicans are proposing.

We have also asked the Republicans to really walk this through what you are, in fact, proposing. We have not heard that before this Subcommittee.

Chairman SHAW. Oh, I have offered to do that for you.

Mr. FORD. We welcome that.

Chairman SHAW. We will have the walk through at the appropriate time. And we are going to be getting more and more input. I think I made clear to Mrs. Kennelly, who has spoken out on several occasions now with regard to having child support enforcement

in the bill, that I think it should be in the bill; we intend to put it in the bill, and go forward.

I think that there are areas of wide agreement, and we should try to focus on them. We sit here and it concerns me that we are sitting here as lawmakers arguing over the shape of the table when we have a whole segment of the population going down the tubes.

We are going to help them, and we are going to stop this partisan bickering. We are going to work this out between us and we are going to get something done; we are going to pass legislation and we are going to send something down to the White House that the President will sign.

Mr. RANGEL. Mr. Chairman, point of clarification following the theme you stress. This Member will be pushing one point if indeed I have misunderstood the legislation, and the point will be: Under the law that you are supporting, would it have been possible for Ms. Hendricks to have received AFDC payments for more than 2 years under her present situation since she has not worked during the 2-year period?

Chairman SHAW. The present legislation, as it is written, would require work after 2 years, so there would have to be work done for the benefits after 2 years.

Mr. RANGEL. And so that is why I am going to try to keep the tone as such so that we can continue to talk with each other and try to reach a solution. But I was lauding the Chair for having both of these witnesses.

I think you have answered that you intend to take care of the problem that Ms. White has raised as it relates to going after the male. OK, we can work on that.

Now, as it relates to Ms. Hendricks, if you support her achievements at this point, are you prepared to adjust the legislation to allow requiring work as a condition of benefits to continue to happen if a person has the drive that she has had?

Chairman SHAW. Well, I am sure that the Committee will continue to address this, and it will be going forward with the amendment process. As to how the legislation is going to finally end up or how the votes will come out—

Mr. RANGEL. Under the present law, this accomplishment that we all are proud of, that America is proud of could not have happened with the proposed legislation.

Mr. MCCRERY. Mr. Chairman.

Chairman SHAW. Again, I would like to thank the panel for being with us and taking your time on your lunch hours, as I understand it, and we very much appreciate your presence here and your testimony.

Thank you very much.

Ms. HENDRICKS. Thank you.

Mr. MCCRERY. Mr. Chairman.

Chairman SHAW. Yes.

Mr. MCCRERY. May I just respond to one thing Mr. Rangel said?

Chairman SHAW. Yes.

Mr. MCCRERY. As I understand this process, we are not here supporting a specific piece of legislation. Yes, there is a specific piece of legislation attached to the Contract With America, and yes, that forms the basis for our starting point.

But it is only a starting point, as far as I am concerned, and I think as far as the Members of our side are concerned, that is what this hearing process is all about, so that we can learn more than we already know and use what we learn to craft a product at the appropriate time to move forward.

But the purposes of these hearings is not to support a specific piece of legislation. I want to make that clear, at least that is my view.

Mr. RANGEL. Would the gentleman yield for purposes of allowing me to respond?

Mr. MCCRERY. Be happy to.

Mr. RANGEL. The major problem is that this procedure is totally unusual to the regular procedure of the House of Representatives. In this room over the years, we have hearings on a piece of legislation. Now, I am telling you—

Mr. MCCRERY. Mr. Rangel, that is not so. You know that. We have hearings all the time without having a base piece of legislation.

Chairman SHAW. If the gentleman would yield—

Mr. RANGEL. I would like to respond to this gentleman.

Chairman SHAW. This process started in the last Congress. We had several hearings on welfare reform, and we are continuing those hearings, and then at some point, hopefully by the end of this month, or the very early part of February, a mark will be laid down on which we will go to work on formulating the legislation.

But don't say this isn't precedented, because I believe we have sufficient precedent. Mr. Ford had several hearings on welfare reform without a hearing addressing a specific bill, as I understood the hearings.

Mr. MCCRERY. And Mr. Rangel, we had hearing after hearing after hearing on the Health Subcommittee last year on health care reform without having a base bill. In fact, if you want to say, well, we had the President's bill, the President's bill wasn't even offered for markup in the Health Subcommittee. So this is not without precedent.

Mr. RANGEL. In the literature giving notifications of these hearings, was it not agreed that this is on the Contract With America?

Mr. MCCRERY. Yes.

Mr. RANGEL. So forgive me if the questions that I raise deal with the provisions that are in the Contract With America.

Mr. MCCRERY. Oh, I think those are appropriate.

Mr. RANGEL. So it was not inappropriate for me, I hope, for me to ask Ms. White and for me to ask Ms. Hendricks.

Mr. MCCRERY. Not at all. We did the same thing.

Mr. RANGEL. Let the record state that it was not the Republicans that would have restricted Ms. Hendricks, nor my colleagues that would have not dealt with the questions you raise, Ms. White, but it was with the Contract With America that would have done this to both of you.

Thank you, Mr. Chairman.

Mr. MCCRERY. Mr. Rangel, we look forward to continuing to work with you to bring out evidence from the witnesses so that we can fashion a product that we can agree will help solve the terrible condition of the welfare system in its current state.

Mr. RANGEL. Do you know how we could really—

Chairman SHAW. I am going to have to cut off the exchange.

Mr. RANGEL. How we could really move a lot faster is when you agree, if you would, as the Chair just did, on the question raised by Ms. White, he said we are going to deal with that. That would mean that after the hearing, we can all get together with staff and find out how we are going to deal with it.

Mr. MCCRERY. Exactly.

Mr. RANGEL. If someone would say right now that we would like to deal with the question that was raised by Ms. Hendricks.

Mr. MCCRERY. Yes, Ms. Hendricks.

Mr. RANGEL. If someone would say—I am impressed by what she has been able to do. I would like to encourage other people to do this, rather than become dependent on that check. If someone would say let's see whether we can fashion something to protect this type of behavior, then I would say, that is off the table.

Mr. MCCRERY. I would be glad to talk about that.

Chairman SHAW. Well, I think you have said that, so—

Mr. COLLINS. I think there have been several who have said that, Mr. Chairman. The same gentleman over there criticized me for congratulating two ladies who got out of the trap.

Mr. RANGEL. All I am saying, sir, is that—I misunderstood your congratulations. If I thought you were saying that you congratulate her and you want to have in the legislation provisions that would support that, then I would congratulate you again for saying let's work together to preserve this. Am I making myself clear?

Mr. COLLINS. We are working toward legislation.

Mr. RANGEL. The Contract With America prevents this from happening. If you are going to work together with us, I mean with you and me, let's make certain that we preserve this.

Mr. MCCRERY. So does the President's bill, but hey, we are going to work on it.

Chairman SHAW. We are going to proceed with the second panel on the witness list.

Mr. FORD. Mr. Chairman, please.

Chairman SHAW. First on our second panel is Rebecca Blank, a noted economist from Northwestern University who has written widely on social issues, including training programs, welfare issues, and employment policy. Next is Rev. Robert Sirico who has been active in the public policy arena for many years writing often on the interplay between religion and economic and social policy. In 1994 Father Sirico was appointed to the Michigan Civil Rights Commission. And finally, Ruth Wasem of the nonpartisan Congressional Research Service is a face that is familiar to Members of this Committee. Ms. Wasem for many years has been an enormous help to us, especially on immigration and teen pregnancy issues. We are delighted she and the rest of the panel can join us today. And we will now proceed with Dr. Blank. Welcome to the Committee.

Mr. FORD. Mr. Chairman, could I be recognized.

Chairman SHAW. I am stopping this bickering that is going on.

Mr. FORD. It is really just for the record. Just for one brief statement and just to coin that section 105 in reference to the statement that I made earlier with the witnesses. This section of the Contract With America prohibits benefits to children and their parents when

a child is born out of wedlock while the parent was under 18 or under 21 at State option. The ban applies for the entire childhood of the child unless the mother marries the biological father or another man legally adopts the child. That is what I was making reference to when I questioned the witness.

Chairman SHAW. Mr. Ford, this or any other provision of the bill that you object to will be addressed during the markup process, and I am sure that whatever we use for the markup document, that you will be actively involved in that.

Mr. FORD. That was just pointed out by your colleague on your side of the aisle that I just point to the reference in the Contract With America and I just wanted to point to that section.

Chairman SHAW. OK. Dr. Blank, your full statement has been made a part of the record and if you would proceed as you see fit.

**STATEMENT OF REBECCA M. BLANK, PH.D., PROFESSOR,
DEPARTMENT OF ECONOMICS, NORTHWESTERN UNIVERSITY,
EVANSTON, ILLINOIS**

Ms. BLANK. Good. Thank you. I see my role here today as very similar to that of Professors Wilson and Loury in the first panel. I am not a political partisan; I am here primarily as an academic researcher concerned with the causes and the consequences of the social problems that face us.

If you don't believe that, you can look at the first section of my statement where I go through the numbers on nonmarital births and how they were changing. I will not take you through that in my oral statement but instead focus on what I think is the crux of the issue before us here. What are the causes of declining marriage and the rising numbers of single mothers? Let me indicate first what is not the primary cause of this phenomenon and then ask what the cause is.

First, the rising share of out-of-wedlock births is not primarily due to the structure of cash welfare payments. A wide variety of studies have related benefit payments within AFDC, the Aid to Families with Dependent Children Program, often called welfare, to fertility issues.

Depending on which study one looks at, the results either indicate that once you control for other variables, the effects are either small or simply nonexistent.

Robert Moffett, a professor of economics at Brown University, was recently asked to write a review of this literature, the effects of AFDC on fertility, for the *Journal of Economic Literature*, a journal published by the American Economics Association. After extensively discussing these studies, Professor Moffett concludes "The failure to find strong benefit effects is the most notable characteristic of this literature."

There is other evidence that supports this academic research. First, as many have noted, the monthly support levels available from AFDC have fallen steadily since the sixties. It is hard to understand how the recent rapid increase in unwed motherhood can be fueled by public assistance payments when their levels have been declining.

Second, and Professor Wilson noted this earlier, the rise in births among unwed mothers is not limited to those who rely on AFDC

for support but is spread throughout the income distribution and has occurred in every industrialized country around the world. Unwed motherhood is a social phenomenon related to many factors. The claim that it is primarily driven by welfare payments available to only a small fraction of the U.S. population is to miss this larger picture entirely.

Third, the cross-national evidence here is particularly revealing. The United States has one of the highest rates of single motherhood and the highest rate of teen pregnancy although it provides less in support for single mothers than most other industrialized countries.

Canada provides a really excellent example. Canada, in the mideighties, paid what they call social assistance to single mothers at a level approximately twice as high as the United States. Yet their birth rate to single mothers remains well below that of the United States.

In this case, what is the cause of rising out-of-wedlock births? There are a variety of answers to this and, as Dr. Loury noted, the answers are many and complex. There is no one single causal result here. To mention just three of the main reasons, number one, women's ability to find jobs and to support themselves in the labor market has increased, increasing their economic independence.

Number two, men's ability to support a family, particularly among less skilled men, have declined. As anyone who reads the newspaper knows, among both high school dropouts and high school graduates, wage rates adjusted for inflation have declined substantially since the seventies by 5 to 15 percent depending upon men's skill level. The net effect is that men are less attractive as marriage partners.

Number three, as others have noted before me, the social stigma associated with unwed motherhood has declined. It is important to note the growing economic independence of women and the decline in stigma associated with single parenthood has affected all women and explains a rise in single parenthood among women of all income groups consistent with the evidence.

In this world, then, what would be the effect of limiting or abolishing public assistance for single mothers? I think you need to look at this as a cost-benefit analysis. There may indeed be some results that would be pleasing in some ways. It is an open question of how big the magnitude of those results would be. But there would also be devastating costs associated with such a legislative change.

Let me talk about three results that would occur. Number one, fewer women will have children as single mothers, either because they engage in less premarital sex, because they use birth control more consistently or because they are more likely to have abortions if they become pregnant. Given the evidence available, it is very difficult to talk about what the size of any of those effects are going to be.

Given what we know about teenage pregnancy, and a number of others have testified to this before me, it is not much affected by rational economic calculations of long-term costs. The main effect I suspect is more likely to be on abortion rates than it is going to be on initial pregnancies.

Number two, among women who continue to give birth to children, they will be less likely to live independently. Many of them will live with other family members, such as parents or sisters, will live with boyfriends, or will choose to marry. Again, it is hard to predict the size of this impact.

It is, however, important to note that this route may do nothing to solve poverty among women and these children. Many poor women have families and boyfriends who are also quite poor. One could imagine that many poor women and children will end up in more crowded housing situations where more people live together and pool income but where the larger household is still poor.

It is also important to note that the incidence of domestic abuse among low-income women seems to be quite high. The State of Washington, in a random sample of their AFDC recipients, found fully 60 percent reported a history of sexual or physical abuse as adults.

Now, they actually didn't believe those numbers. They went back to doublecheck them and indeed confirmed that they seemed to be true. Moving women back into more shared housing arrangements may well increase these problems for at least a subset for both women and children.

Number three, a number of women will try to maintain their independence and try to survive economically without public assistance. Some of them will do this in mainstream employment. Some of them will do this in illegal employment. Some of these women, particularly those with no family to help, will find themselves out of work, in jobs that simply can't pay the rent, and some of these women, in the absence of public support, will turn up among the homeless.

A number of other people before me have testified to the effect of poverty on children. Its effects are devastating by virtually every study that we have. The cost of substantially cutting back our public assistance programs is negative long-term effects on the children. This is a cost I would not be willing to bear from what I know of the research literature in this area.

If cutting back public assistance is not the answer, that leads us to the obvious question: What other policy options do we have? Rather than a scorched Earth policy whereby all low-income, never-married women are cut off from social safety nets, there are other choices available to us. They are outlined in my statement and I would encourage you to ask me about them if you would like to talk about them in more detail. They are very similar to issues that have been raised by my predecessors in panel one.

We need to do things that change the entire culture of our society and its attitudes toward young women and teen pregnancy. That means communicating with both young women and young men. We also need to make the welfare system one that essentially encourages work rather than discourages it. I am a strong supporter of job training and employment programs, run more effectively than we have in the past.

It is very tempting and it is very human to desire simple answers. Public policy would be easier if welfare were the primary cause of rising single parenthood and if eliminating welfare payments to never-married mothers could eliminate single parenthood

without any other costs. Unfortunately, the world we live in is far from simple and good policy requires that we reject such simple answers.

Government programs are not the primary cause of out-of-wedlock childbearing and eliminating government programs will not solve that problem. If we want to decrease the incidence of single motherhood in this country, it will require a degree of social agreement and social will from all parts of our society. Let's recognize the complexity of this problem and resist simple, easy and wrong answers that only increase economic need.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF REBECCA M. BLANK,
PROFESSOR OF ECONOMICS, NORTHWESTERN UNIVERSITY**

**Subcommittee on Human Resources
House Ways and Means Committee
January 20, 1995**

No one disputes the facts: Pregnancy occurs too often among unmarried teenage mothers, who doom themselves to a life of economic struggle by dropping out of school to raise their children. Rising rates of child poverty in the United States are largely driven by the increase in the number of single mothers trying to raise children on their own.¹ While the majority of these women are divorced or separated, an increasing share have children outside of marriage. The problem in these poor families is two-fold: Lack of income and economic resources limits the opportunities they can provide their children, while the presence of only one parent means that there is often no one to share the job of parenting, disciplining, and loving the children. The result is that the single parent who is trying to do it all often must face major economic and emotional burdens.

The topic of today's hearing is the causes and effects of the rising share of births to unmarried women. I will answer this question by focusing on four major issues: (1) How is the growing share of non-marital births defined? (2) What is causing the rising share of births to unmarried women? (3) What will be the effect of limiting or abolishing public assistance for these families? and (4) What other policy options do we have?

(1) How is the growing share of non-marital births defined?

Let us first be clear about the phenomenon we are discussing: The share of births to unmarried mothers is rising as a share of all births. To understand why this is happening, it is important to distinguish between the *birth rate* among single and married women and the *number of births*. The *non-marital birth rate* gives the probability that a single woman will have a child. The *total number of non-marital births* is the result of the non-marital birth rate, multiplied by the number of single women in the population. Similarly, the total number of marital births is the marital birth rate, multiplied by the number of married women. The "*illegitimacy ratio*," or the *share of non-marital births*, is the total number of non-marital births divided by all births (births to single women plus births to married women). This ratio is affected by birth rates among both married and single women, as well as by the number of single women relative to the number of married women in the population.

As it turns out, the birth rate of single women -- the probability that a single woman will have a child -- has actually declined among black women and remained relatively low among white women. What has changed is that the number of single women relative to the number of married women has grown enormously, at the same time as the birth rate of married women has declined. Let me discuss each of these in turn. Appendix 1 gives more detail on the numbers I discuss here.

First, fertility among married women has declined as family size has declined. In fact, the declines in family size among black married couples are even greater than among white married couples. Declining fertility among married women is presumably not the problem we are talking about at this hearing although it has increased the share of out-of-wedlock births. If married couples are having fewer children, even if there were no increase at all in the number of non-marital births, then the out-of-wedlock birth rate would go up.

Among white women, the share of non-marital births has gone from 2 percent in 1960

¹ An excellent book by Sara McLanahan and Gary Sandefur, *Growing Up with a Single Parent*, documents the negative effects of growing up in a single parent family on children of all ages.

to 21 percent in 1990.² If marital fertility had remained at its 1960 level, the share of non-marital births would have been only 13 percent, or 8 points lower. Among black women, the share of non-marital births has gone from 23 percent in 1960 to 65 percent in 1990. If black women's marital fertility had remained at its 1960 level, the illegitimacy ratio for blacks would have been 46 percent, or 19 points lower.

Thus, the raw data on the share of out-of-wedlock births overstates the problem. Declining marital fertility is presumably a choice made by married couples which is not particularly worrisome. What we are concerned with is a rise in the share of non-marital births due to the rising number of non-marital births, not that due to a decline in the number of marital births.

The number of out-of-wedlock births has been rising, but the birth rate for single women -- the probability that a single woman will have a child -- has not changed much at all. Among all single white women, between 1960 and 1990, the probability of giving birth has gone from 0.9 percent to 3.3 percent. Among all single black women, between 1960 and 1990 the probability of giving birth has gone from 9.8 percent to 9.0 percent. In other words, the probability a single black woman will have a child has actually dropped. Single women are not giving birth at much higher rates than they were in the past.

The main reason the number of births to single mothers is rising is that there are many more single women in the female population than before. Women are marrying later, and divorcing sooner. Thus, the rise in the number of non-marital births is not occurring primarily because single women are more likely to have babies, but because there are simply more single women out there and hence more babies born to single women.

Nowhere is this more evident than among teens. The share of births to unmarried women among teens has soared. It is true that single teens are more likely to get pregnant than ever before. But even more important is the fact that few teenage women marry. In the past, many teenage women were married and had children as married women. Almost all teenagers today who have children are not married and do not get married when they give birth.

This is important because it changes the focus of the question. The main question is not "Why are teens (and other single women) having many more children than before?" Rather, the primary question should be "Why are teens (and other women) marrying much less than before?"

(2) What are the causes of declining marriage and rising numbers of single mothers? Let me first indicate what is not the primary cause of this phenomenon, namely, cash assistance to single mothers, and then ask what the cause is.

A. The rising share of out-of-wedlock births is not primarily due to the structure of existing welfare programs. There is very little evidence for the claim that welfare payments are driving the increase in teen pregnancy. A wide variety of studies have related benefit payments within the Aid to Families with Dependent Children (AFDC) program, which is most typically referred to as welfare, to fertility issues. Depending on which study one looks at, the results either indicate that, once you control for other variables, AFDC payments are not related to women's fertility or the effect is relatively small. Robert Moffitt, a professor of economics at Brown University, was recently asked to write a review of the research in this area by the Journal of Economic Literature, published by the American Economic Association. After extensively discussing all the studies, Moffitt concludes, "The failure to find strong benefit effects is the most notable characteristic of this literature." Appendix 2 provides a complete set of citations to this literature and summarizes their results.

² Unless otherwise noted, the data cited here are all for women ages 15 to 44, and come from the government data in Vital Statistics of the United States and "Marital Status and Living Arrangements," Current Population Reports, Series P-20. See Appendix 1.

Since racial differences are often invoked in the public discussion, it is worth noting that the research literature indicates that the relationship between benefit levels and fertility behavior is slightly stronger among low-income white women than among African-American women. Among black women, there is almost no persuasive evidence that benefit levels and non-marital births are linked. There seems to be a weak positive link among white women.

Let me indicate other evidence that supports the conclusion that there is little relationship between welfare support levels and rising problems of out-of-wedlock births.

First, as many have noted, the monthly support levels available from AFDC and food stamps have fallen steadily since the late 1960s. In 1970, the typical woman with 3 children and no other income would have received \$900 (in \$1992) from AFDC and food stamps combined - the primary public support programs that help pay the monthly bills. By 1990, the typical woman received around \$700. It is hard to understand how the recent rapid increase in unwed motherhood can be fueled by public assistance payments when their levels have been declining.

Second, the rise in births among unwed mothers is not limited to those who rely on AFDC for support. It is a phenomenon spread throughout the income distribution. While higher income single women still have much lower rates of unwed births, their probability of giving birth has also risen substantially in the last 20 years. Non-marital births have also risen in virtually every industrialized country in the world. Unwed motherhood is a social phenomenon that is related to many changing factors, from increased economic independence by women, to decreased social stigma. To claim that it is primarily driven by welfare payments -- available to only a small fraction of the U.S. population -- is to miss the larger picture entirely.

Third, the cross-national comparisons here are very revealing. Relative to many other industrialized countries, government support for single mothers is much lower in the U.S. than elsewhere. Yet, the U.S. has one of the higher rates of single motherhood, and the highest rate of teen pregnancy. For instance, Canada is a country that is similar to the U.S. in many ways, both economic and social. In the mid 1980s, Canada's public assistance programs for poor single mothers provided about twice as much support as in the United States. Yet, Canada's illegitimacy rate continues to be below that of the United States'.

I'm an economist and I believe in economic incentives. On the margin, I think the evidence indicates that variations in birth levels have a weak relationship to variations in AFDC benefit levels, with stronger effects for white women than for black women. But given the magnitude of the effects, there is no research evidence that would support a conclusion that the presence of AFDC has been in any way the driving force behind large increases in births among unmarried women. In fact, monthly payment levels have been steadily declining.

B. So what is the cause of rising out-of-wedlock births? Why then, has marriage among mothers declined? This is a big topic and, not surprisingly, there is a big research literature relating to it. The short answer is: There are many overlapping factors. Let me list a few.

1. *Women's ability to find jobs and support themselves in the labor market has increased, increasing their economic independence.* This has made marriage seem less attractive (it's not an economic necessity for many women any more), and single parenthood seem economically viable.

2. *Men's ability to support a family, particularly among men with fewer formal skills, has declined.* Among both high school drop-outs and high-school graduates, wages rates (adjusted for inflation) have declined substantially since the late 1970s, by 5 to 15 percent depending on the skill level. This is due to a host of reasons, as the demand for less-skilled workers in our

current economy continues to decline.³ The net effect is that men are less attractive as marriage partners.

3. *The social stigma associated with unwed motherhood has declined.* For many young women, particularly in the African-American community, the acceptability of single parenthood has spread as more women become single mothers. This has occurred at the same time as sexual activity outside of marriage has also become much more common and widely acceptable in many parts of the population.

It is important to note that the growing economic independence of women and the decline in stigma associated with single parenthood has affected all women and explains a rise in single parenthood among women of all income groups, consistent with the evidence. The decline in the labor market opportunities among less-skilled men primarily affects less-skilled women, due to marital sorting, and explains higher levels of unwed motherhood among this group than among higher income groups.

In summary then, the primary causes of a decline in the propensity of women to marry are changes in the labor market and in the social acceptability of single parenthood that has influenced women at all income levels. There is little evidence that the existence of cash-assistance to low-income women has been anything but a very minor factor behind the substantial increases in out-of-wedlock births. In fact, a long-term decline in the level of this assistance over the past 25 years – years when the rise in out-of-wedlock birth has been steepest -- indicates that welfare is not a primary cause of rising single motherhood.

(3) What will be the effect of limiting or abolishing public assistance for these families?

Current legislative proposals suggest eliminating public assistance for teenage mothers, or sharply limiting it for children born outside of marriage. What effect will this have?

Beyond a doubt this will make it much more difficult for single mothers to survive economically. All of the following effects are likely to occur:

1. *Fewer women will have children as single mothers, either because they engage in less extra-marital sex, because they use birth-control more consistently, or because they are more likely to have abortions if they become pregnant.* Given evidence currently available, it is impossible to say exactly how big this effect would be. Based on what we know about current teenage sexual behavior and the small weight which young men and women often give to future consequences, I would not expect the decline in non-marital births among low-income women to be greater than 15 to 20 percent at the maximum. This is not a small effect, but it means a substantial number of out-of-wedlock births will continue to occur. (There is no reason to expect this to have any affect at all on the out-of-wedlock births that occur to women whose income is well above the poverty line, so the overall out-of-wedlock birth rate would fall by less than this.)

2. *Among women who continue to give birth to children, they will be less likely to live independently.* More of them will live with other family members (such as parents or sisters), or will live with boyfriends, or will choose to marry. Again, it is hard to predict the size of this impact.

It is important to note that this route may not do anything to solve poverty among these women and their children. Many poor women, in particular, have families and boyfriends who

³ For a good summary of both the facts and the potential causes of the changes in wages for less-skilled men, see Frank Levy and Richard Murnane, "U.S. Earnings Levels and Earnings Inequality: A Review of Recent Trends and Explanations." Journal of Economic Literature. Vol 30:3, September 1992. A forthcoming volume by the Urban Institute will also be useful, Welfare Reform and the Realities of the Job Market, edited by Demetra Nightingale and Robert Haveman.

are also quite poor. One could imagine that many poor women and their children will end up in more crowded housing situations, where more people live together and pool income but where the larger household in total is still quite poor. In addition, it is important to note that the incidence of domestic abuse among low-income women seems to be quite high. The state of Washington, in a random study of all their AFDC recipients, found that fully 60 percent reported a history of sexual or physical abuse as adults, either from family members or boyfriends.⁴ This is far above the incidence of physical and sexual abuse in the general population. Thus, moving women back into more shared housing arrangements may increase these problems for both the women and their children.

3. *A number of women will try to maintain their independence and survive economically without public assistance.* Most of these women will work more hours. Some of this will be in mainstream legitimate employment, and some of it will be in illegal employment. The evidence we have about the low-wage labor market facing many of the least-skilled women is that many of them are unable to find jobs that fully replace public assistance. This is particularly true since many women need to pay child care expenses if they have pre-schoolers at home or if they work while their children are home from school. Some of these women, particularly those with no family available to help, will find themselves out of work, or in jobs that simply can't pay the rent. These women, in absence of public support, will turn up among the homeless.

Evaluations of the impact of increased hours of work among women in states running welfare-to-work programs indicate that these programs increase women's hours of work and decrease their reliance on AFDC, but that their overall change in income is quite small. In other words, few less-skilled women can earn enough in the labor market to do more than just replace public assistance income unless they make major increases in their hours of work.

More labor market work has obvious implications for single parents who must also serve as sole parent for their children. Adult presence, discipline and oversight in the household will decline. In less safe neighborhoods, where children are at risk of street violence and gang participation, this may result in very bad outcomes for some children and their families.

What is the net effect of cutting welfare payments for unmarried women? Those who claim it will decrease the probability that single women have children, and will increase marriage rates are surely right. Those who claim that a substantial number of never-married women will still choose to have children and that these women and their children will almost surely be poorer are also right. The question is how big these effects will be.

Let us assume an enormously and unbelievably large effect from ending welfare to never-married mothers: Let us assume that only 50 percent of the non-marital births occur after these laws limiting welfare payments to unmarried mothers are passed. This still means that half of today's unmarried women and their children will be left without any backup support. Most of them will be poorer and more desperate than they were before. The cost of this for the children as well as the mother can be devastating, breaking up these families and/or permanently hurting the children's cognitive and emotional development. This is a cost that I would find unacceptable. As a society, we have always been willing to help mothers and their children when they became extremely poor.

It is worth underlining the fact that poverty, in and of itself, is very bad for children. Poor families often live in substandard housing and have difficulty purchasing basic necessities such as food and clothing. Poor children are more likely than nonpoor children to be too short and too thin for their age. They also tend to develop academic skills more slowly than nonpoor children. And, poor children who live in poor neighborhoods are less likely than more affluent children to complete high school. Increasing the depth of poverty among the children of never-married mothers will only increase the magnitude of these problems.

⁴ Washington State Institute for Public Policy, Women in Transition: A Family Income Study Newsletter. Olympia, WA: Evergreen State College. September 1993.

(4) What other policy options do we have?

Rather than adopting a scorched-earth policy, whereby all low-income never-married mothers are cut off from any form of a social safety net, there are other choices available to us. If we want to bring down the high rates of out-of-wedlock childbearing, we need to do the following:

1. *Call upon the resources of American families and social institutions such as churches, youth organizations, schools, etc. to get the message out that it's not "ok" to be pregnant and single.* In many ways, changing the social acceptability of single motherhood is something that the government can do much less well than other institutions, although the government can help fund demonstration projects run by other organizations that participate in this effort, and can provide a clearinghouse of information on effective programs. For instance, Title XX of the Public Health Service Act has funded a variety of evaluations on how to run effective programs that discourage teenage pregnancy.

2. *Assure that our public schools function effectively, communicating the importance of education to their students, and a sense of the possibilities that high school and post-high school training can provide.* Teenage girls who value a high school degree and post-high school training are much less likely to become pregnant than girls who do not. Teenage boys need to receive the same message, so that the pool of men who are left out of an increasingly internationalized and skill-demanding economy shrinks over time.

3. *For those women who do become single mothers and find themselves in economic need, make sure that public assistance provides not only cash assistance, but also a strong set of job training and job placement programs.* The best thing we can do, within the context of our current laws, is to strengthen the Family Support Act, passed in 1988, to assure that teen AFDC applicants are immediately put into high school completion programs, with the child care assistance and health care assistance necessary to provide effectively for their children.

It is very tempting, and very human, to desire simple answers. Public policy would be easier to determine if welfare were the primary cause of rising single parenthood, and if eliminating welfare payments to never-married mothers would eliminate single parenthood without any other costs. Unfortunately, the world we live in is far from simple, and good policy requires that we reject such answers. Government programs are not the primary cause of these problems and changes in government programs will not solve them. Rising rates of out-of-wedlock childbearing are the result of multiple changes in the labor market, and in the social climate of this country. They will not be quickly turned around by any policy action of the federal government. That is an unfortunate fact of life, but it is one that we must face squarely.

If we want to decrease the incidence of single motherhood in this country, it will require a degree of social agreement and social will from all parts of society -- from parents and grandparents, from civic leaders, from religious leaders, from those who teach school, and from all who serve as role models for young people. The message we need to send is clear: *"Don't have children until you have the skills and economic stability to support them adequately. And when you have children, give them (and yourself) the advantage of growing up in a family with more than one adult who will live with them and guide them and love them."*

Cutting public assistance to never-married mothers will merely increase poverty and all of its related problems among mothers and their children. Let's recognize the complexity of this problem and resist simple, easy -- and wrong -- answers that will only increase economic need among American families.

Appendix 1
 Birth Rates and Number of Births to Single and Married Women, 1960-1990

	SINGLE WOMEN		MARRIED WOMEN		Illegitimacy Ratio: Share of Births to Single Women		
	Birth Rate per 1,000	# Single Women in (000s)	# Births to Single Women	Birth Rate per 1,000		# Married Women in (000s)	# Births to Married Women
All Women 15-44							
1960	21.6	10,300	222,900	156.6	25,600	4,014,900	5.3%
1970	26.4	14,800	391,900	121.1	27,300	3,307,000	10.6%
1980	29.4	21,900	642,600	97.0	29,000	2,857,500	18.4%
1990	43.8	26,200	1,149,700	88.2	32,000	2,832,100	28.9%
White Women 15-44							
1960	9.2	8,800	81,300	153.6	22,900	3,513,800	2.3%
1970	13.9	12,500	173,700	119.6	24,300	2,901,400	5.6%
1980	17.6	17,700	311,100	96.4	26,100	2,512,400	11.0%
1990	32.9	20,300	668,800	90.6	27,900	2,530,600	20.9%
Black Women 15-44							
1960	98.3	1,500	146,200	180.9	2,800	499,600	22.6%
1970	95.5	2,200	205,500	130.3	2,700	355,100	36.7%
1980	82.9	3,700	307,900	94.4	2,700	256,100	54.6%
1990	90.5	5,000	448,600	82.8	2,900	239,500	65.2%

Comparisons across columns may have small inconsistencies due to rounding.

Source: Vital Statistics of the United States and "Marital Status and Living Arrangements," Current Population Reports, Series P-20.

Appendix 2
Recent Studies of the Effect of Welfare on Fertility

<u>Study</u>	<u>Data Set</u>	<u>Analysis Variable</u>	<u>Effect of Welfare</u>
Ellwood-Bane (1985)	1976 SIE	1. Had child in last year 2. Have children	None None
An-Havemen-Wolfe (1987)	1987 PSID	AFDC receipt for out-of-wedlock births	None
Winegarden (1988)	1947-1983 DHHS and other gov't sources	Out-of-Wedlock birth rate	Positive for Nonwhites
Rank (1989)	1980-1983 administrative data	1. Birth while on welfare 2. Fertility Rate	Negative effect of length of time on welfare Women on welfare have lower fert rate than total female population
Plotnick (1990)	1979-1984 NLSY	1. Out-of-wedlock birth by age 19 2. Out-of-wedlock birth as first birth	Positive for whites None for nonwhites Positive for whites None for nonwhites
Duncan-Hoffman (1990)	1968-1985 PSID	Out-of-wedlock birth associated w/AFDC receipt	None
Lundberg-Plotnick (1990)	1979-1986 NLSY	Premarital birth	Positive for whites None for blacks
Murray (1993)	1954-1988 DHHS and other gov't sources	Illegitimacy ratio	Positive for whites Positive or negative for blacks depending on specification
Robins-Fronstin (1993)	1980-1988 CPS	Number of children	Positive for whites and Hispanics Negative for blacks No effect of add'l benefits for more kids
Acs (1994)	1979-1988 NLSY	First and second births by age 23	Positive effect on first births for whites; no effect on second births

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Chairman SHAW. Thank you, Dr. Blank.
Reverend Sirico.

**STATEMENT OF REV. ROBERT A. SIRICO, PRESIDENT, THE
ACTON INSTITUTE FOR THE STUDY OF RELIGION AND
LIBERTY, GRAND RAPIDS, MICHIGAN; AND MEMBER,
MICHIGAN CIVIL RIGHTS COMMISSION**

Father SIRICO. Thank you very much. Ladies and gentlemen of the Committee, I thank you for inviting me to testify today.

I come as a nonpartisan. I am not a Republican. The problem of illegitimacy is shredding the fabric of our society. We all agree on that. It is critical that radical measures be taken to restore the family unit as the organic extension of the natural order of private life absent excessive government involvement.

Let me say at the outset that I view a two-parent family as a moral norm. Indeed, I believe the family is the fundamental unit of society. While there are certainly heroic stories of single mothers, most of these women would admit their condition is not ideal. There is no reason to celebrate it as such as many on the left seem to do.

Other members of this panel are experts who can quote statistics on the dimensions of the illegitimacy problem. I am not. Please allow me to simply point out the links are quite clear between a missing parent in a child's life and poverty, illegal drug use, failure in school, violent crimes, gang activities and suicide.

Illegitimacy is not merely a technical problem but a moral one. To the extent that the Federal Government encourages out-of-wedlock births, it is morally culpable. While I hold the Federal Government partly responsible for the soaring illegitimacy rates since the beginning of the Great Society programs, I am not asking Federal officials to solve the problem by themselves.

In my view, the Federal Government should not now try to tinker with its welfare programs to punish women who give birth to children outside of marriage. As I said, illegitimacy is a moral problem and the Federal Government is not and indeed cannot be an effective moral teacher.

Church-state separation requires the welfare bureaucracy to remain morally neutral and it cannot effectively promote sexual responsibility from a morally neutral pulpit. Rather than Federal solutions, I believe there is a principle that should guide any and all efforts toward welfare reform. That is the principle of subsidiarity.

The concept is this: Those social functions that can be accomplished by a lower order of society should not be usurped by a higher order. When it comes to caring for women who are pregnant out of wedlock, the resources of first resort, of first resort, should be individuals, churches, neighborhoods, then towns and cities.

The Federal Government has tried to solve the American family problem and it has failed. It must now allow these mediating institutions to take over. The idea of devolving social responsibility to the States is in keeping with the principle of subsidiarity. It is a step in the right direction. By itself, however, it is not enough.

We do not want Washington bureaucracy to merely be replaced by equally intrusive government bureaucracy in State capitals. When dealing with the illegitimacy problem, the very nature of the

bureaucratic state, with its one-size-fits-all policies, precludes from helping individuals become responsible parents and citizens. Indeed, it takes a much deeper understanding of human needs to encourage this. Also, these bureaucracies marginalize religious institutions and their moral influence which are more intimately acquainted with the needs of people on the local level.

The very existence of the welfare state lessens the incentive for individuals to become personally involved in problems like illegitimacy. This lessens their contact with and sensitivity to those in need. Under the current system, bad charity has driven out good charity. If and when bad charity comes to an end, we can expect an explosion of interest in helping those in need. We must begin to have faith again in the good efforts of the American people.

Let me anticipate an objection. Some will say that what is called the private sector cannot take care of this problem, that it is necessary but not sufficient. Let me suggest that we have forgotten just how powerful the forces of genuine charity are in American society. For too long, the Federal Government has crowded out private solutions. Once severe budgetary changes begin to remind people of their responsibilities to others, we will be astonished at the outpouring of energy.

But let's remember that government has no monopoly on compassion. Indeed, government is compassion's least able practitioner. Let's allow real charities, not bureaucracy, to take on the illegitimacy problem. Along with the material assistance for mothers who are pregnant out of wedlock, charities can administer individual care that is catered to a woman's circumstance, needs, ability, and character.

The welfare state's pretense is to know these kinds of circumstances and it is just that, a pretense. Will a cutoff of parental aid lead to an increase in abortion? I think not. Abortion is not a cost-free decision. It is the most difficult and painful decision a woman can make.

Far from encouraging abortion, removing subsidies will discourage promiscuity. For a person of free will, it will clarify the issue of whether to risk pregnancy in the first place. We cannot, of course, guarantee perfect results but we can stop subsidizing the present crisis.

The alternative to the current welfare system is to organize the care of at-risk people in a manner that allows for the influence of religious values. The government need only allow this to happen, it need not promote it. By gradually eliminating Federal benefits which impose no concrete responsibilities on the recipient, poor women who are pregnant out of wedlock will have to turn to more local organizations which include churches, synagogues and mosque-run charities. Think of the change in incentives that would result.

If another baby means no hardship and a bigger check, it is easy to see why this is not a wholly undesirable situation from one point of view. Yet, if the individual circumstance is being closely monitored by a secular charity or religious ministry, the individual becomes acutely aware that sexual responsibility has a price.

The religious group very likely views sex outside of marriage as sinful and will not provide services without admonition or some

form of work in return. As an organic part of a church ministry, the individual becomes accountable to those who are providing aid.

The close contact with providers discourages irresponsible behavior. This model relies on the classical view of moral tutoring which is two dimensional: We abstain from immoral behavior because we fear its effects and we abstain because we love the good. Church-run charities hope to instill a love of good in the people they help. Yet clients may also fear a reprimand or loss of services.

Fear and love are both motivators. While the latter is a preferable motive, the former is also effective. Effective charities will thrive on their own yet steps must be taken to allow them to flourish.

We need to make charitable giving more financially rewarding. For example, we could allow individuals to deduct 110 percent of their charitable contributions, thereby increasing the incentive to give. Or tax deductions could be replaced with a tax credit which could allow people to choose to use their money to support public or private systems of welfare provision, thereby having an incentive to monitor those charities. These are decisions for you to decide.

Whatever policy routes are taken, the ultimate goal should be to return responsibility to individuals, churches, neighborhoods, towns, and cities. Every case of family tragedy is different and the individuals involved have different resources, abilities, and weaknesses. A faceless bureaucracy cannot take all of these things into account, nor can it encourage moral renewal. What people need is not layers of public agencies but other human beings who have knowledge of their real needs and a commitment to help them become responsible and independent citizens.

Thank you for your attention.

[The prepared statement follows:]

January 20, 1995

**Testimony Before the House Ways and Means Committee
by Paulist Father Robert A. Sirico, President
The Acton Institute for the Study of Religion and Liberty,
Grand Rapids, Michigan;
and Member
The Michigan Civil Rights Commission**

Ladies and Gentleman of the Committee, thank you for inviting me to testify today. The problem of illegitimacy is shredding the fabric of our society. It is critical that radical measures be taken to restore the family unit as the organic extension of the natural order of private life--absent excessive government involvement.

Let me say at the outset, I view a two-parent family as a moral norm. Indeed, I believe the family is the fundamental unit of society. While there are certainly a thousand stories of heroic single-mothers, most of these women would admit that their condition is not ideal. There is no reason to celebrate it as such, as many on the left seem to do.

Other members of this panel are experts who can quote statistics on the dimensions of the illegitimacy problem; I am not. But, please allow me to simply point out that the links are quite clear between a missing parent in a child's life and poverty, illegal drug use, failure in school, violent crimes, gang activities, and suicide.

The experiment in family engineering has continued long enough. Single parent families can no longer be considered a social norm. They must rather be considered a regrettable outcome of unfortunate circumstances. Illegitimacy--which has increased more than 400 percent since 1960--is the most problematic contributor to the breakdown of the two-parent family. I could spend more time discussing the size and scope of the problem. Because my time is limited, I will discuss what I view as its necessary solution.

Illegitimacy is not merely a technical problem, but a moral one. To the extent that the federal government encourages out-of-wedlock births, it is morally culpable. As Charles Murray has made so clear, when the government subsidizes out-of-wedlock births, it removes the structure of incentives and disincentives that exist in the social and economic system of every society that serve to discourage promiscuity and irresponsibility.

While I hold the federal government partially responsible for the soaring illegitimacy rates since the beginning of the Great Society, I am not asking federal officials to solve the problem themselves. In my view the federal government should not now try to tinker with its welfare programs to punish women who give birth to children outside of marriage.

As I said, illegitimacy is a moral problem. And the federal government is not, and indeed, cannot be, an effective moral teacher. Church-State separation requires the welfare bureaucracy to remain morally neutral. And it cannot effectively promote sexual responsibility from a morally-neutral pulpit.

Rather than federal solutions, I believe there is a principle that should guide any and all efforts toward welfare reform: subsidiarity. The concept is this: those social functions that can be accomplished by a lower order of society should not be usurped by a higher order. When it comes to caring for women who are pregnant out-of-wedlock, the resources of first resort should be individuals, churches, neighborhoods, towns and cities. The federal government has tried to solve American family problems and it has failed. Now it must allow these mediating institutions to take over.

The idea of devolving social responsibility to the states is in keeping with the principle of subsidiarity. It is a step in the right direction. By itself, however, it is not enough. We do not want Washington bureaucracies to be replaced by equally intrusive government bureaucracies in state capitols.

When dealing with the illegitimacy problem, the very nature of the welfare state--with its bureaucratic, one-size-fits-all policies--precludes it from helping individuals become responsible parents and citizens. Indeed, it takes a much deeper understanding of human needs to encourage this.

Furthermore, the very existence of the welfare state lessens the incentive for individuals to become personally involved in problems like illegitimacy. This lessens their contact with and sensitivity to those in need. Under the current system, bad charity has driven out good charity. If and when bad charity comes to an end, we can expect an explosion of interest in helping those in need. We must begin to have faith in the good efforts of the American people.

Let me anticipate an objection. Some will say that what is called the "private sector" cannot take care of the problem -- it is necessary but not sufficient. Let me submit that we have forgotten just how powerful the forces of genuine charity are in American society. For too long, the federal government has crowded out private solutions. Once severe budgetary changes begin to remind people of their responsibilities to others, we will be astonished at the outpouring of energy. Let's try to remember that government has no monopoly on compassion. Indeed, government is compassion's least able practitioner.

Let's allow real charities, not bureaucracies, to take on the illegitimacy problem. Along with the material assistance for mothers who are pregnant out-of-wedlock, charities can administer individual care that is catered to a woman's specific circumstances, needs, abilities, and character.

Will a cutoff of parental aid lead to an increase in abortion? No. Abortion is not a cost free decision. It is the most difficult and painful decision a woman can make. Far from encouraging abortion, removing subsidies will discourage promiscuity. For a person of free will, it will clarify the issue of whether to risk pregnancy in the first place. We cannot, of course, guarantee perfect results, but we can stop subsidizing the current crisis.

The alternative to the current welfare system is to organize the care of at-risk young people in a manner that allows for the influence of religious values. The government need only allow this to happen; it need not promote it. By gradually eliminating federal benefits, which impose no concrete responsibilities on the part of the recipient, poor women who are pregnant out-of-wedlock will have to turn to more local organizations, which include church, synagogue or mosque-run charities.

Think of the change in incentives that would result. If another baby means no hardship and a bigger check, it is easy to see why this is not wholly undesirable from one point of view. Yet, if the individual's circumstance is being closely monitored by a secular charity or church ministry, the individual becomes acutely aware that sexual irresponsibility has a price.

The church very likely views sex outside of marriage as a sin, and will not provide services without admonition or some form of work in return. As an organic part of a church ministry the individual becomes accountable to those who are providing the aid. The close contact with the providers discourages irresponsible behavior.

This model relies on the classical view of moral tutoring which is two dimensional: we abstain from immoral behavior because we fear its effects and we abstain because we love the good. Church-run charities hope to instill a love of good in the people they help. Yet clients may also fear a reprimand or a loss of services. Fear and love are both motivators. While the latter is a preferable motive, the former is also effective.

Effective charities will thrive on their own. Yet, steps must be taken to allow them to flourish. We need to make charitable giving more financially rewarding. For example, we could allow individuals to deduct 110 percent of their charitable contributions, thereby increasing the incentive to give. Or tax deductions could be replaced with a tax credit, which would allow people to choose to use their money to support either public or private systems of welfare provision. These are decisions for you to decide.

Whatever policy routes are taken, the ultimate goal should be to return responsibility to individuals, churches, neighborhoods, towns and cities. Every case of family tragedy is different, and the individuals involved have different resources, abilities, and weaknesses. A faceless bureaucracy cannot take all of these into account. Nor can it encourage moral renewal.

What people need is not layers of public agencies, but other human beings who have knowledge of their real needs and a commitment to help them become responsible and independent citizens.

Thank you for your attention.

XXXXXXXXXX

Paulist Father Robert A. Sirico is President of the Acton Institute for the Study of Religion and Liberty (161 Ottawa Ave., Ste. 301, NW, Grand Rapids, MI. 616/454-3080) The Acton Institute is a non-profit, non-political, inter-faith organization founded to promote an understanding of the moral foundations of the free market among religious leaders. Father Sirico's appearance before Congress does not necessarily reflect the view of the Civil Rights Commission of Michigan.

Chairman SHAW. Thank you, sir.
Dr. Wasem.

**STATEMENT OF RUTH ELLEN WASEM, PH.D., SPECIALIST
IN SOCIAL LEGISLATION, CONGRESSIONAL RESEARCH
SERVICE, LIBRARY OF CONGRESS**

Ms. WASEM. Good afternoon, Mr. Chairman, and Members of the Subcommittee. On behalf of the Congressional Research Service, I am pleased to testify before you on research that my colleague, Thomas Gabe, and I conducted on the demographic trends relating to out-of-wedlock childbearing and the AFDC caseload growth.

In the interest of time, I will offer only highlights of the chart book prepared for Chairman E. Clay Shaw on January 13, 1995, which accompanies my statement.

American families have changed dramatically over the past decades. Broad societal trends relating to marriage, divorce, and premarital childbearing have resulted in increased numbers of children living in single-parent families, headed primarily by mothers. These trends in turn have led to an increased risk that children born today will be poor, adding to the pressure on the Nation's welfare programs.

If you will, please turn to page 5 in the attached chart book to the figure titled Birth Rates for All Women and Unmarried Women, 1940 to 1992. It is evident in this figure that, despite an overall decline in the birth rate over the past 30 years, the birth rate of unmarried women has increased steadily. This upturn in nonmarital births, apparent in the birth rate trends, becomes even more striking when calculated as a percent of all births, as is done in the chart that is blown up over here.

The diminishing fertility of married women coincident with the growing fertility of unmarried women have increased the likelihood that children born today will be born outside of marriage.

Please turn now to page 10 in the chart book to the figure titled Births to Unmarried Women in 1992: Live Births by Age of Mother and Previous Births. As you can see from the light gray segments of the bar, many of the unmarried women who gave birth in 1992, regardless of age, had given birth previously. In fact, over half of the 1.2 million unmarried women who had babies in 1992 had given birth previously.

Although births to adolescents are only 30 percent of the total number of births to unmarried women, they make up more than half of all the first births to unmarried women. Moreover, it appears that the portion of unmarried women who gave birth in 1992, a significant portion of them, had their first child during adolescence.

Finally, please turn to page 12 to the figure titled Percent of Mother-Only Families Receiving AFDC by Family Type—1993. As indicated by the second bar, nearly half of the mothers who never married reported receiving AFDC in 1993, in contrast, only one-fifth of divorced women heading households with children reported receiving AFDC.

When we think of this in terms of the children, those living in mother-only families were nearly five times more likely to be poor than children living in married couple families. Children whose

mothers had never been married were the most likely to be poor, 64 percent in 1993. In September 1994, there were nearly 4.7 million families receiving assistance under AFDC.

The AFDC caseload grew by over 1 million families from July 1989 to January 1993, about a 29-percent increase. A CRS study by my colleague, Tom Gabe, attributes perhaps as much as half of the recent caseload growth to the increased number of mother-only families.

Mr. Chairman, these conclude my formal remarks and I would be happy to take questions.

[The prepared statement and attachments follow:]



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Statement prepared for the
Subcommittee on Human Resources
House Committee on Ways and Means
January 20, 1995

by
Ruth Ellen Wasem, Ph.D.
Specialist in Social Legislation
Education and Public Welfare Division

**Demographic Trends Relating to Out-of-Wedlock Childbearing and
Aid to Families with Dependent Children (AFDC) Caseload Growth**

Good morning Mr. Chairman and members of the subcommittee. On behalf of the Congressional Research Service, I am pleased to testify before you on research that my colleague Thomas Gabe and I conducted on demographic trends relating to out-of-wedlock childbearing and AFDC caseload growth. In the interest of time, I will offer only highlights of the "chart book" prepared for Chairman Clay Shaw on January 13, 1995, which accompanies this statement.

American families have changed dramatically over the past several decades. Broad societal trends relating to marriage, divorce, and premarital childbearing have resulted in increased numbers of children living in single-parent families, headed primarily by mothers. These trends, in turn, have led to an increased risk that children born today will be poor, adding to the pressure on the Nation's welfare programs.

If you will, please turn to page 5 in the attached "chart book," to the figure titled *Birth Rates for All Women and Unmarried Women 1940 to 1992*. It is evident in this figure that -- despite an overall decline in the birth rate over the past 30 years -- the birth rate of unmarried women has increased steadily. This upturn in nonmarital births -- apparent in the birth rate trends -- becomes even more striking when calculated as a *percent* of all births. The diminishing fertility of married women coincident with the growing fertility of unmarried women have increased the likelihood that children born today will be born outside of marriage.

Please turn now to page 10, to the figure titled *Births to Unmarried Women in 1992 Live Births by Age of Mother and Previous Births*. As you can see from the light grey segments of the bars, many of the unmarried women who gave birth in 1992 -- regardless of age -- had given birth previously. In fact, over half of the 1.2 million unmarried women who had babies in 1992 had given birth previously. Although births to adolescents are only 30% of the total number of births to unmarried women, they make up more than half of all first births to unmarried women. It appears, moreover, that a significant

portion of the unmarried women who gave birth in 1992 had their first child during adolescence.

Finally, please turn to page 12, to the figure titled *Percent of Mother-Only Families Receiving AFDC by Family Type—1993*. As indicated by the second bar, nearly half (47.4%) of mothers who never married reported receiving AFDC in 1993. In contrast, only one-fifth of divorced women heading households with children reported receiving AFDC. In terms of children, those living in mothers-only families were nearly 5-times more likely to be poor than children living in married-couple families. Children whose mothers have never been married were the most likely to be poor — 64% in 1993.

In September 1994, there were nearly 4.7 million families receiving assistance under the AFDC program (i.e., basic AFDC program for single parents, excluding families in the AFDC-UP (Unemployed Parents) program.) The AFDC caseload grew by over 1 million families between July 1989 and January 1993 — about a 29% increase. A CRS study by my colleague Tom Gabe attributes perhaps as much as one-half the recent caseload growth to the increased number of mother-only families.

Mr. Chairman, this concludes my formal remarks. I would be happy to take questions.



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January 13, 1995

TO : Honorable E. Clay Shaw, Jr., Chairman
House Ways and Means Committee
Human Resources Subcommittee

FROM : Tom Gabe
and
Ruth Ellen Wasem
Specialists in Social Legislation
Education and Public Welfare Division

SUBJECT : Briefing Chart Book – Demographic Trends Relating to Out-of-Wedlock Childbearing and Aid to Families with Dependent Children (AFDC) Caseload Growth

This memorandum responds to your request for a briefing "chart book" depicting demographic trends relating to out-of-wedlock childbearing. A brief narrative accompanies each chart.

These charts are based upon data from three sources. The Department of Health and Human Services' (DHHS), National Center for Health Statistics (NCHS) has provided data, published and unpublished, on births in each State and the District of Columbia. The NCHS data, unless otherwise noted, represent demographic information for the entire population. The Census Bureau's March Income Supplement of the Current Population Survey (CPS) is the second major source of data. As its name implies, the CPS is based on a sample. The third source is the Aid to Families with Dependent Children (AFDC) caseload data from the Administration on Children and Families in DHHS.

Several of the figures in this "chart book" have been taken from current Congressional Research Service (CRS) products or from CRS products that are in preparation. As out-of-wedlock births, adolescent pregnancy, and AFDC caseload growth all are of considerable interest, we are receiving other requests from Congressional offices for this type of material. Although this "chart book" is unique to your request on the subject, similar material will be prepared in response to other Congressional requests on this and related topics.

We hope you find this information useful. As you know, Tom Gabe will be unavailable from January 13 through January 30. Please call Ruth Wasem at 7-7550 if you have any questions.

SUMMARY

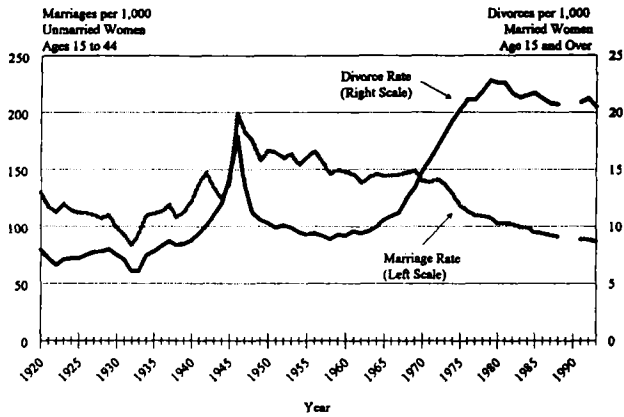
American families have changed dramatically over the past several decades. Broad societal trends relating to marriage, divorce, and premarital childbearing have resulted in increased numbers of children living in single-parent families, headed mostly by mothers. These trends have placed children at increased risk of being poor and have placed increased demands on the Nation's welfare programs. Today, over 1-in-5 children live in single, female-headed families (i.e., "mother-only families"); over half of these children are poor; about one-third (32.5%) of these families reported receiving assistance under the Aid to Families with Dependent Children (AFDC) -- the major program targeted under current welfare reform efforts. Among children whose mother has never married, 64.3% were poor in 1993. Nearly half of never-married mothers reported receiving AFDC (47.4%) in 1993.

Declining marriage rates and increased childbearing among unmarried women have contributed to the rising share of children being born to unwed mothers. Out-of-wedlock birth rates, steadily moving upward since at least the 1940s, took a marked upward turn in the mid-1980s, especially among adolescents. The upturn in nonmarital births -- evident in the birth *rate* trends -- becomes even more striking when calculated as a *percent* of all births. The diminishing fertility of married women coincident with the growing fertility of unmarried women have increased the likelihood that children born today will be born outside of marriage. Although births to adolescents are only 30% of the 1.2 million births to unmarried women, they make up more than half of all first births to unmarried women. It appears, moreover, that a significant portion of the unmarried women who gave birth in 1992 had their first child as an adolescent.

In September 1994, there were nearly 4.7 million families receiving assistance under the AFDC program (i.e., basic AFDC program for single parents, excluding families in the AFDC-UP (Unemployed Parents) program.) The AFDC caseload grew by over 1 million families between July 1989 and January 1993 (about a 29% increase). The caseload has remained relatively level since then. The recent AFDC caseload growth corresponds to the recent increases in the number of mother-only families, and especially the recent increase in families headed by never married mothers -- a group whose children are most likely to be poor, and most likely to receive AFDC. A CRS study attributes perhaps as much as half the recent caseload growth to the increased number of mother-only families.¹

¹U.S. Library of Congress. Congressional Research Service. *Demographic Trends Affecting Aid to Families with Dependent Children (AFDC) Caseload Growth*. CRS Report for Congress No. 93-7, by Thomas Gabe. Washington, Dec. 1992.

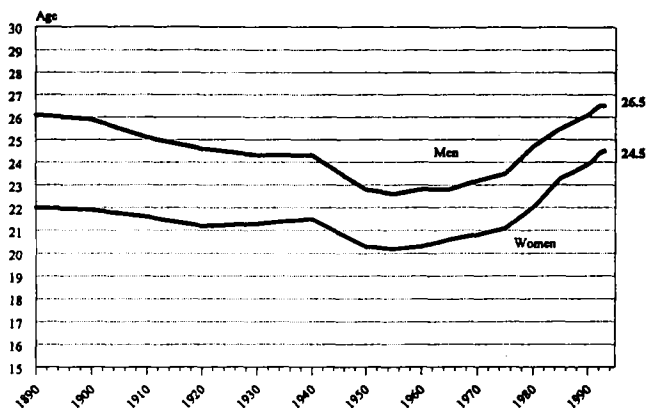
Marriage and Divorce Rates Among Women 1920 to 1993



SOURCE: Figure prepared by CRS based on NCHS data. Data for 1989 and 1990 are not available.

- During the 1970s, divorce was the principal factor contributing to a growing share of children living in single-parent families.
- The *divorce rate* which peaked in 1980-81 remains at historically high levels.
- The *marriage rate* has been dropping since its immediate post-World War II peak.
- The *marriage rate* fell markedly in the early 1970s and has continued to decline. The decline is perhaps in part a reaction to the divorce boom, as well as a response to some of the same factors contributing to the divorce boom that was underway.

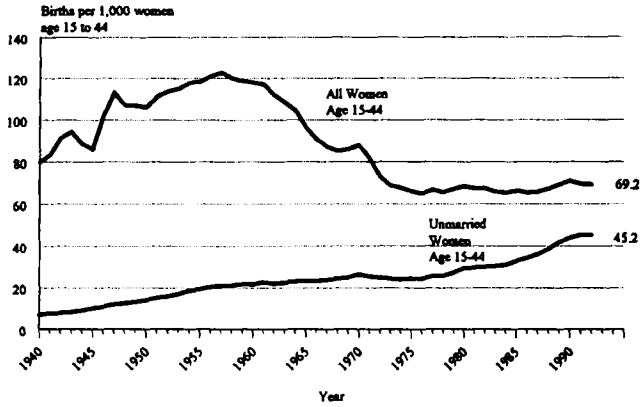
Median Age at First Marriage by Gender: 1890 to 1993



SOURCE: Figure prepared by CRS. Based on U.S. Census Bureau Data. Current Population Reports Series P-20, Nos. 461, 468 and 478.

- During the 1950s, half of all women who were marrying for the first time were age 20 or younger.
- The median age of first marriage has been increasing since the mid- 1950s for both men and women.
- In 1993, half of all women who were marrying for the first time were over 24 years old.
- The median age at first marriage is higher now than at any time over the past 100 years.
- The higher proportion of unmarried women of childbearing age has placed more women who are sexually active at increased risk of having a nonmarital birth.

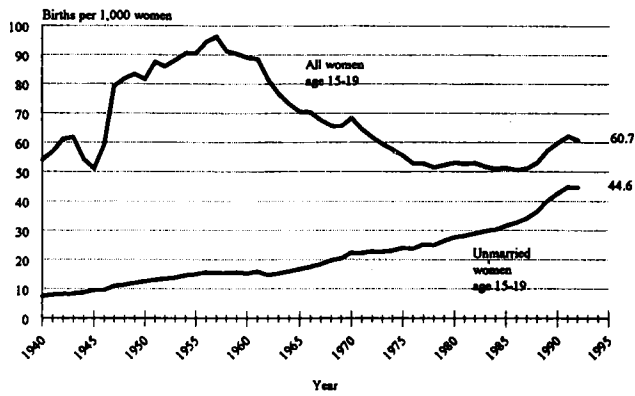
Birth Rates for All Women and Unmarried Women 1940 to 1992



SOURCE: Figure prepared by CRS based on NCHS data.

- Overall, birth rates are lower today than during the 1950s.
- Birth rates among unmarried women increased more rapidly between the 1940s and the mid-1950s, than from the mid-1950s through the late-1970s.
- Birth rates among unmarried women have markedly increased since the mid-1970s and have accelerated during the late 1980s.
- The birth rate to unmarried women (and all women) dropped slightly from 1991 to 1992.

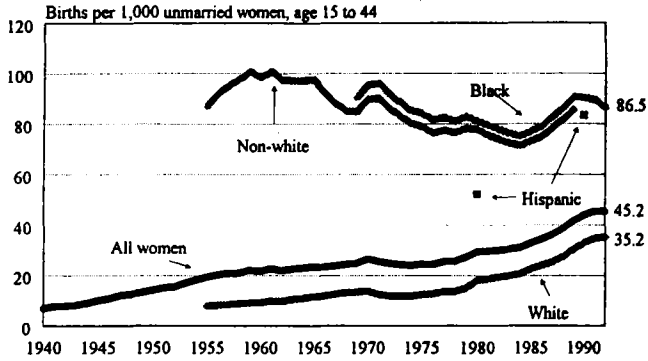
Adolescent Birth Rates, 1940 to 1992 All Young Women and Unmarried Young Women



SOURCE: Figure prepared by CRS based on NCHS data.

- Birth rates among adolescents generally parallel those of all women of childbearing age (shown on page 5), but are somewhat lower.
- Overall, birth rates among teenagers are lower now than during the 1950s, but the birth rate among unmarried teenagers is higher.
- Birth rates among unmarried teenagers have increased sharply since the mid-1970s.
- Part of the reason why birth rates among unmarried teens are at record high levels, while overall birthrates to teens are comparatively low, is that teenagers are less likely to be married today (see page 4, Median Age of First Marriage). Today, adolescents are also less likely to marry if they become pregnant.

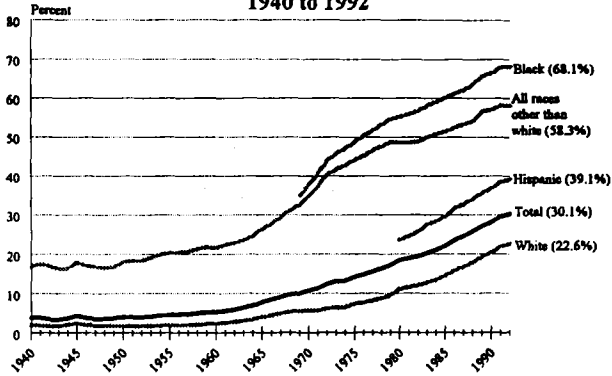
Rate of Births to Unmarried Women Trends by Race and Ethnicity, 1940-1992



SOURCE: Figure prepared by CRS based on NCHS data. Complete data series by race and ethnicity are not available.

- Unmarried non-white (primarily black) women had higher birth rates in the late 1950s than they did in 1992, though their rate has risen recently after a low point in the mid-1980s.
- The birth rate of unmarried white women, on the other hand, has risen persistently, particularly in the late 1980s.
- The birth rate of unmarried Hispanic women rose from 52.0 births per 1,000 in 1980 to 83.4 births per 1,000 in 1990, and now approximates the black out-of-wedlock birth rate. (Complete data for unmarried Hispanic women are only available for the decennial census years.)

**Unwed Births by Race/Ethnicity
As a Percent of All Births in Each Group
1940 to 1992**

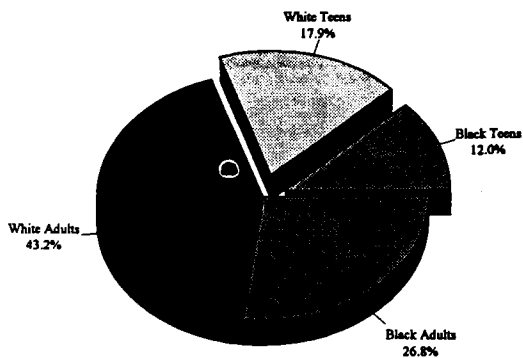


NOTE: Beginning in 1989, data are by race of mother. Before 1989 data are based on race of child. Hispanics may be of any race.

SOURCE: Figure prepared by CRS based on NCHS data.

- In 1992, almost 3 out of every 10 babies (30.1%) were born to unwed mothers.
- In 1992, over two-thirds of black babies, two-fifths of Hispanic babies, and over one-fifth of white babies were born to unwed mothers.
- Overall, the out-of-wedlock birth percentage is twice what it was in 1977 and three times what it in 1969.
- A decline in the number of births to married women contributes to the rising percentage of births that are nonmarital.

Births to Unmarried Women by Age and Race, 1992

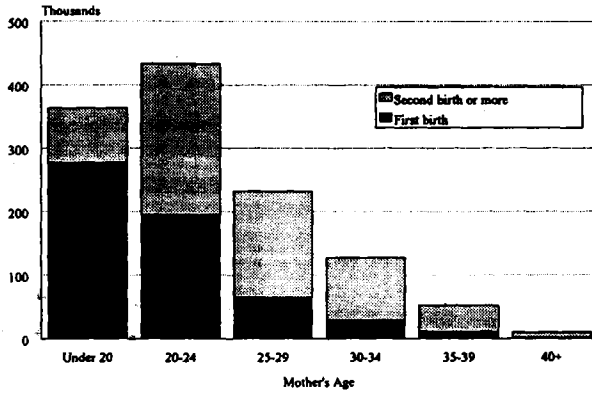


1,224,876 Births

SOURCE: Prepared by CRS based on NCHS data.

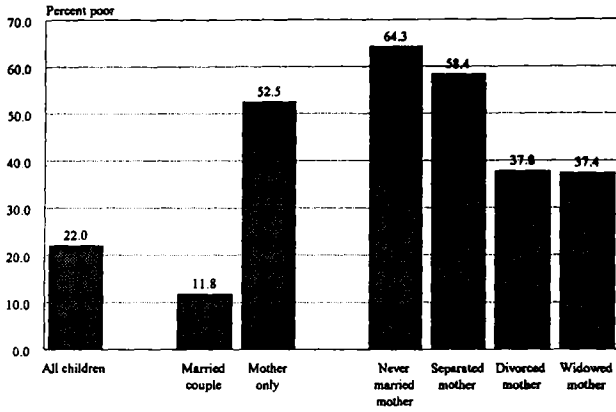
- Most births to unmarried women are to adult women.
- In 1992, 30% of babies born to unmarried women were born to adolescents.
- In 1992, 60% of babies born to unmarried women were white.
- In 1955 (the first year NCHS data by race are available), 35% of babies born to unmarried women were white (not shown).

Births to Unmarried Women in 1992
Live Births by Age of Mother and Previous Births



SOURCE: Figure prepared by CRS based on NCHS data.

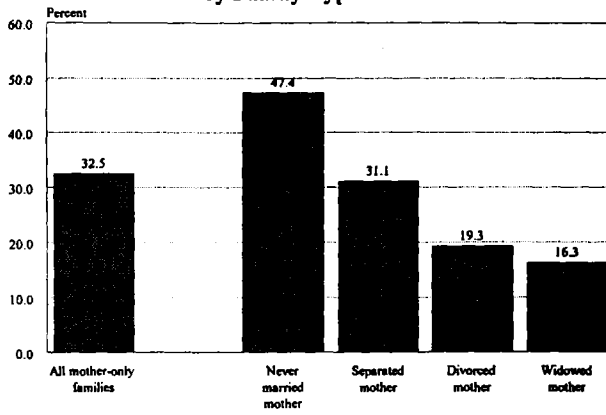
- In 1992, 30% of all out-of-wedlock births were to teenage mothers, and 65% were to mothers under the age of 25.
- Although more out-of-wedlock births were to women age 20 to 24 than to teenagers, over half of out-of-wedlock births to women age 20 to 24 were not these women's first child. Many of these unmarried women were likely also to have given birth when they were teenagers.
- Adolescents account for *more out-of-wedlock first births* than do other age groups.

Child Poverty Rates by Family Type—1993

SOURCE: CRS tabulations of the March 1994 CPS.

- In 1993, over one-in-five children (22%) were poor.
- Children living in mother-only families were nearly 5-times more likely to be poor than children living in married couple families.
- Among children living in mother-only families, those whose mothers have never been married are most likely to be poor -- 64.3% in 1993.

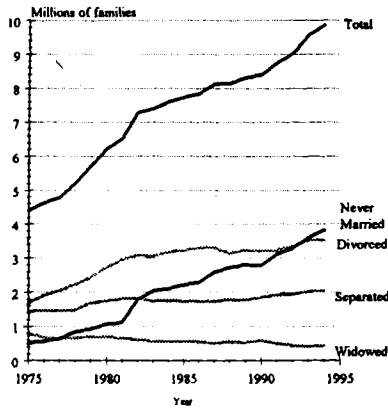
**Percent of Mother-Only Families Receiving AFDC
by Family Type--1993**



SOURCE: CRS tabulations of the March 1994 CPS.

- In 1993, nearly one-third of all mother-only families reported receiving AFDC.
- Among mother-only families, never-married mothers were most likely to receive AFDC -- nearly half (47.4%) in 1993.

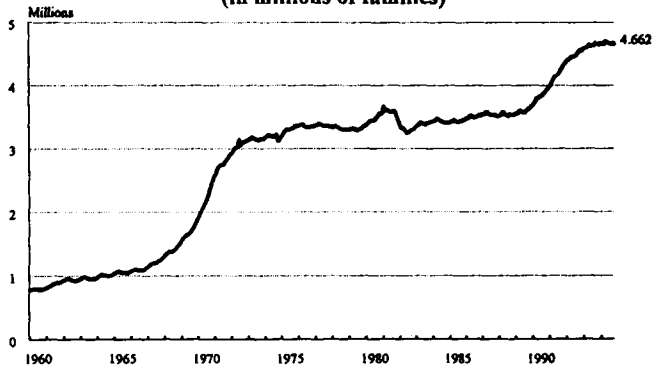
Number of Mother-Only Families 1975 to 1994



SOURCE: Figure prepared by CRS based on tabulations of annual March CPS data.

- In 1994, there were an estimated 9.8 million mother-only families, more than double the number (4.2 million) in 1975.
- In 1994, 3.8 million families were headed by mothers who have never been married; their number now exceeds the number of families headed by divorced mothers.
- Over the period, from 1975 to 1994, the number of married-couple families with children has virtually remained constant, at about 25 million (not shown).
- **CAUTIONARY NOTE:** Much of the increase in the number of mother-only families between 1981 and 1983, (especially those headed by never-married mothers) was because of improved Census Bureau survey procedures, which better identify female-headed families residing within larger family units.

AFDC Monthly Caseload
January 1960 - September 1994
(in millions of families)



NOTE: Estimates before Oct. 1974 are all families. Estimates beginning in Oct. 1974 are families on the AFDC basic program (excluding AFDC-UP).

SOURCE: Figure prepared by CRS based on DHHS Administration on Children and Families data.

- In September 1994, there were nearly 4.7 million families receiving assistance under the AFDC program (i.e., basic AFDC program for single parents).
- The AFDC caseload grew by over 1 million families between the July 1989 and January 1993 (a 29% increase). The caseload has stayed relatively level since then. Part of the increase may be attributed to the last economic recession.
- The recent AFDC caseload growth corresponds to the recent increases in the number of mother-only families, and especially the increase in families headed by never married mothers -- a group whose children are most likely to be poor, and most likely to receive AFDC. A CRS study attributes perhaps as much as half the recent growth to the increased number of mother-only families.
- The upsurge of the caseload in the earlier 1980s is associated with back-to-back recessions. The caseload would have likely risen even further in the early 1980s except for AFDC cutbacks that took effect in October 1981, as part of the Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).
- The caseload also increased dramatically during the late 1960s and early 1970s. More generous income eligibility requirements and changes in program rules and administration contributed to the increase.

Chairman SHAW. I thank all of you.

Mr. McCrery.

Mr. MCCRERY. Thank you all for your testimony.

Dr. Blank, you and Reverend Sirico don't seem to agree exactly on what direction we should head with government programs. I wonder if you, Dr. Blank, would have any—I know you are an economist, but do you have any thoughts about Reverend Sirico's conclusions with respect to government policy and its effect on the problem of illegitimacy?

Ms. BLANK. As I think I tried to indicate in my testimony, I simply don't think that there is any evidence that says that government policy, particularly the antipoverty programs that we have been running, are the primary cause of what has been happening with regard to illegitimacy. Those causes are so much broader and so much deeply spread through other changes in society.

I strongly agree with Reverend Sirico in terms of the importance of nongovernmental institutions being heavily involved in this problem. I think I do disagree with him in any conclusion that says the government should be completely uninvolved.

Mr. MCCRERY. Admitting for purposes of this discussion that there is no evidence, hard evidence—and I know you economists like to deal in hard evidence unless you want to assume something to prove your point—but just based on his reasoning, do you have a problem with his basic reasoning that—and Reverend Sirico, please correct me if I mischaracterize what you said—because the government has instituted so many programs to take care of single women who have children, whether it is food stamps, housing subsidies, AFDC cash payments or all those things, that that has contributed to a couple things.

Number one, less of a stigma attached to having an illegitimate child and, number two, less of a concern on the part of private institutions, individuals and institutions, to feel like they have a responsibility to help those folks in our society.

Ms. BLANK. Let me answer the second question first, which is to what extent have these caused crowding out of private moneys. There actually is quite a bit of research evidence on that. We don't have the best data that you could have. There is some indication and some studies that there is crowding out but it is far from dollar-for-dollar. It is more like 5 cents per dollar.

And anyone who looks at the magnitude of the sort of government support programs that we have today and thinks that if you get rid of them that we would have that amount of money outpouring in terms of private charitable support, doesn't know anything about this crowding out issue and how it seems to work.

Mr. MCCRERY. What about the first part?

Ms. BLANK. The first part with regard to stigma, I think my main answer there is that the AFDC Program in particular and other government programs have not been the primary cause of rising single-female-headed households, I don't think they have been the cause of declining stigma. That is occurring far too broadly.

That is similar to the fertility effect that is occurring in many other countries. It is occurring in many segments of the population who never consider AFDC as a possible source of support. There

are many, many reasons for that, which I think are—they are in only minor ways related to government antipoverty programs.

Mr. MCCRERY. Just as a general commonsense proposition, you don't think that the creation of all of these programs and the spending of trillions of dollars on these support programs has anything to do with the reduction in the stigma?

Ms. BLANK. As my testimony says, I think on the margin, there are clearly effects for populations. I am an economist, right? What I think is not true is that these programs are the primary reason for the stigma and I do think the benefits of these programs actually have been far more substantial than many people are currently giving them credit for.

Mr. MCCRERY. I know, again, you economists like to handle numbers and look at, in this particular case, dollars. But I don't think necessarily dollars is what Reverend Sirico is talking about. And, again, please don't let me put words in your mouth. My impression is, you are talking about much more than dollars. I thought you were talking about involvement by people, individuals, in helping other people in our society on a person-to-person basis.

Father SIRICO. If dollars could solve the problem, the problem wouldn't be with us. It is a fallacy to think we have to transfer the exact amount of money that is spent on programs to the private sector because the private sector can do a lot of things that are indirect, that are not quantifiable.

Second, a lot of the money that is spent through government programs is really absorbed in the bureaucracy itself and doesn't really get to the people in need. If you spend \$1 million on bread, it is not \$1 million of bread that gets to people. You have all these transfer costs. So I think that, in the first place, is a mistaken notion. Besides which, the potency, the kinds of programs that are offered, Sister Connie Driscoll's program that was alluded to by Dr. Wilson on the earlier panel, the Martin de Pores' house in Chicago operates for women with children at a fraction of the cost to comparable State-based and city-based programs.

Mr. MCCRERY. Thank you, Mr. Chairman. I thought, Reverend Sirico, your testimony was excellent.

Dr. Blank, I think you are an excellent economist and appreciate your thoughts on the subject.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman, and the panelists.

Dr. Blank, you mentioned at the end of your testimony what other policy options we might have. Can you talk about maybe the increased economic opportunities for youth that you have talked about briefly with other countries and the low rate of teenage pregnancy and the problems that might result with more generous aid contributions to the poor?

Ms. BLANK. The role of the economy in terms of putting us into the problems we face is quite substantial, particularly given this issue that we just talked about on both of the first two panels, what is going on with regard to the men and their behavior toward their girlfriends and their wives and their children.

Male wages in this country have just plummeted for less-skilled men. If you do not have a high school degree, your wages, adjusting for inflation, have fallen 15 percent on average in the last 15 years.

That has occurred even with strong expansion in the employment available in this country. That strong economic expansion has fed through to increases in hours of work and increases in labor force participation among the poor. But, for every hour they work, they earn less per hour. And that limits people's sense of opportunities, limiting their sense of the advantage from marriage, and limiting people's sense as to how hard they should work. How are they going to get anywhere with these wage decreases?

Mr. FORD. You think the woman is a primary motivation for marriage?

Ms. BLANK. I am sorry, do you think that—

Mr. FORD. Employment is the primary motivation for marriage, subsequently a family formation, I guess?

Ms. BLANK. I think employment has been a very important reason for marriage in the past. Many women have gotten married out of economic necessity. It is how women supported themselves and their children. As women have had more employment opportunities and as men have had fewer employment opportunities, I think that is one of the causes of the decline in marriages. Other changes in society obviously are also occurring, as Reverend Sirico has pointed out, and I wouldn't disagree with those, either.

Mr. FORD. The Republican plan is to cut off teen mothers forever.

Ms. BLANK. Yeah.

Mr. FORD. They do not have a plan that they have really addressed in how we will prevent teen pregnancy. But let me ask you this, Dr. Blank. Do you think cutting off welfare will impact the sexual behavior of these teens that we are talking about at any given point?

I will yield to the reverend on that question as well since he touched upon that in his opening statement.

Ms. BLANK. From what we know about teenage sexual behavior, it is not based upon very much attention to long-term economic calculations. It is based upon many other things, including particularly the messages that teenagers get about what is right and wrong with regard to certain behaviors.

Changing the economic incentives, alone, I suspect will have quite a bit less effect on teenage sexual behavior than it will on where they live and how they live after the child is born, and indeed on even if they carry that child to term.

Mr. FORD. In other words, if cutting off those benefits from that teen mother, not only the sexual behavior, but you think that will stop her from having the next child?

Ms. BLANK. I don't know the answer to that. Obviously we are running that experiment in a number of States.

Mr. FORD. You are researching the evidence that you have seen and read. Reverend, you might know this.

Ms. BLANK. The evidence we have is the benefit levels, per se, do not have a big effect on fertility, that it is other things driving the fertility changes and the fertility decisions including the sexual behavior.

Father SIRICO. I don't think it is just an economic question. If we remove certain economic subsidies and incentives and then there are other programs in place to pick up those people who are in need and if those programs are moral tutoring programs, that hold

up certain standards with love but firmness, then I think that we have an opportunity to correct this kind of instant gratification philosophy that the welfare system, as it is currently constructed, permits and, in one way or another, it supports.

Ms. BLANK. I think the key phrase there is other programs in place.

Father SIRICO. Yes.

Ms. BLANK. That is my primary concern.

Mr. FORD. Other programs, I have about 30 seconds left. What are these other policy options that you make reference to in your written statement, Dr. Blank?

Ms. BLANK. I mentioned a number of things Reverend Sirico mentioned. I think we need a social change with parents, grandparents, and everyone who serves as role models. Until we agree we will send different messages, nothing is going to change.

Mr. FORD. Do you agree most of these teen pregnancies, that these kids are already in poverty and then there is a teen pregnancy and they remain in poverty on welfare?

Ms. BLANK. I am sorry.

Mr. FORD. If poverty brings about many of these teen pregnancies.

Ms. BLANK. Poverty is one of the primary causes of these problems simply because people have no sense of opportunities. And this goes back to this question of economy.

Mr. FORD. It is not a teen pregnancy problem and then poverty?

Ms. BLANK. Improving the opportunities available to people and a sense of their potential future will do more to decrease pregnancies among young women, lower—the lowest levels of teen pregnancy occur—

Mr. FORD. So preventive measures should be a key factor.

Ms. BLANK. Lowest pregnancies occur among women who have a strong sense of where they are going and opportunities in life. And those are women who are looking forward to an education, who are looking forward to marriage and to other things as opposed to thinking that I need some gratification now through a child.

Mr. FORD. Thank you.

Chairman SHAW. Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman.

Just briefly, Ms. Blank, we were provided a chart earlier in the week by another panelist that indicates that the poverty rate had been on a steady decline for a number of years, beginning back in the forties. And in the late sixties, you see spending levels begin to increase dramatically and the poverty rate just stopped, the decline just stopped.

Are you aware of what programs we actually permitted at that time that required the additional spending that stopped the reduction in poverty rate and made it go the other way?

Ms. BLANK. I am actually delighted you asked that question because I think that is a misconception that many people have. The expansion in the economy in the sixties, both expanding employment and expanding wages together, were very important, the primary reason for bringing down poverty rates.

In the early seventies, the main thing that happened was not the increase in antipoverty programs. The main thing that happened,

we went into a series of very close together recessions, one right after the other, starting with the oil price shock of the early seventies.

All of the research evidence that I know on this topic essentially says that what happened is the expansion in poverty programs offset the decline in economic opportunities that hit people at the bottom. Poverty should have gone up if you looked just at the economic factors. It didn't go up. It remained flat because the expansion in government programs pulled down the poverty rate from what it would have otherwise been.

Mr. COLLINS. But the poverty rate today, even after billions of dollars of increase in spending, is up three to four points from where it was in the late sixties?

Ms. BLANK. And again, I am delighted you asked that question. I have actually done quite a bit of research on why the expansion of the eighties didn't bring poverty down as rapidly as the expansion in the sixties. The answer is very clear. The employment expansion increased work, jobs, labor force participation, but the wage declines offset that.

Unlike the sixties where you have wages rising and jobs rising and poverty plummets, you instead in the eighties have wages falling and employment rising, and the two are fighting against each other, and poverty comes down only slightly. You don't get the same kick out of economic growth because of this widening wage differential that is really impacting low-skill workers.

Mr. COLLINS. Well, what I am hearing you say, we had tax reform, both in the early sixties and the early eighties, that had an impact on the poverty rate.

Ms. BLANK. The economic changes in the tax reforms were all important. The government programs were important, as well. The evidence shows that this is a multivariate equation, so that what happens with wages, what happens with jobs and what happens with antipoverty programs and antipoverty spending all count. And they count in different ways in different time periods depending on how they are moving.

Mr. COLLINS. Good. Well, I am hoping that others in this body and the administration, too, will look at the fact the Contract With America not only deals with this aspect, but it also deals with economic encouragement, too.

Reverend Sirico, you mentioned in your statement that by gradually eliminating Federal benefits, we probably could recoup some of our loss to the poverty. Just what do you mean by gradually eliminating Federal benefits? Do you have something in mind there? Are you talking about a phasing out period, as I was talking about earlier?

Father SIRICO. Those are prudential questions, yes. I think the ideal is to have most needs met at the most local level of their existence. So I would see phasing out all programs that view things in the aggregate, that view things in the abstract, and that have a macroperspective of things and devolve to the lowest level, perhaps by allowing money to stay at the lowest level with various kinds of incentives and perhaps this needs to be done over a period of time.

I don't think it should be drawn out, because the more you draw it out—there is no better time than the present to do this. And it is frightening to me to think that you might stall and quibble and debate and nuance, because what will then happen is the forces, the lobbying forces and the special interests, whom you are threatening will react. The primary threat of welfare reform, it seems, is not to the poor but to the bureaucracy that justifies its existence off welfare. And those forces will come into being to lobby and prevent this reform. I think you need to do it very rapidly.

Mr. COLLINS. I think that is a very good point. I think there are a lot of people up here who are pushing the alarm button that is actually ricocheting back home that is causing a lot of the friction. But I appreciate your testimony and I hope, too, that we can address the area of charity, that we can go back and encourage those who do have the wherewithal to contribute to charities that will help humanity.

Thanks again.

Mr. NUSSLE [presiding]. Thank you. That is what happens when you haven't chaired a meeting yet. You have got to learn where all the buttons are.

Let me ask—and it goes back to your testimony, Dr. Blank, in particular you had mentioned that one of the things that—only one of the things that we can do is to—or one of the main things that you would suggest we need to do is to change the culture, which, interestingly enough, as I heard the reverend's testimony, it sounded like the same thing. And in fact, this has been my frustration with our whole process here is that you are right.

We are just talking about a few things that are part of the problem. I would never suggest that the government programs are the only reason we find ourselves in this situation. That is obviously not true. However, it is part of the problem. Everyone suggests that how big a part is some debate but it is at least part. So now we have got to go back to discussing what that is. Change the culture. What do you mean?

Ms. BLANK. I am a strong believer in Reverend Sirico's discussion about the role of the local churches, the local institutions, such as YMCAs, community organizations in changing the messages that get through to young people. I think that is—you have got to start there.

Basically, if you don't have those sorts of changes occurring more broadly within the culture, government programs or government changes are sort of irrelevant. Government changes can reinforce that but are not going to start it. And we need to create the impetus through—I suppose one role the government can play here is public education.

With regard to government programs, I think the most important cultural change when you talk about incentives is the question of what happens when a woman walks into an AFDC office. And I think rather than abolishing AFDC payments for groups of women, what we have to do is be much more clear as to what messages we send when women go in for assistance. We need to indicate that we are willing to provide assistance to them but there are mutual obligations here, and I think that is the key message.

Mr. NUSSLE. You are talking about changing programs and the attitudes in the agency. You said change the culture. When I heard that, you struck a nerve with me because it, to me, sounded exactly like what the reverend was saying, change the culture, which is underlying all of the things that seem to be going on.

Part of changing the culture is the welfare, the bureaucracy, the payments, part of it. But that is only one small part. You said change the culture and you—like I say—

Ms. BLANK. I wish I could tell you how to accomplish that change. I wish I could.

Mr. NUSSLE. I only asked what you mean. I am just interested in what you mean.

Ms. BLANK. I mean changes in how we deal with pregnant teens, changes in the messages we send men and women, young boys and girls from the ages of 8 on about what we expect of them in their adolescent years, in their early twenties in terms of what we expect from them with regard to schooling, with regard to behavior. That is a very complex thing to do. But I honestly think if we don't do it, nothing is going to change with regard to this issue.

Mr. NUSSLE. I agree and that is why I zeroed in on that particular point. Because what the reverend is saying and I believe is so correct—and I would like you to elaborate a little bit on that—you know, you are talking of a—I don't want to say bottom-up because it makes it sound like it is not really—that it is maybe not right. But it is bottom-up, families, individuals, neighbors, churches, you know, blocks. I mean, that is what you are talking about first as the first line of defense.

And the reverend never said that I heard no government—I never heard him say that. He said not the first step and not the only step that appears to be—and not driving out all other steps. And part of what I guess I am searching for—and it is not the Contract With America. It is not any of these—it is not any of this.

It is that how does the Federal Government prevent, how do we here in Washington prevent all of these exciting things from happening at the block level, the individual level or the State or community or city level? That is what I am searching for. How would he prevent those things from happening at this Committee table?

Father SIRICO. In a myriad of ways. In a myriad of ways you prevent it not even intending to. You have a macroview of the world. When you have a bad charity that doesn't have any moral expectation to it, what you do is create disincentives for people in their local congregations. Not that it has collapsed the whole thing, but it puts a damper on.

Let me just anecdotally address that. Most religious representatives in this country would agree with this: The best way you can raise a collection or raise money is by evidencing an obvious need. What the Federal Government does is to mask that need because the Federal Government says "we are here."

"We have programs. Illegitimacy—we can help that. Drug abuse—we can help that," and all these things. And you are sending the message to the American people that the government's there. When we ask people to give out of their means, we are asking them to sacrifice. Even with a tax deductibility, it is a sacrifice.

And people are not going to sacrifice if they think there are other resources available.

Just think of how you give and how you manage your income. You really have to turn this whole thing on its head and have the government only to provide in the worst-case scenarios, not in the first resort, and to provide in a way that is indirect, by creating space for opportunities that can exist on the local level.

Mr. NUSSLE. I thank you. And that is where—and I wish my friends were here from the other side because I—

Father SIRICO. I do, too.

Mr. NUSSLE. We all care. It is not an issue of whether we care. That is not it. There is enough caring to go on forever. It is a matter of how do we address it, what is our perspective.

Mr. ENSIGN.

Mr. ENSIGN. Thank you, Mr. Chairman.

Father, let me just read a quote by President Bill Clinton on December 3, 1993. Mr. Bennett addressed that earlier today and he said, and I am quoting now from his—from President Clinton.

If we need to reduce Aid to Families with Dependent Children, it would be some incentive for people not to have dependent children. I once polled 100 children in an alternative school in Atlanta, many of whom had had babies out of wedlock and I said, if we didn't give any AFDC to people after they had had their first child, how many of you think it would reduce the number of out-of-wedlock births? Over 80 percent of the kids raised their hands. There is no question that that would work.

Your comments on that.

Father SIRICO. What was the quote, though, after that? There is no question that would work but—I seem to recall—"but of course we can't do that," something like that?

Mr. ENSIGN. Yes. Yes, basically.

Father SIRICO. We can do it. It can be done. And there will be people present for those who are in need. The fact—I mean, I understand that you live here and you work here and you are absorbed with the whole thing of Washington.

I am not a politician. I have no aspiration to be a politician. But please understand, because you don't do something doesn't mean it is not going to get done. You have very vibrant, equally as intelligent people, pastors of churches, directors of organizations all over this country who are not political and who will organize if you move away the debris and the obstacles to that organization and perhaps make a little bit more incentive available, like the 110 percent tax deductibility or tax credits or remove the net of regulations that inhibit the poor from benefiting themselves or that prevent ministries from meeting people's needs. I could give you anecdotes about that, as well.

Mr. ENSIGN. To follow up on that, we heard some comments earlier today about public funds being funneled through the churches and local community organizations, and I want you to address that because I have some fears of that. I have some fears that when the church asks what happens in Europe, that once the church starts taking money from the public funds, that then there will be strings attached, that then the churches will become dependent on that instead of dependent on the funds, the willing givers. Obviously, in the Bible it talks about that God wants willing givers. He doesn't

need the money. He wants you to have a willing heart and a giving heart.

Father SIRICO. I agree with you fully. And the people who have opposed this—let's funnel it through the churches—don't get the point. They are not getting the point yet. The point is, why do we have to bring it here and then give it back, thereby controlling and effectively socializing the private welfare systems that exist in this country and are doing effective and good things?

Leave it at the most local level. Create some incentives for people to give, but, by all means, if you simply subsidize the churches in their social mission, you are going to replicate the problem and also at the same time kill the systems that are some of the most effective in this country. So I am against any funding to religious organizations. Besides which, you will have all kinds of debate about that kind of thing from all political quarters.

Mr. ENSIGN. There is no question. I think what we are talking about getting the money back to the States—and I think further than that, what we need to do is get back from the States then to the local levels and then—

Father SIRICO. Or leave it there.

Mr. ENSIGN. Yes, leaving it there.

Father SIRICO. Leave it there.

Mr. ENSIGN. And then eliminating as much as we can from the public funding of it, letting people keep more of the money, taxwise, and then they would in turn increase their giving to churches, local community organizations. There we don't have some of the money taken off the top when it comes to Washington for administrative costs and then returned with all the strings attached, where we have ended up with a lot of the problems that we have had.

I thank you, Mr. Chairman.

Mr. NUSSLE. Thank you.

The gentleman from New York, Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Dr. Blank, I will need your help in trying to get some support for the concept that you responded to with Congressman Ford, and that is that the lack of hope that exists in these communities, the inability to even think you can get a job, like in the old days because they have gone overseas now, have caused a lot of these youngsters not to feel stigmatized.

I mean, even to be in poverty, to be ignorant enough to believe that you would have this child with or without funds just so you could have love, knowing that either poverty caused the child but the child's going to end up in poverty, I would like to share some of my concepts with you but, more importantly, to get your ideas as to how it can be perfected, because if you really look and see who is making these babies, who is doing the drugs, who is doing the crime, none of them are employable. None of them have any dreams of the future. None of them have any jobs. I just want to work with you and see whether you can help me perfect it.

Father, again, I want to thank the Chair for inviting you. As one altarboy to a priest, I know notwithstanding your testimony—that there must be something that we ought to agree on. One of them is that this child is a creation of God, and whatever the mother did

or didn't do, that child should not be punished for whatever immorality the mother had. And whoever these benefits—health, food, shelter, things that Mary and Joseph were looking for—should not be denied to that child.

I know we agree on that. But you said something about you being against funding for religious organizations. That wasn't just generally, was it? I mean, you didn't mean Catholic Charities.

Father SIRICO. I am against Federal funding for religious organizations. I was asked whether it would be good to funnel money through religious organizations in order to accomplish these things.

Mr. RANGEL. The way we do it here is that we give Federal credits, that is, people don't have to pay taxes if they give to a church, which is subsidizing them. You don't object to that?

Father SIRICO. No, I don't think that is a subsidy at all. It is only a subsidy if you presume that the money is yours in the first place. I believe it is not the government's money in the first place. It belongs to the people who produced it, it belongs to them.

Mr. RANGEL. Let me try again.

Father SIRICO. Sure.

Mr. RANGEL. Once everyone's tax liability is established, that is the law, that is what they owe. Then when the government says we reduce that if you give to the church, as a deal to encourage giving to the church. So I don't think you view it as a subsidy in the strict sense of a subsidy. Because if you were directly subsidizing, there would be all kinds of redtape and standards that you would expect to accompany the subsidy.

This organization, Action Institute.

Father SIRICO. Acton Institute, Lord John Acton.

Mr. RANGEL. What is it?

Father SIRICO. Lord John Acton. He said, "Power tends to corrupt and absolute power corrupts absolutely."

Mr. RANGEL. Is this a nonprofit organization?

Father SIRICO. It is, yes. We take no government money by constitution.

Mr. RANGEL. Are the contributions tax exempt?

Father SIRICO. Yes.

Mr. RANGEL. And when you buy things and whatnot, you don't pay taxes under the 501(c)(3)?

Father SIRICO. Yes.

Mr. RANGEL. Now, is this a subsidiary of the Catholic Church?

Father SIRICO. No, it is not. It is completely independent.

Mr. RANGEL. This has nothing to do with religion.

Father SIRICO. Yes, it has to do with religion. You asked me if it was a Catholic organization.

Mr. RANGEL. Catholicism?

Father SIRICO. We are ecumenical. We work with people from all different faith traditions.

Mr. RANGEL. Your testimony, does this represent the thinking of the Roman Catholic Church?

Father SIRICO. In its institutional form? Do you mean am I a representative of the Catholic Bishops Conference? I am not. However—

Mr. RANGEL. Do they support what you have said here today?

Father SIRICO. You would have to ask them that. On prudential matters, Catholics have a wide variety of opinions. However, I would indicate that the principle of subsidiarity has been articulated throughout the Catholic tradition and, in fact, the—the section where I deal with the principle of subsidiarity is drawn from the encyclical of John Paul II, Centesimus Annus. I believe it is the 48th paragraph.

Mr. RANGEL. Father, remember me in your prayers. But what I really want to find out, is there any Catholic Church organization that believes that we should not provide funds for a child that is born out of wedlock?

Father SIRICO. Well, your presumption—you are asking that government should not provide—

Mr. RANGEL. AFDC is what we are talking about here.

Father SIRICO. Yes.

Mr. RANGEL. Do you object to anything—

Father SIRICO. We have talked about an awful lot. I have been here 3 hours.

Mr. RANGEL. A child, 18, just because she is 18, has a child, should we be allowed to provide money for her child's health and welfare?

Father SIRICO. I don't think that there is any moral obligation for the government in all cases to do that.

Mr. RANGEL. OK. Period.

Father SIRICO. Period.

Mr. RANGEL. Does any Catholic organization that you know of, the Catholic Bishops or Catholic Churches or priest organizations that you know of agree with the position you just stated?

Father SIRICO. I am sure there are different groups of Catholics and Catholic organizations and charities.

Mr. RANGEL. I am sure there are too, but I need them for the record so I can go to them.

Father SIRICO. I would say probably St. Martin de Pores' House in Chicago which deals with women like this.

Mr. RANGEL. Chicago is different.

Father SIRICO. South side.

Mr. RANGEL. That is different.

Father SIRICO. The Catholic Campaign would probably agree with that.

Mr. RANGEL. OK.

Father SIRICO. I believe that is Washington, actually.

Mr. RANGEL. Do you believe that if a woman has a second child and she is on welfare, that no benefit should go to that second child?

Father SIRICO. I think in certain cases, that is a very good idea if I was dealing as the director of a charity.

Mr. RANGEL. Father, help me.

Father SIRICO. Let me just answer the—

Mr. RANGEL. But, Father, answer me—

Father SIRICO. That is the problem, Congressman, is that you are viewing it in an aggregate. And I am saying, tell me who the woman is, tell me what the second child is about? Has she been raped? What has gone on in her life. Then I can answer that question.

Mr. RANGEL. OK. The woman had sex, she made a mistake, she is getting welfare. Boom, she makes another mistake, she is pregnant. That is the story.

Father SIRICO. OK.

Mr. RANGEL. Should the second child be denied assistance?

Father SIRICO. From the government, perhaps so.

Mr. RANGEL. This is us, the government.

Father SIRICO. Yes, I know. And what I am saying is, let it devolve down to local charities who can make these more nuanced decisions.

Mr. RANGEL. I am not going to argue with you. You deal with a higher authority than I do. I am just trying to help myself in thinking about this issue.

Father SIRICO. I'm relieved you know that.

Mr. RANGEL. The Catholic Charities, does the Catholic Charities or the Catholic Bishops agree with that point?

Father SIRICO. You have to ask them. I am not on their staff. Let me explain something, though, vis-a-vis Catholic Bishops and the staffers and their policy recommendations. Those are prudential decisions that are made. The Catholic Church does not advocate any partisan view.

The concern of the Catholic Church is the dignity and the well-being of each human being. And the way in which those needs are met are open to all kinds of philosophical and prudential debates.

Chairman SHAW. OK. The time of the gentleman—

Father SIRICO. And I think any Catholic bishops would agree with that statement.

Chairman SHAW. The time of the gentleman has expired.

Mr. RANGEL. Well, we have to pray together.

Father SIRICO. Let us do that.

Chairman SHAW. Well, we should end on that one.

Mr. Camp.

Mr. CAMP. Thank you, Mr. Chairman.

I apologize. I was at a trade meeting and couldn't hear your testimony. But I did have a question, Father. Maybe you have answered it. And if you have—do you think that individuals will change their behavior if welfare policy is changed?

And what we are trying to do is institute changes that will promote work. We will time limit welfare. Do you think that will have any effect?

Father SIRICO. I think that will have an effect if, coupled with that, you will allow people on the local level to pick up the slack of the government. And by that, I do not mean that you have to transfer that absolute amount to local agencies. What I am saying is that we can do it more effectively, more efficiently, and that we can instill the moral guidelines and expectations and standards that are required to transform a person's life.

Yes, I think that that can be picked up and that will discourage, if you have this kind of moral tutoring going on, that will discourage the kind of immorality that has produced the illegitimacy rates.

Mr. CAMP. The proposal we are looking at would stop giving cash payments to mother—children who have children, and, instead, we

would block grant that to the States along with the housing program and allow the States to develop programs.

Do you have any opinion on that provision?

Father SIRICO. As I said in my statement, my fear is that merely in doing that, we will run the risk of creating State capitol bureaucracies that will replicate the problem we are currently facing with the Federal situation.

I think it is a step in the right direction but I think we need to go more radically. And I would say that you have a—and I will repeat what I said earlier. You have a great opportunity right now. The country is expecting you to do something radical. The longer you wait, the more difficult it is going to be, the more the forces of reaction will—will put roadblocks in your way.

Do this, do it very radically, and expect institutions on the local level to minister with great love and great care and great concern for the people with whom we live.

Mr. CAMP. Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you very much.

Welcome to all three of you. Let me follow up on my colleague and friend's questioning, Father, because it is not quite clear to me. In your testimony, you said, in my view, the Federal Government should not now try to tinker with its welfare programs to punish women who give birth to children outside of marriage. But then you seem to say, essentially, let's get the Federal Government out of that decisionmaking, right, and you prefer the State government be out of it.

I checked, by the way, the administrative expenses figures in the book, and they are about the same on the State and Federal level. I am in favor of Federal devolving considerable authority to the States or flexibility for the States, but just so we are clear, while the administrative expense is 10 percent, it is not 40 or 50 percent.

It seems to be about the same on the State and Federal level, which might support your position that there shouldn't be really a devolution mainly from the Federal Government for the States but by all government for the private sector. It seems to be your position.

Father SIRICO. Great portions of the Federal Government to the private sector, what can't be done by the private sector in cases of emergency, catastrophes and things like that might be done by government. I don't think, however, that by the government limiting its role in these circumstances it is punishing people.

I think what it is doing is removing itself and allowing institutions to come in and deal with people on a much more individual level.

Mr. LEVIN. I understand that. Now, you are also saying—I think you said for Representative Camp that devolving not mainly from the Federal for the State but from the Federal Government—the responsibility, for the private sector, your statement in favor of that, you said that doesn't mean that we would provide the Federal funding or the State funding, that the funds would not go with the responsibility.

So what you seem to be saying is that because private institutions can shape programs better per individual, let them do it but without basically major governmental funding, and then your theory is because Federal funding has crowded out private contributions.

Well, you said you are for radical change, I think, that is. Now, let me ask you this: Do you think there are any private organizations today that would say they could take over the full responsibility now undertaken by Federal and State governments—the States are into this, too—without any significant governmental funding increase? I mean, you think any organization would agree that they could do this now?

Father SIRICO. Well, let me make two remarks about that. The first is that it is a mistake to think that the amount of money would have to be raised by private organizations. That is the amount of money that is currently being spent by the Federal Government for various programs.

Second, I would imagine that there would be a whole host of organizations that would be willing to stand and say yes, if you allow us without the kinds of regulations that currently impede our work and with the proper kind of tax incentives and with a vibrant economy that would allow people to have a greater—to retain a greater share of their income without the onerous tax burdens that many people now labor under, then I think, yes. I think there would be—and not only that, I would also predict that a whole host of organizations would come into existence to meet the needs of the poor.

Mr. LEVIN. Just quickly, because the light has shifted its color, and I think red comes next, you imagine, you say, you predict—

Father SIRICO. That is a good point.

Mr. LEVIN. What do we do? We just cut off the funding?

Father SIRICO. This is exactly the gravamen of the argument here, isn't it? I dissent from the notion that the State knows what to do about these problems.

Mr. LEVIN. That isn't the issue I am raising. What I am saying is, if we shift from governmental involvement strictly or essentially for private responsibility, the private caretaker notion—caretaker isn't the best word, but private sector responsibility—you predict and assume there would be funding.

But how do we know that and what do we do in the meanwhile? Do we put all the people who are presently at risk—most of these are children—do we put them in a position of assuming your assumptions are correct?

Father SIRICO. Well, these are very good and complex questions. Let me just make—

Mr. LEVIN. What is the answer?

Father SIRICO. Well, the answer is, I would refer you to the Nobel laureate's Friedrich Hayek's book, "The Fatal Conceit." The conceit of government, that it knows what it is doing and it can micromanage everybody's life.

Second, I would say if we were accustomed as a society to having the government provide all of our food and someone came up with the radical notion that we should allow food to primarily be provided by the private sector, the similar kind of question you have asked me would be asked of the person proposing that.

Chairman SHAW. The time of the gentleman has expired.

Mr. Rangel raised a question. Mr. McCrery says he has the answer. I am going to yield. I yield back to Mr. Rangel and then we will return.

Mr. MCCRERY. I just wanted to help out Reverend Sirico with the question posed by Mr. Rangel with respect to the Catholic Charities, whether they have an official position of not giving cash benefits to women under the age of 18. In fact, they do. Catholic Charities recommends that no cash benefits be given to children under 18 having children. So that is an official position of the Catholic Charities. It is right here.

Mr. RANGEL. Would you help me for 1 minute? Would Catholic Charities support the Contract With America provisions as we know that? Do they endorse that? Because I really don't know.

Mr. MCCRERY. Well, I will read to you exactly what they say and you can decide for yourself.

Mr. RANGEL. Well, that would be good.

Mr. MCCRERY. Catholic Charities recommends there should be a minimum legal age at which one becomes eligible for AFDC, age 18 is recommended.

Mr. RANGEL. We are talking about—

Mr. MCCRERY. That is what the Contract says.

Mr. RANGEL. What about the second child? Is that included in that at all?

Mr. MCCRERY. They don't speak to the second child.

Mr. RANGEL. What about the 2-year work limitation? Is that in there?

Mr. MCCRERY. They do make references to work, yes.

Mr. RANGEL. They do all of these wonderful things—

Mr. MCCRERY. All of these things would be available through the States.

Mr. RANGEL. The outfit in Chicago—

Mr. MCCRERY. I just thought you wanted to know the answer to the question.

Mr. RANGEL. No, I appreciate that some Catholics are doing things about it, so I am glad. Thank you.

Chairman SHAW. Well, on that note, we will now recess.

I want to thank the final panel and, also, I want to thank you for indulging me and allowing the third panel to come in ahead of you. I appreciate that very much.

We will be adjourned and we will be reconvening at 12 noon on Monday.

[Whereupon, at 1:58 p.m., the hearing was adjourned, to reconvene at 12 noon, Monday, January 23, 1995.]

WELFARE REFORM

MONDAY, JANUARY 23, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 12 noon, in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Mr. CAMP. The meeting will come to order. This is the Subcommittee on Human Resources of the Committee on Ways and Means.

At this time, I would like to recognize Mr. Collins for an opening statement.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Chairman, Republicans want able-bodied Americans to work. That is why we are greatly concerned by the leap that welfare has taken. Recent studies indicate that the average family now on Aid to Families with Dependent Children will be on the welfare rolls for over 7 years if repeat spells are counted. This situation is a tragedy for both the adults on welfare and their children. It is also a tragedy for taxpayers.

In the past, it was considered compassionate to continue giving these families public benefits—cash, food stamps, medical care in nearly every case, and housing, child nutrition, home heating and other benefits in many cases. When Republicans began arguing that simply giving away welfare benefits was bad for able-bodied adults because it encouraged them to become more dependent on public aid we were at first a lonely voice saying what had to be said.

Thankfully, that day is long past. It appears that we now have reached consensus on the belief that just giving things away is bad policy. Rather, we must expect people to return something to society when society extends a helping hand. Today, requiring able-bodied adults to work is recognized as good policy for welfare recipients and taxpayers.

Some critics of Republican policy demean the kind of work such as raking leaves and hamburger flipping that young, unskilled parents take when they first leave welfare, but millions of Americans work, support their families and even pay taxes by accepting just that sort of job. These adults should be greatly respected and complimented, especially if these low-skilled jobs help families leave welfare and especially if these jobs lead to better jobs, as they so often do. It is often the disciplined work ethic and good habits de-

veloped in these jobs that lead to advancement up the economic ladder of success.

A major component of welfare reform is figuring out how to use government to help more families leave welfare by working. We know that over 1 million families leave welfare each year because of work. We also know that too many of these families later return to welfare. So our task is twofold: First, finding ways to help adults prepare for and accept jobs that get them off welfare; and, second, finding ways to help adults stay off welfare. In our view, we need a combination of carrots and sticks to achieve these two goals.

From the moment parents show up in the welfare office they should be encouraged to prepare for work and to search for jobs. Further, the overwhelming majority of parents should begin pursuit of work with two realizations, that there is a definite time limit to cash welfare and that their fellow citizens have established programs outside the welfare system to help them.

These programs outside the welfare system include the earned income tax credit, which will soon provide a working mother and two children up to \$3,500 in cash per year, transition Medicaid and day care benefits that last for 1 year after welfare, more than \$11 billion in child care spending on a variety of programs, and many billions more on a host of coverages for medical care.

The purpose of our hearing today is to learn the characteristics of programs that are successful in helping adults on welfare avoid dependency by learning to rely on their own efforts. Then Congress must give States the flexibility and resources necessary to achieve the delicate balance of public assistance and mandatory requirements that are the hallmarks of programs that help adults achieve independence from welfare while treating them with the dignity that comes with citizenship.

Mr. CAMP. Thank you.

Now I recognize Mr. Ford for purposes of an opening statement.

Mr. FORD. Thank you, Mr. Chairman.

I want to welcome the witnesses who will be testifying today on welfare dependency and the welfare-to-work programs.

Today's hearing is critical to the welfare debate. It raises the fundamental question facing us: How can we help families on welfare to support themselves so that they no longer need to rely on the government?

Democrats and Republicans can certainly agree on one thing: Working at a job that supports your family is far better than working to rely on welfare. Where we sometimes differ is with the means we must use to achieve that goal.

When it comes to work programs for AFDC recipients, our first task is to build on the work program that was established in 1988 to make it even more effective than it is today. We have now had several years of experience with the JOBS Program, and it is time to fine tune JOBS, perhaps give States more flexibility, and make certain that we have the resources to mount an aggressive welfare-to-work program.

We must also set realistic participation requirements that recognize the fiscal capacity of States and their true ability to implement a welfare-to-work program and that reflects an understand-

ing of the welfare recipient herself, her strengths and her weaknesses and her abilities.

Mr. Chairman, I am pleased to hear that those who are here to testify today also stress in these areas the same type of things that we are talking about and, hopefully, that we can look at this welfare bill or the welfare debate that will be before this Committee and move a bill with a work program, that we know that job creation must play a major role in trying to replace welfare and offer an opportunity for many people who are in the welfare populations an opportunity to have education, training and a decent job to provide for the basic necessities of life for them and their children.

Thank you, Mr. Chairman.

Mr. CAMP. Thank you.

I would like to welcome our witnesses today.

Our first panel is led off by Judy Gueron, one of the country's premier experts on welfare-to-work programs and the president of the renowned Manpower Demonstration Research Corp. Lawrence Mead is a distinguished social scientist who has written extensively on this issue, and Toby Herr has conducted for many years programs that actually get welfare recipients working and staying off the welfare rolls.

Welcome.

**STATEMENT OF JUDITH M. GUERON, PRESIDENT, MANPOWER
DEMONSTRATION RESEARCH CORP.**

Ms. GUERON. I appreciate the opportunity to appear before you today. I will summarize my testimony and request that the full testimony be included in the record.

My remarks focus on why welfare-to-work programs have been the central element of reform efforts for the last 30 years and why they will be critical to the success of reforms under discussion in 1995.

AFDC was explicitly created in 1935 to help single mothers, primarily widows, stay out of the labor force and take care of their children. The goal was to reduce child poverty, and the possibility of long-term welfare receipt for that group was accepted. But since then much has changed: Women flooded the labor market, and mothers on welfare are now primarily unmarried. Providing long-term support is clearly not popular.

The public wants change, but it also wants reform to satisfy two conflicting goals: Providing a safety net under children and requiring that their parents work.

Starting in the late sixties and in 1988 with the creation of the JOBS Program, Congress and the States crafted a new basic compromise to reconcile these goals. Welfare should be transformed from a no-strings-attached entitlement—if you were poor you got money—to a program where families could continue to get support but parents would have to participate in some work-directed activity or work for their benefits.

Effecting this transformation has not been easy. Nonetheless, there is an unusually reliable record showing that change can be successfully implemented and that jobs can be a fourfold winner: Helping to meet society's two goals—providing more money for children and substituting work for welfare by their parents—generat-

ing budget savings and making welfare more consistent with public values.

The best evidence comes from a recently completed study of California's JOBS Program called GAIN. At its most successful, Riverside County, which sets a benchmark for JOBS' potential—and the director of that program you will be hearing from later—GAIN produced a 50-percent increase in earnings and a 15-percent decline in welfare outlays, thereby returning taxpayers almost \$3 for every \$1 spent to run the program.

Throughout the State of California the results were about half that good. Riverside's program was distinguished by its emphasis on getting people a job quickly, its reliance on job clubs but substantial use of basic education, its enforcement of a participation mandate—getting about 60 percent of people into some activity—its close links to the private sector, and its cost-conscious and outcome-focused management style.

Studies suggest that different JOBS approaches yield different results. Job clubs can get people into employment quickly and save taxpayers money but do not improve job quality or succeed with the most disadvantaged. Adding some skills training can cost taxpayers more but can lead to some better jobs and might make a greater long-term difference in earnings. Programs that favor quick employment but also include some human capital development services can combine the benefits of both strategies.

As for mandatory work-for-benefits—or workfare—programs, in strictly budgetary terms these don't appear to save money, and they have almost always been at small scale. However, they provide a means to maintain a safety net for children while sending a strong prowork signal to their parents and producing socially useful work. To save child care costs States have often limited the work hours in such programs.

Bringing the JOBS system nationwide up to the standard of high performance programs is a vital prerequisite to making a time limit—either with some form of work at the end or with all support simply ending—feasible and affordable. This is because, from a State's perspective, the risk of time limits will be high unless more people leave welfare before reaching the time limit. If not, too many will hit the cliff and either require subsidized work at added cost or face a dramatic loss of income.

But Federal and State actions are needed for JOBS to reach its potential. To make the mandate real, JOBS needs more resources. Yet, despite broad-based enthusiasm for work programs, funding could be at risk if States under block grants have to pay for AFDC benefits and work programs out of the same resources. Efforts to reform welfare must also confront the limited work potential of some welfare recipients. While most can work, some cannot or could only with close supervision.

A final word about the welfare reform debate itself. It will be critical not to overpromise about the likely success of reform. Helping the public understand what level of change is attainable might break the cycle of cynicism that has resulted from past waves of welfare reform.

Thank you.

[The prepared statement and attachment follow:]

TESTIMONY OF JUDITH M. GUERON
MANPOWER DEMONSTRATION RESEARCH CORPORATION

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I appreciate the opportunity to appear before this Committee today to present what is known about the effectiveness of welfare-to-work programs.

Background: Adding a Participation Requirement to an Entitlement

As background, it is critical to recall why a work strategy has been at the forefront of welfare reform efforts for the past 30 years, and why current proposals make the success of this approach even more vital.

The welfare reform debate in this country reflects a dilemma identified as long ago as the Seventeenth-Century English Poor Laws: Is it possible to assist poor people without, by that very act, giving them incentives for behavior that perpetuates poverty and dependency? In particular, is it possible to provide support for employable people without discouraging work?

This reform dilemma arises because, as a nation, we have two conflicting goals for welfare. First, Americans do not want children to be poor, and thus our first goal is to reduce child poverty. The most direct way to do this is to provide the parents of poor children with money. But, second, Americans also think that parents should be working and supporting their children. One way to encourage this is to reduce welfare benefits so that work is the only reliable alternative to starvation.

However, children and their parents are a tied sale: You cannot help one without helping the other. Thus, it is hard to get tough on parents and yet continue to provide a safety net to support their children. When the federal government began providing income assistance to poor families, as part of the Social Security Act of 1935, times were different and, for single mothers, the public placed primary emphasis on the first objective. Thus, the Aid to Families with Dependent Children (AFDC) Program was explicitly created to help single mothers stay *out* of the labor force and take care of their children. One researcher, Gilbert Steiner of the Brookings Institution, has called AFDC's enactment a national commitment to the idea that a woman's place is in the home. The public thought this was fair because, at that time, fewer middle-class women were working and because AFDC supported a popular group (primarily widows or the wives of disabled workers). People did not care if welfare reduced this group's work effort (they intended it to) or remarriage rate. Contrary to what you hear, individual welfare entitlements were not meant to be temporary.

However, with the extraordinary tripling of labor force participation by women over the last 40 years, the public no longer thinks it is fair to support poor single mothers, when other women are working for little money and often not by choice. That welfare mothers are now more likely to have had children outside of marriage adds to their unpopularity.

Beyond equity issues, the public is concerned that welfare creates perverse incentives and worries that if you pay for something, you will get more of it. The fear is that a welfare system that provides funds mainly to women who are single mothers promotes illegitimacy by enabling women to support their children without depending on men. While the research record is not clear on how much welfare has promoted single and unwed motherhood, the concern persists.

These developments undermined support for the original idea that welfare should provide an alternative to paid work. Instead, a new basic compromise was forged: A mandatory welfare-to-work strategy was added, and the notion of welfare as temporary and transitional was introduced. Under this approach, Congress has maintained the basic AFDC safety net, but added work-related mandates in an effort to mitigate the unintended consequences that might flow from providing assistance. In effect, AFDC was changed from a no-strings-attached entitlement — if you were poor, you got money — into a reciprocal obligation, under which, to get full income support, people would have to participate in some work-directed activity or work itself.

The attractiveness of the work strategy was its promise to reconcile society's two goals. Yes, families (and thus children) would continue to get income, but that income would be reduced unless the parents took steps toward work. The hope was that new requirements would simultaneously change the values conveyed by the welfare system, make welfare less attractive, and provide services that would speed the transition to self-support.

The general approach was that welfare recipients would have to participate in activities designed to help them get an unsubsidized job — activities such as job search, education, skills training, or unpaid

work — or risk losing some share of their welfare benefits. Since 1967, there have been several visions of how to make this mandate real. Under the Work Incentive (WIN) Program during the 1980s, the emphasis was on getting women with school-aged children to look for work. Research showed that the resulting relatively low-cost job search programs could be cost-effective, but that many people remained on welfare and those who went to work got low-paying jobs. This led to a more ambitious focus in the Family Support Act of 1988 and the Job Opportunities and Basic Skills Training (JOBS) Program it established: extending the mandate to women with younger children and providing a mix of services — with an emphasis on education and training — in an effort to further promote work, reduce poverty, and decrease long-term dependency. While some people emphasized that WIN and JOBS involved participation in employment-enhancing activities, others argued that those who were not successful in finding regular jobs would have to work in government-created community service positions in order to receive continued income support. Most recently, advocates of the latter approach propose setting a firm limit on the length of time people could receive employment services, after which the only option for continued public support would be some form of work.

Over the past 25 years, states have struggled to make a conditional entitlement real. This has proven difficult. Where successfully implemented, such programs have increased work and reduced reliance on welfare but, alone, these programs do not appear to work miracles. Does this mixed experience suggest that it is time to abandon the basic compromise of the welfare-to-work strategy?

In this testimony, I argue that the answer is a compelling “no,” and that, quite to the contrary, our nation should now redouble its efforts to make this transformation succeed. This is because work strategies still offer the best hope for reconciling society’s dual goals and containing costs. Moreover, if we care about protecting children, successful welfare-to-work programs will be even more urgent if Congress or some states decide to place time limits on welfare (followed either by work or a cutoff in all income support).

What Challenges Do Welfare Administrators Face in Transforming AFDC?

Administrators face four challenges in transforming AFDC into a work-focused mandate that moves people permanently from welfare to work. The first is resources. Enforcing participation requires an up-front investment in staff (to connect people to services, monitor their participation, review reasons for nonparticipation, and cut grants if people do not play by the rules); in providing activities (job clubs, work slots, etc.) that are sufficiently plentiful to give teeth to the mandate; and in child care, transportation, and other support services so that AFDC mothers can participate.

The second is changing the culture of JOBS program offices, and possibly welfare payment offices as well. Laws are made in Washington and state capitals, but policy becomes real in the exchange between welfare staff and recipients. The past focus on rooting out fraud and abuse has put the accurate determination of people’s eligibility for benefits at the top of the agenda in most welfare offices; getting them into jobs has been something of an afterthought. Moreover, efforts to change this have often left staff overwhelmed and confused: They are told to provide in-depth support and to closely monitor recipients, but have caseloads of several hundred; they are given contradictory goals of simultaneously transforming people’s earning capacity and getting them jobs quickly; they are told to get jobs for potential long-term recipients, but not how they might accomplish this. Changing the culture in JOBS offices will require clear priorities, adequate staff, and sufficient resources.

The third challenge concerns the women themselves. AFDC recipients are an extremely diverse group, with some being highly employable and others being close to disabled, although not eligible for Supplement Security Income (SSI) benefits. A recent survey of people who were targeted for the JOBS program in selected sites shows that between a quarter and half lacked prior work experience, at least a third had extremely low literacy skills, and more than a quarter said they could not participate at that point in time because they or their child had a health or emotional problem. (The share unable to participate would have been larger if the survey had covered *all* AFDC recipients, i.e., including those not currently subject to the JOBS mandate.) But, somewhat surprisingly, the same survey shows that welfare recipients support the idea of participation mandates. Furthermore, the vast majority say that it is fair to make people on welfare get a job, even if they do not want to.

The final challenge, which affects the ability of any work-focused mandate to succeed, comes from the job market and economic incentives facing welfare recipients. In pushing recipients to work, and equipping them for it, states have been swimming upstream against the strong current of declining wages for the low-skilled. The combination of the low wages they command and the perverse rules

of the welfare, Medicaid, and child care systems – where people can be worse off working than on welfare – means that welfare recipients have little economic incentive to work.

These last two challenges – low skills and little economic incentive to work – help explain why welfare recipients who take jobs often leave or lose them quickly.

Was JOBS Implemented? Has JOBS Failed?

Reports from the General Accounting Office, the Rockefeller Institute of Government at the State University of New York, and MDRC show huge variability in the success of states in implementing a work-focused mandate. JOBS was supposed to provide both carrots and sticks: offering employment-directed services, but requiring that people participate and take steps toward self-sufficiency. In 1988, the public was led to expect that the new legislation would fundamentally change the message and character of welfare and reduce the rolls. In some places, as a result of JOBS, welfare is now very different; but in many places, it is not. The reasons are clear: States had little knowledge of how to implement high-performance programs; there was no consensus on goals and the means to reach these goals; and, most importantly, JOBS programs did not have the resources to make the mandate real for most of the AFDC caseload, especially since the program was implemented during a recession that drove up the rolls and limited states' ability to provide the match to draw down available federal funds. As a result, JOBS has provided some new education and training services for welfare recipients, and states have largely met the participation targets set by Congress. But in many places it operates as a voluntary program, which clearly was not the intent of the Family Support Act.

While the national experience is mixed, studies have identified clear examples of excellence: JOBS programs that have successfully implemented a participation mandate, changed the nature of welfare, and gotten many welfare recipients to substitute earnings for AFDC payments. I will turn to the findings in a minute, but the larger lesson I want to stress now is that we know that JOBS can do much more than it has so far accomplished. In this area, we act on knowledge, not hope. The challenge is to learn from and build upon the more successful programs.

Would JOBS Matter in a World of Time-Limited Welfare?

Is this worth doing? Does JOBS have a role in an era of time limits and cut-offs? Making JOBS-type programs work better can not only respond to the public's dissatisfaction with no-strings-attached assistance, but is also vital to making a time limit – either with some form of mandatory work at the end or with all support simply ending – feasible and affordable, and reducing the misery involved in such a transformation.

I say this because, from a state perspective, it seems that the risk of a time limit will be too high unless more people than is now the case leave welfare *before* reaching the limit. If not, too many people will "hit the cliff" and either require subsidized work, which will cost the public more than cash welfare, or face a dramatic loss of income, with unknown effects on families and children and, ultimately, public budgets.

Thus, building high-performance JOBS programs is not an alternative to, but a prerequisite for, any form of time-limited welfare. The challenge in Washington is to assure that the resources, incentives, and knowledge are there to make this investment feasible; the challenge in the states is to make a reality out of JOBS' potential.

If JOBS Remains Critical, What Is Its Potential?

Successful JOBS programs can impose a real participation mandate, increase employment, and reduce welfare costs.

1. JOBS' potential to implement a participation mandate

It is easy, sitting in Washington, to assume that anything less than 100 percent participation means that administrators are not taking the JOBS mandate seriously. But if legislation is to reflect reality, it is critical to understand why this is not a reasonable goal, even for the toughest administrators, those committed to getting everyone to participate.

The best evidence on maximum feasible participation comes from two large-scale special demonstrations conducted during the 1980s – the San Diego SWIM Demonstration and a West Virginia work-for-benefits demonstration for men in two-parent welfare cases – that had adequate

funds and an explicit goal and desire to get everyone to do something. Other evidence comes from studies of current JOBS programs that emphasize participation and are not reticent about imposing sanctions. These include the JOBS programs in Riverside (California), Kent County (Michigan), Columbus (Ohio), and Portland (Oregon).

The SWIM and West Virginia studies show that, in a typical month and by working with *all* people subject to the mandate — and in San Diego, spending about \$1500 on each person — administrators could get 50 to 60 percent of them either to be active in the program or to hold an unsubsidized job (usually part time) while remaining on welfare. The reasons for nonparticipation varied: Some people were waiting to begin an activity, some were excused because of temporary illnesses or to care for a disabled child, some were considered unemployable, some had grants too low to warrant work-for-benefits assignments, and others were having their grants reduced (i.e., they were being sanctioned) for noncooperation.

2. JOBS' potential to change behavior and save money

MDRC has recently completed an eight-year, six-county study of 37,000 people in California's GAIN program, the nation's largest JOBS program, which shows several models of success. While, on average, GAIN succeeded in increasing earnings and reducing welfare benefits, impacts were at least twice the average — and, indeed, the most impressive measured to date — in Riverside County. There, GAIN led to a 26 percent increase in the share of AFDC recipients working, a 49 percent increase in average earnings, and a 15 percent decline in welfare outlays, all of which helped the program return to taxpayers almost \$3 for every \$1 spent to run the program. (See Table 1.) Riverside produced dramatic results for all groups in the caseload, including very long-term recipients (who were on welfare continuously for at least six years), people with poor educational skills, and people with preschool-age children.

Riverside's program and the GAIN programs in San Diego and Butte counties proved to be triple winners. In terms of society's two goals for reform, which I mentioned earlier, they increased both the income of welfare families (getting more money to children) and people's self-sufficiency (by getting parents to substitute earnings for welfare). In the process, they also saved money for taxpayers by generating measured budget savings that actually exceeded (or, in the case of Butte, equaled) the up-front investment in operating the program. Not many social programs can match these accomplishments.

While these findings are impressive, Riverside's GAIN program has not eliminated welfare or transformed the earnings potential of welfare recipients. More people got jobs than would have gotten them without the program, and got them sooner, but they were usually not "better" jobs and families were rarely boosted out of poverty. Three years after enrolling in Riverside GAIN, 41 percent of people were still receiving welfare benefits, although some of these were working and receiving reduced grants.

What Explains Riverside's Success?

Real-world JOBS programs are complex amalgams of work-directed services, management style, operational decisions, available resources, and local environments. Success hinges to a large degree on what activities are provided (job search, work experience, education, or training), how they are targeted (serving a few people versus requiring that all must participate), and the manner in which they are provided (the message, the management, and the mandate).

Riverside provides one version of a high-performance JOBS program. In testimony before this Committee last year, I characterized their tough and conservative version of the JOBS program as follows:

More than any other place I know of, this program communicates a message of high expectations. When you walk into a GAIN office in Riverside, you are there for one purpose: to get a job. At orientation, job developers announce job openings; throughout, program staff convey an upbeat message about the value of work and people's potential to succeed. If you are in an education program — and about half of Riverside GAIN participants are — you are not marking time, as you can in some locations. You know that if you do not complete the program, or at least make progress in it, staff who are closely monitoring your progress will insist that you look for a job.

The Riverside program simultaneously included a number of features:

- Priority on the JOBS program by the most senior officials in the agency.
- A strong commitment and adequate resources to serve the full mandatory population (not just those who volunteer or appear to be more job-ready).
- A pervasive emphasis on getting a job quickly, even a job that is relatively low-paying and even for people placed in education and training activities.
- A mixed strategy, emphasizing structured job search ("job clubs"), but also making substantial use of basic education.
- The active use of job developers to establish a close link to private sector employers and to help recipients locate work.
- A willingness to use sanctions (i.e., grant cuts) to enforce the participation mandate.
- A cost-conscious management style, reflecting a recognition that time is money and that moving people quickly toward the goal of employment will increase the program's cost-effectiveness.
- An outcome-focused management style, including job placement standards for case managers.

Can You Replicate the Riverside Results? Can You Do Better?

At this time, it is unclear whether Riverside's success can be replicated in diverse communities around the country, particularly in inner-city areas. The average JOBS program lags far behind and will have to change considerably to deliver on the program's potential. However, it is clear that the techniques used – and the economic conditions – were not so exotic as to suggest that other localities could not adapt them to strengthen their own programs. Indeed, other programs that have been or are being evaluated – SWIM in San Diego, the Center for Employment Training (CET) in San Jose, several of the sites in the national JOBS evaluation – appear to be successfully using some of the same techniques.

If the rest of the nation's JOBS programs could attain similar results – an objective that the nation's governors appear eager to pursue – the welfare-to-work bargain that has been the cornerstone of the new welfare compromise would indeed achieve a transformation of welfare. Moreover, a number of factors might further improve JOBS effectiveness: if the financial incentives facing welfare recipients were more pro-work; if there were a different balance of services; if there were more assistance to people once they began work in order to reduce the high rate at which they quit or lose their jobs and return to welfare; or if it were clear that, after a certain period of time, people still on welfare would have to work for their benefits.

How Much Should Programs Emphasize Education and Training Versus Quick Job Placement?

One's judgment about the success or failure of any particular JOBS strategy depends in large part on one's goals for welfare reform. Thus, what the appropriate balance is between building human capital and emphasizing quick employment depends on what one hopes to get out of JOBS.

During the 1980s, under the WIN program, most states ran low-cost programs requiring mothers to look for a job and, in some cases, work for their benefits in workfare positions. In addition to reinforcing the social values of work and self-sufficiency – an overarching purpose of all work-focused mandates – the primary goals were to get people into jobs quickly and to reduce welfare costs. Numerous studies indicate that structured job search programs met these goals, but only to a modest extent. They clearly got more people working, and working sooner, and they saved taxpayers money. But they did not get people into jobs that paid better than those they would have found on their own. Nor, critically, did they increase the self-sufficiency of long-term welfare recipients – the people on whom the most is spent.

The JOBS program included job search and workfare, but went beyond this to emphasize the use of education and training. These more costly services were intended to make longer-term recipients more employable and to pave the way to higher-paying jobs that might more readily move people off welfare, thereby saving taxpayers money in the long run and reducing poverty. All JOBS programs involve a *mixed strategy* – some education and training and some job search – but they vary in the degree to which they emphasize an immediate push to employment or an investment in developing human capital.

There are no completed studies that isolate the success of basic education or vocational skills training in the context of a mandatory JOBS program. But the GAIN study of six California counties provides some lessons. It shows that there was no clear link between the extent to which a county required people to spend time in basic education and the extent to which their academic skills improved (as measured by standardized tests) or their earnings increased. Yet it is hard to think that the extensive use of basic education in Riverside did not play some role in explaining why that program did so much better, particularly for long-term recipients, than the work-focused, job-search-only programs of the 1980s. Even if the education provided did not improve test scores, it may have had an indirect effect on people's self-confidence and unmeasured skills, factors that made subsequent job search services more effective. Findings from Alameda County (including the city of Oakland) and an earlier study in Baltimore suggest that heavy use of vocational skills training may be one reason these programs got some people better jobs or had longer-lasting earnings impacts. These same two studies also showed that, in contrast to job search (where most of the benefits go to taxpayers), most of the benefits of training go to the trainees, and budget savings are less likely to offset the investment in services.

In summary, the available findings suggest that there are trade-offs along the continuum from an essentially job search/job club program, to one that emphasizes quick employment but also includes some education and training, to one that includes some job search but emphasizes education and training, with a goal of getting people into higher-wage jobs.

Job clubs get people into employment quickly and save taxpayers money, but do not get people into jobs with higher wages than those they would have found on their own, or succeed with the more disadvantaged. Programs focused on getting people higher-wage jobs cost taxpayers money, but can increase job quality and may make a greater long-term difference in the earnings of some recipients. Programs that favor quick employment but also include some human capital development services can combine the benefits of both strategies: They can make welfare recipients somewhat better off, save taxpayers money, and change the employment behavior of some of the more disadvantaged recipients.

The extent to which a program succeeds and is cost-effective, however, depends not only on the mix of services, but also on the quality of implementation. Spending a lot is not enough to assure success; spending a little is not enough to assure savings. Managing resources (recognizing that time is money) is central, no matter what the program's goals. In Riverside, managing for success meant providing a range of services but having one clear goal, controlling costs, and stressing performance in all activities.

While cost-conscious management can pay off, the research also provides a clear warning against spreading program resources very thin, as can happen, for example, in environments where hard-pressed administrators have to stretch limited resources over increasing numbers of welfare recipients. There is a threshold of resources below which a mandatory program may produce small welfare savings (through sanctions and the "hassle factor") but is unlikely to increase people's employment and earnings.

What Do We Know About the Feasibility and Effectiveness of Work-for-Benefits ("Workfare") Programs?

Some of the current reform proposals call for large-scale, work-for-benefits programs (usually referred to as "workfare"), either as a substitute for JOBS' other activities or for people who have not found work despite two years of access to work-directed services. Hard knowledge about workfare programs is limited and comes mostly from studies of small-scale programs implemented during the 1980s. These show a mixed record.

On the positive side, the studies suggest that it is feasible to get people to work for their grants, that they view work assignments as fair, and that they do real work. Furthermore, the value of the work produced offsets the cost (approximately \$2000 to \$4000 annual cost per filled slot, excluding the cost of child care). Thus, such programs provided an alternative way to support children. On the other hand, repeatedly, states have had trouble developing large numbers of work sites and have found that some welfare recipients were unable to work, with the result that programs were almost always much smaller than anticipated. The very limited evidence that is available suggests that, under these conditions, mandatory unpaid work did not develop people's skills and did not prompt people to move more rapidly into unsubsidized employment or deter them from applying for welfare. It is possible that large-scale, universal, ongoing work requirements before or after a time limit might have a much larger effect on the rolls, but since this model has never been rigorously tested — with the exception of a program for men in West Virginia — its effectiveness remains unknown.

Since the workfare programs that were tested did not appear to reduce the welfare rolls, studies concluded that, in strictly budgetary terms — i.e., ignoring the value of the work performed — sending people a small check was probably cheaper than providing them with a non-market way to earn it. This is because free labor is not really free: It costs money to develop, manage, and monitor work sites, and to provide child care to people while they are working. Because of the high potential costs, some states structured the work obligation to limit the demand for child care by imposing only a three-month work obligation, setting the number of required hours of work per week to fit around the school schedule, or exempting mothers of preschool children.

While work-for-benefits programs may not save money, if they could be implemented at scale, they would be a means to deliver on the welfare-to-work strategy's potential for maintaining a safety net of funded support for children while sending a more socially acceptable, pro-work signal to parents. A recent Kaiser Family Foundation/Harvard University poll shows the public's strong support for such an outcome.

How Many Welfare Recipients Cannot Reasonably Be Expected to Work?

Finally, an inevitable question in discussions of welfare reform concerns the work potential of welfare recipients. Contrary to the stereotype, many recipients want to work and, in fact, do work. Some work while they are receiving AFDC, and many take jobs and leave AFDC. In the California evaluation, the majority (57 percent) of people in GAIN worked at some point during the three years after entering the program, and about two-thirds of them worked at least 30 hours per week in their most recent job. Moreover, the overwhelming majority of GAIN survey respondents who said that they were not employed but were looking for work reported that they were seeking a full-time job, a preference that was also noted in a recent report from the National JOBS Evaluation.

Even for those who are employable, however, studies also show that the road to self-sufficiency can have many detours and that "employability" is not a static condition. Setbacks are common. The GAIN study found that less than a third of people in the program were working at any given time, indicating a high rate of job turnover. Jobs ended when people quit (e.g., because of family crises) or because of layoffs, conflicts at the worksite, or a variety of other reasons typical in the low-wage employment sector.

But there is also a group on welfare who simply cannot work in unsubsidized jobs, either because of their very low skills, their lack of any experience with work, or their own or their children's chronic health or severe emotional problems (problems that, nonetheless, do not qualify the family for SSI). One study, the National Supported Work Demonstration, targeted very long-term recipients and showed that, with special assistance and in unusual settings, some people who would normally have been considered unemployable could in fact work. But creating the close supervision and somewhat protected work settings proved very expensive. Moreover, when the 12 or 18 months of transitional paid work ended, a substantial group of women who could get by in the sheltered program environment were not able to get or keep an unsubsidized job.

The number of people who cannot work, or who could work only with special support, is probably less than the quarter of JOBS eligibles who said in a survey that they could not participate at a particular point in time. But the group in question will constrain efforts to obtain very high rates of participation in work-related activities or workfare positions and will challenge administrators implementing time-limited welfare approaches.

Conclusion

For 30 years, Congress has responded to the public's clear desire to change welfare from a no-strings-attached entitlement to a transitional program that requires that many people on welfare participate in work-focused activities. This has proven difficult to do and, as a result, some are arguing that JOBS has not worked and should be discarded. This would be a serious mistake. Across the country, states and localities have moved along the road toward changing welfare and have put in place many of the building blocks of reform. Research on JOBS programs does not suggest that they offer miracle cures. But we do not have comparably reliable evidence of alternative approaches that work better than the nation's most promising JOBS programs in substituting earnings for welfare while saving money for taxpayers and continuing to provide a safety net for children whose parents cannot or will not work.

We now know that JOBS can succeed in changing welfare so that it feels more temporary and communicates different values. If welfare offices throughout the country were communicating the

same new message and having the same results, the public might have a very different view of legislators, administrators, and welfare recipients. They might think that reformers were finally getting serious.

But can communities throughout the country achieve this level of performance? The answer is not clear. Currently, average performers lag far behind and will have to change considerably for JOBS to deliver on its potential. But what is clear is that most communities have only begun to try, and that bridging this gap will not happen by putting JOBS on autopilot. There need to be more resources (to make the mandate real), stronger management, and commitment to a program that is more work-focused and mandatory.

There is clearly both a federal and state role in making this happen. There is a severe risk that we will not realize the potential of a welfare-to-work strategy because sufficient funds are not available. One way this might occur is if states have to make trade-offs on the use of a single pool of funds: i.e., spend them on maintaining welfare benefits, or on up-front investments in programs to get people off the rolls, or on mandated programs to keep them working while on. Thus, the federal funding structure will be key to promoting JOBS' expansion. But, beyond this, the federal government has a clear role in building state capacity. Doing this involves steps to identify models of excellence, to understand whether success can be replicated under diverse conditions, and to provide a decentralized welfare system with reliable evidence on how to improve program performance.

Finally, the federal government and the states both have a role in trying to alter the economic conditions — the combination of stagnant or declining wages and anti-work incentives built into the welfare system — that constrain the potential for success of current efforts to get welfare recipients to work.

While improvement is clearly possible, in providing leadership in welfare reform, the federal government and Congress face the challenge of avoiding overpromising on the success of the next round of reform. There are simply no easy solutions for poverty or welfare. Helping the public understand what level of change is attainable, and taking all the steps needed to make that occur, might break the cycle of cynicism that has resulted from past waves of reform. Instead of setting unrealistic goals and denouncing modest success as failure, setting realistic goals might help the public gain greater confidence in, rather than find a new reason to discredit, government.

Table 1

**Findings from the GAIN Evaluation:
AFDC Single Parents with Children Age 6 or Older**

<i>Results, Based on Three Years of Follow-Up</i>				
	People Enrolled in GAIN	People Not Enrolled in GAIN	Difference (i.e., GAIN's Effect)	Percentage Change
Ever employed over the 3 years (%)				
All six counties	57	51	6	12%
Riverside County	67	53	14	26%
Average earnings over the 3 years (\$)				
All six counties	7,781	6,367	1,414	22%
Riverside County	9,448	6,335	3,113	49%
Average AFDC payments over the 3 years (\$)				
All six counties	14,464	15,426	-961	-6%
Riverside County	11,284	13,267	-1,983	-15%

<i>Net Public Cost over Five Years per Person in GAIN (a)</i>	
All six counties	\$3,422
Riverside County	\$1,597

<i>Five-Year Return to Government Budgets per Net Public Dollar Invested per Person in GAIN</i>	
All six counties	\$0.76 returned per net \$1 invested
Riverside County	\$2.84 returned per net \$1 invested

(a) Net public cost is the difference between the average amount of public funds spent for employment-related services per person enrolled in GAIN and the average amount of public funds spent on such services for a comparable group of welfare recipients who were not enrolled in GAIN.

Mr. McCRERY [presiding]. Dr. Mead, if you don't mind, proceed with your testimony.

STATEMENT OF LAWRENCE M. MEAD, WEINBERG VISITING PROFESSOR, WOODROW WILSON SCHOOL, PRINCETON UNIVERSITY, PRINCETON, NEW JERSEY

Mr. MEAD. Thank you, Mr. Chairman.

It is a pleasure to testify in these hearings and also a pleasure to see Republicans in the majority for the first time in my experience.

I won't say much about the Republican proposals to time limit eligibility and also to curb eligibility for teen mothers. I think that these are matters about which we know little. We are not sure what the effects would be.

I would emphasize that this is not the way the public would prefer to reform welfare. As Judy has said, the public wants to combine assistance to the needy with requirements that adults function in return for support. That is how the public wants to reform welfare and I think the way they voted in November.

So the best way to reform welfare is to push forward with work requirements. I do think we know something about what these can achieve.

Now, recent discussions of these programs have emphasized that their effects are limited, which is true if one looks at the evaluations. And some conclude from this that there isn't much point in enforcing the work requirement across the board. But there is more evidence than people realize that work programs can actually restrain dependency. This is the issue that has come to the forefront.

I recently completed an analysis of the recent growth in welfare across the country. I was able to show that, actually, strong implementation of work programs reduces the growth in welfare in a State. The States that have been toughest about implementing work programs have actually reduced the amount by which welfare grew in the last 4 years.

So this is not a symbolic policy. It is a policy which has effects on reducing dependency. We are not just satisfying the work ethic; we are doing something to reduce dependency when we implement the JOBS Program effectively. And I urge Congress to push ahead with that task.

It has also been shown in other research that it is good for children if their mothers work, if they are disadvantaged. Although mothers have less time for their children, on balance the child benefits.

One study shows that welfare requirements like work tests actually reduce illegitimacy. One can show that mothers who have been subject to these have children out of wedlock less often than those who are not.

So, in fact, work requirements do more than satisfy the work ethic. They speak directly to the concerns raised about unwed pregnancy and growing dependency in America. However, to maximize these effects work programs have to have certain features, suggested by the evaluation of GAIN which Judy referred to.

The three key features that I find in my research are, first of all, high participation. You have to insist that people participate in the program. One way or another you have to enforce participation.

Second, you have to favor actual employment or looking for work over remediation. Education and training can be a part of these programs, but it appears to be counterproductive to put a lot of people in education and training before they are working. Better have them work first and then undertake education and training.

Third, there has to be tight administration. You have to follow up on people closely and make sure that they fulfill their requirements.

In a recent study of the JOBS Program in Wisconsin, I found that the most effective programs were those that minimized delay between a client going on welfare and becoming referred to the JOBS Program. Second, they enrolled a high proportion of recipients referred to JOBS rather than allowing them to drop out—that is, they got them to come in the door and join the program. They also placed high proportions of the participants in work-oriented activities. Motivational training, job search, and actual employment was crucial. And they enforced these rules with case managers who followed up on the clients closely.

It is procedures like these that allow high-performing programs in Wisconsin and elsewhere to achieve their effects. I think that is the thing that we ought to focus on in our reforms. In my testimony, I have a number of specific suggestions about how to achieve this kind of program.

There is tradeoff between investing in client skills and putting a lot of people to work in available jobs, but I don't think it is as great as is sometimes presented. The best way to improve employment in this population is simply to have people work. That does more for them than anything else. And if you include some education and training after people are working, you can also obtain better jobs for them, too.

But a program that focuses on better jobs first in advance of employment fails to achieve enough job placements. So a program that begins with work like Riverside or Kenosha County in Wisconsin is able to achieve all the goals of welfare reform, whereas one that begins with skills first and doesn't emphasize work usually fails to achieve either goal very well. So I say work first should be the general policy.

One of the conclusions I have drawn is that welfare reform is predominantly an administrative problem. The key problem is not so much to make new resources available to people or to spend money—although that is sometimes required—but rather to organize the lives of the recipients so that they reliably participate and actually go to work. I think the place we have to spend money is on staff to follow up on clients and make sure that they fulfill their assignments. That is more important than spending money on government jobs or training or child care, all the things that we usually hear talked about. The payoff there is not very great, but the payoff to administrators who follow up on people is large.

Let me say a word about the proposals that are part of the Republican plan to block grant welfare and the JOBS Program. I share Judy's view that to do this would put the JOBS Program at

risk and, in addition, would effectively mean the elimination of national standards in welfare employment. I think that would be a serious mistake.

These standards are a matter in which the public has the strongest possible interest. They want to see a national reform. This is not a matter which Congress should delegate to States, and to do that I think has serious political risks.

For one thing, it would allow big city welfare programs like New York, where I come from, to persist in habits which downplay employment to a point where they have 1 million people on the rolls in New York City. That is a scandal to which all Americans should be opposed, even if they don't live in New York. Congress has responsibility to take action against that.

At the same time, if you block grant welfare you will let conservative States with a history of treating the poor badly to begin to do so again. If you did that you might well give rise to a renewed welfare rights movement of the sort that led to the entitlement welfare we have today. That would be an equal error.

So we need to proceed against overinflated big city welfare programs by means of enforcing work; and, at the same time, we have to maintain national standards so that it doesn't look as if we are abandoning decent treatment of poor people in America. These are priorities that I think Congress should keep in mind.

In the end, welfare reform, as has been suggested by several Members' statements, involves a statement about citizenship. Welfare defines what you get and what you have to do for it if you are an American. It is one of the ways in which we operationalize what citizenship means. That matter is of the highest national importance. It is for Congress to make decisions about it rather than turning this over to the States.

[The prepared statement follows:]

**TESTIMONY OF LAWRENCE M. MEAD
PRINCETON UNIVERSITY, PRINCETON, N.J.**

I am a Professor of Politics at New York University and, currently, a visiting professor at the Woodrow Wilson School at Princeton University. I have been researching and writing about welfare, welfare reform, and welfare employment programs for almost twenty years.

I am very pleased to testify in these crucial hearings on the future of welfare in America. I am delighted to see the Republicans in the seats of power in Congress for the first time in forty years. This presents them new challenges. For the first time since welfare became a national issue, they get to ask what kind of welfare they want. What should a Republican reform of welfare mean?

The proposals of House Republicans combine cuts in welfare's generosity with tougher work requirements. I believe the work provisions are the sounder. While many Republicans want simply to cut back welfare, I would prefer to use it for conservative ends, in this case to enforce work. To do this suits public opinion, and it also may be the best way to reduce dependency. More than most people realize, work programs have already restrained the growth in welfare. Current welfare work programs, however, must be changed so that they enforce work more effectively.

REPUBLICAN PROPOSALS

The Republican Contract with America includes a Personal Responsibility Act with these main provisions:¹

- Eligibility limits: Unwed mothers under 18 are denied benefits under Aid to Families with Dependent Children (AFDC). States may raise the age of eligibility to 19, 20, or 21. States would use the savings to make other provision for families denied aid, such as group homes.
- Time limits: Recipients on the rolls over two years must be working to retain aid. States may end eligibility for an individual or family after two years on AFDC, provided one year was spent in a work program. They must end eligibility, with or without work, at five years.
- No entitlement: Federal spending for AFDC, welfare work programs, SSI, and public housing would be capped, with some adjustment for inflation and growth in the poverty population. These benefits would no longer be provided to all eligibles as of right.
- Work requirements: States must establish training and mandatory work programs that require recipients to work or look for work 35 hours a week. Starting in 1996, 2 percent of all welfare adults must be working in these programs, rising to 50 percent in 2003.

Welfare needs radical change. The proposed eligibility cuts and time limits are certainly radical. It may be worth enacting them simply for this reason. But I have two cautions. First, we know very little about the effects of such changes. Opponents say children and poor families will be hurt, but that depends on whether they find other means of support, as many can do. Proponents say that cuts would reduce dependency by abating the incentive that welfare now creates to have children out of wedlock. However, that effect would probably be small, since the incidence of illegitimacy has only a weak tie to welfare benefit levels.² Perhaps a total end to eligibility for young unwed mothers would have larger effects. I doubt it, since the sexual behavior of such women is not based on any rational calculus of costs and benefits. To have children young and outside of marriage is already devastating to one's prospects in life, even with welfare as it is; to end aid would increase that cost only slightly.

There is less reason to think that time limits would deter illegitimacy. To the disadvantaged teens most at risk of dependency, two years is an eternity. The distant knowledge that one cannot draw aid forever is unlikely to deter them from the risky sexual behavior that now gets them in trouble. Far better to change the nature of welfare so that the recipients have to work as soon as they go on aid.

My second caution is that eligibility cuts and time limits conflict with public opinion. According to polls, most Americans oppose ending aid if it would mean taking children away from mothers. And while a majority support a two-year limit on aid, they do so only if it is clear that the recipients could support themselves by working. Indeed, if the recipients work, most people feel that aid need not be time-limited. In general, the public would prefer to turn welfare into a work program rather than cut it back. While cuts would save money, most people are

¹ Ed Gillespie and Bob Schellhas, *Contract with America: The Bold Plan by Rep. Newt Gingrich, Rep. Dick Army and the House Republicans to Change the Nation* (New York: Times Books, 1994), pp. 65-77.

² Robert Moffitt, "Incentives Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature* 30 (1992): 1-61.

prepared to spend additional money on welfare provided the adults would really be required to work.³

None of this means the Republican proposals are mistaken. Government may need to underline the value of personal responsibility even if the deterrent effect is doubtful. Most states have capital punishment because people feel it is justified for heinous offenses, even though one cannot show that it deters crime. Sometimes government has to lead public opinion rather than following it. I only say that if government cuts or time-limits welfare, it should realize that the main effect probably will be symbolic. Congress should not expect sharp improvements in the social problem, and it should expect opposition from some voters and well as advocacy groups.

The effect of unentitled welfare is even less certain. Since funding for welfare and other programs slated to be unentitled would still increase with inflation and the poverty population, it is unclear whether any needs now covered would not be met in future. Even if money were to run out with needs unmet, Congress might well vote supplementary funds, which would mean that welfare remained an entitlement in practice. Food Stamps, after all, is technically not an entitlement, yet Congress always ensures that it is fully funded. Most likely, an unentitled AFDC would be too.

WORK REQUIREMENTS

To demand that adult recipients work is, in general, a better way to reform welfare. It is more consistent with public values. Studies show that most Americans combine a desire to help the needy with opposition to the disorders associated with welfare, especially unwed pregnancy and nonwork by welfare adults. People want to help families in distress provided the adults show that they are "deserving" by demonstrating a willingness to work. Voters endorse the idea of social contract--of demanding obligations such as work from the able-bodied *in return* for aid. This ideal has animated most welfare reform thinking for the last decade.⁴

Traditional liberal ideas of welfare reform gave the needy more benefits without expecting good behavior from them. The current Republican proposals would deny aid to some people now covered. The first course offends the demanding side of the public mind, the second the generous side. The attraction of work tests is that they promote employment without compromising the principle of aid. When welfare is reformed this way--and only this way--both sides of the public mind are content.

But can welfare employment programs actually cause people to work? The usual view is that they have only marginal effects. Evaluations show that they raise the employment and earnings of their clients by from 11 to 43 percent compared to equivalent recipients not in the program, but only small reductions in dependency result.⁵ Liberals conclude that there is little point in making recipients work. Some conservatives conclude that the effect of work requirements is only symbolic, that government must do something more drastic--such as ending welfare or putting poor children in institutions--if it is to turn around the wave of illegitimacy and crime engulfing poor families.⁶

I think the effect of work programs has been underestimated. I recently analyzed the determinants of the growth in state AFDC caseloads between 1989 and 1993. Much of that growth was driven by rising unwed births and the economic recession of those years. The same period, however, saw the implementation of the Job Opportunities and Basic Skills Training Program, or JOBS, the welfare work program mandated by the Family Support Act (FSA) of 1988. JOBS was a major force restraining caseload growth in the states that implemented it firmly. According to my estimate, AFDC growth in the average state over 1989-93 was reduced by:

- Almost a percentage point for every percent of welfare adults that a state had active in the JOBS program in 1991.
- Almost another point for every percent by which that active share rose during 1991-3.
- Two-fifths of a point for every percent of welfare adults that a state found to be employable and hence mandatory for JOBS.

³ Maureen Dowd, "Americans Like G.O.P. Agenda But Split on How to Reach Goals," *New York Times*, December 15, 1994, p. A24; Richard Lacayo, "Down on the Downtrodden," *Time*, December 19, 1995, p. 32; Peter G. Gosselin, "GOP Returns to Hard Line on Welfare," *Boston Globe*, January 14, 1995, p. 6.

⁴ Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986).

⁵ Judith M. Gueron and Edward Pauly, with Cameron M. Lougy, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), pp. 26-30.

⁶ James Q. Wilson, "What To Do About Crime," *Commentary*, September 1994, pp. 25-34.; Charles Murray, "What To Do About Welfare," *Commentary*, December 1994, pp. 33-4; Myron Magnet, "Putting Children First: A New Direction for Welfare Reform," *City Journal* 4, no. 3 (Summer 1994): 47-53.

A tough JOBS program appears to be one reason why Wisconsin has reduced its welfare rolls, despite generous welfare benefits.⁷ Very likely, JOBS has operated to restrain welfare growth nationwide.

Work programs also have positive effects at the level of the individual. It is good for the development of low-income children if their mothers work, notwithstanding the loss of childrearing time,⁸ and JOBS causes more welfare mothers to work. Welfare requirements like JOBS have even been shown to reduce unwed childbearing,⁹ the very problem that critics of work policies emphasize.

Also, the evaluations of work programs ask mainly how much economic gain they produce. The public wants welfare adults to work mainly to affirm the moral value of effort, whether or not there are economic gains. From this viewpoint, the main goal of reform is simply to raise the level of *activity* among the adults--the share that are working, looking for work, or preparing for work in some way. This the programs achieve. When experimental work programs of the 1980s were evaluated, and recipients subject to them were found to be working, looking for work, or engaged in education or training at *at least twice the rate* of equivalent clients subject to earlier programs.¹⁰ Under FSA, the share of recipients active in JOBS is supposed to be 20 percent on a monthly basis in 1995, a level that sounds low but is a vast increase over earlier policy.¹¹ The gain in sheer activity would be invaluable even if there were no impacts on employment or dependency at all.

HIGH-PERFORMING WORK PROGRAMS

However, to maximize such effects, research suggests, welfare employment programs must emphasize:

- High participation. As many of the employable as possible must participate actively in the program, not simply sign up.
- Actual work or looking for work, as against education or training in advance of employment.
- Tight administration, with expectations made clear to clients when they enter the program and a willingness to sanction those who drop out.¹²

In a recent study of JOBS in Wisconsin in 1993, I found that the highest-performing counties were those that:

- Minimized the delay between a client going on welfare and being referred to JOBS.
- Enrolled high proportions of recipients referred to JOBS, not allowing them to drop out.
- Placed high proportions of participants in motivational training and job search.
- Downplayed education and training in advance of work.
- Enforced these rules with case managers who followed up on clients closely.
- Minimized the use of government jobs.

In Kenosha County, the most exemplary program in the state, over a third of the caseload is already working while still on welfare, and participants were not normally allowed to undertake education or training except while working part-time. Yet because of its high enrollment, the program still has more clients in remediation than lower-performing counties.

In Wisconsin, among counties I visited, the high performers in job entries also did well on job quality. This is because for the disadvantaged, simply working at available jobs is usually worth more in getting a better job than education or training. Most welfare recipients have done too poorly in school to improve their skills much in the classroom. Employers are more likely to impress with a steady work history, even if it is in low-paying positions. There is also some reason to think that people profit more from training after they are working than before--because

⁷ Lawrence M. Mead, "The New Paternalism in Action: Welfare Reform in Wisconsin" (Milwaukee: Wisconsin Policy Research Institute, January 1995).

⁸ Deborah Lowe Vandell and Janaki Ramanan, "Effects of Early and Recent Maternal Employment on Children from Low-Income Families," *Child Development* 63 (1992): 938-49.

⁹ Robert D. Plotnick, "Welfare and Out-of-Wedlock Childbearing: Evidence from the 1980s," *Journal of Marriage and the Family* 52 (August 1990): 735-46.

¹⁰ Lawrence M. Mead, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992), pp. 167-8.

¹¹ *Ibid.*, p. 177.

¹² Lawrence M. Mead, "Should Workfare Be Mandatory? What Research Says," *Journal of Policy Analysis and Management* 9, no. 3 (Summer 1990): 400-4; *idem*, "The Potential for Work Enforcement: A Study of WIN," *Journal of Policy Analysis and Management* 7, no. 2 (Winter 1988): 264-88.

they see the skills they need to move ahead. Kenosha successfully combines work and remediation by demanding that clients seek work up front, then allowing them to study or train once they were working part-time.¹³

Most analysts say that JOBS must choose between placing many people in available jobs and training them for better ones. The first course gets people working, but only the second can get them permanently off welfare.¹⁴ It is true that programs that place more clients in jobs achieve marginally worse rates of pay and retention in these jobs than programs that do not stress work, but the effects are weak alongside the power of work demands to generate sheer numbers of job entries. Work-oriented Kenosha achieves both job quantity and quality, but programs that aim at "better" jobs have no comparable power to achieve job entries. In California, work-oriented Riverside outperforms by most measures Alameda and Los Angeles, which have spent more on education and training.¹⁵

The main point of work programs is to make welfare less permissive, but it also clear that such programs save money. It is said that welfare reform must cost more than welfare does now. But this is true only if, as in the Clinton reform plan, one spends unnecessary sums on public jobs, training, or child care. Efficient programs such as Riverside stress placement in available jobs with a minimum of extras. They save vast sums of money *as well as* performing better than skills-oriented programs.

IMPROVING WORK PROGRAMS

In JOBS, regulations demand that clients be assigned activities at least half-time and attend 75 percent of their assigned hours to be counted as participants. That level of effort seems practicable. However, for purposes of calculating state participation rates, the base is only the employable adults, who are 44 percent of all welfare adults, and a state may include recipients participating less than 20 hours provided the average is 20. By the official measure, the average state participation rate was 23 percent in 1993, but the average rate of all welfare adults meeting the official participation standard was only 10 percent.¹⁶ The standard for state participation is too low. FSA mandates 20 percent on a monthly basis in 1995, which is well below the potential of JOBS. While the average state participation rate was 23 percent in 1993, Kenosha achieved 50 percent as early as 1990.¹⁷

The form of participation is also undemanding. FSA stipulates that recipients be assessed for employability prior to looking for work, does not mandate up-front job search, and creates presumptions that welfare mothers under 20 who have not completed high school will be put in educational activities in preference to work, even if they have dropped out of school. Partly for these reasons, JOBS programs in some states has diverted many recipients into remediation before they ever sought work and has spent massively on education and training with little to show for it.

The Clinton proposal would raise the participation floor in JOBS to 50 percent using the existing participation measure, much its most constructive provision. However, it seeks mainly to limit the time recipients can draw aid without working to two years. What if anything the recipients would have to do before two years is left largely to states, so the connection of work and welfare remains loose. The Clinton plan says that the "job-ready" must look for work up front, but who is job-ready is left to the states. The big cities could go on allowing vast numbers to pursue higher credentials, usually to little good, in place of working. The plan also exempts recipients born before 1972. Despite tough rhetoric about "ending welfare as we know it," Clinton would not change the aid by entitlement that most recipients now enjoy.

The Republican Personal Responsibility Act demands more actual work, but it does not do so in the most effective way. It would effectively disestablish the JOBS program, which, with all its limitations, is still the best work program welfare has had. States would be required to have some sort of welfare employment program, but no standards would be set for it. The main reliance for enforcing work is instead placed on a separate mandatory work program, which would require its participants to work in the private sector or in some form of government or subsidized employment. But even as it is, JOBS has put considerable pressure on big-city welfare departments to get serious about employment. Above all, reform should keep that pressure on, not shift to some new structure that would disrupt the implementation process.

The participation rate of 50 percent demanded by 2003 is defined on a basis of all welfare adults, not just the "employable," an improvement. But only actual work counts as participation, not other activities. And participation requires 35 hours of effort a week, not the current 20 hours. Fifty percent participation is probably too tough for states unless nonwork activities are

¹³ Mead, "Potential for Work Enforcement," and Mead, "New Paternalism in Action."

¹⁴ Gueron and Pauly, *From Welfare to Work*.

¹⁵ James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, September 1994).

¹⁶ Calculated from JOBS performance data for 1993 from the U.S. Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance.

¹⁷ Michael Wiseman, "Sample Family Support Act Job Opportunity and Basic Skills Training (JOBS) Participation Data (Revised)" (Madison: University of Wisconsin--Madison, La Follette Institute of Public Affairs, November 24, 1991).

allowed to count, and 35 hours is too tough for welfare mothers. Some compromise must be made with their family responsibilities. Such requirements would probably be evaded. To transform welfare, it is vastly more vital to raise the share of recipients who face some requirement than to get full-time work out of a few.

Both the Clinton and Republican plans focus too much on time-limiting aid, either absolutely or aid without work. I doubt it is possible literally to limit aid to some length of time. Inherently, single mothers must have difficulty supporting themselves. A majority of welfare mothers could probably get off welfare if they worked full-time,¹⁸ but that is more than government can expect. If one insists on ending welfare after some interval, one will inevitably have to provide aid in some other form.

The goal should be, not to limit aid in time, but to change its nature, so that the employable reliably had to work at least part-time in return for their support. Simply require that recipients work or look for work as soon as they go on welfare. Those who claimed not to be employable would have to demonstrate incapacity and thus leaving AFDC for the disability programs. Faced with such demands, a great many recipients probably would work enough to leave welfare, but just as important, welfare for the rest would become less passive.

Both plans seek to enforce a time limit by guaranteeing work, but a guarantee is impracticable. The Clinton plan can do so only by exempting much of the caseload and providing government jobs to the rest, at great expense. The Republican work program would not be limited to public jobs, but states would still have to guarantee work to recipients for a year if eligibility were time-limited before five years. The difficulty of doing that would make it tough to enforce work *on* welfare as the public wants. Better to require the employable, not literally to work, but to work *or* look for work, both of which involve serious demands. This way, employment is not strictly required, but neither must it be guaranteed, and the pitfalls of large-scale government jobs are avoided. No doubt, it would be difficult to send large numbers of recipients out looking for jobs and monitor their compliance, but I judge from talking to JOBS staff, that this is easier than running a vast public jobs network.

IMPROVEMENTS IN JOBS

I would make the following changes in JOBS, and to achieve these should be the main goals of the current round of reform. For state programs I would:

- Reduce the time permitted between initial receipt of welfare and the referral of adults to JOBS to no more than a month.
- Eliminate up-front assessment and replace it with mandatory up-front job search for all adult recipients other than teen mothers still in school. Those failing to find work might eventually be assessed, but they would have to keep looking for work.
- Change the participation measure to the percent of all welfare adults active in JOBS and raise the general participation floor to 50 percent, with several years of phase-in, but allow remediation activities as well as actual work or work search to count as participation.
- Set a parallel requirement that 33 percent of recipients be working in a given month at least half-time, in either public or private jobs, again with several years of phase-in.
- Develop other performance measures for the quantity and quality of the jobs achieved through JOBS., to create incentives for states to get recipients entirely off welfare.

For recipients, I would:

- Require that they work or look for work half-time for as long as they are on welfare. The only alternative for those seeking aid would be to establish eligibility for disability.
- Impose this requirement as soon as mothers went on welfare in most cases. I would allow a grace period of six months for mothers who were widowed, divorced, or separated, but *not unwed mothers*. Mothers with children under 1 would face a community service requirement less demanding than actual work, but it would still be half-time.
- Allow education or training for better jobs, but only for those working at least half-time.
- Strengthen the sanction for noncompliance with JOBS to the termination of the entire welfare grant, as for other welfare offenses, not just the offender's share of the grant.

¹⁸ Charles Michalopoulos and Irwin Garfinkel, "Reducing the Welfare Dependence and Poverty of Single Mothers By Means of Earnings and Child Support: Wishful Thinking and Realistic Possibility" (Madison: University of Wisconsin, Institute for Research on Poverty, August 1989).

A REPUBLICAN WELFARE POLICY

I am uncomfortable with dismantling national standards for welfare to the extent House Republicans propose. I do not see a mandate in the recent election to do this. The voters asked to make government more responsive and more functional, not to devolve it to the local level. To improve welfare, I believe, requires changing the federal role, not abandoning it.

The devolution of welfare would not serve conservative values as much as some Republicans think. Permissive versions of welfare are entrenched in a number of states and cities, most notably New York. To eliminate national standards, even to curb funding, would not end this liberal welfare, but perpetuate it, albeit with less federal support. Perhaps remaking welfare locally is the responsibility of states, but the voters have failed to achieve that in New York, due to liberal lobby groups, an impacted bureaucracy, and the influence of liberal politicians entrenched in the legislature.¹⁹ To judge from opinion studies, Albany continues to fund welfare policies that are probably more lavish and certainly more permissive than New Yorkers want.²⁰ I doubt even the election of a Republican governor can change this. Much the same appears to be true in California, Massachusetts, and other affluent states.

To change welfare, ordinary New Yorkers need help from Washington--the sort of tough new standards I have recommended. Republicans are too used to thinking that federal domestic policies must inevitably be liberal. The GOP has held the White House for most of the last generation, and has achieved growing power in Congress. While the whole government has not yet fallen into Republican hands, it is twenty five years since federal social policy was unambiguously liberal. Many Democrats are starting to think that, as national policies have turned to the right, their best chance of preserving a liberal social policy may now be at the state and local level.

The nation may be returning to the situation at the beginning of the century, when Republicans also ruled Washington and the Progressive movement worked to expand social programs mainly in states and cities. The welfare state expanded from the local level to the nation only when Democrats took over Washington in 1932. Now that Republicans again hold national power, they should use it to chasten the overblown welfare systems that still exist in liberal states--not to take the heat off by getting rid of national welfare policy.

Our current entitlement welfare is the product of the welfare rights movement of the 1960s, which opposed the highly discretionary welfare that existed before that time. Welfare advocates could make the case that conservative states, especially in the South, allowed social workers to decide for themselves what a single mother had to do to get aid, without a clear warrant from the public. That movement has been in retreat for twenty years. If anything could refire it, it would be the abandonment of national welfare standards, leading to a renewed perception that localities were treating the needy invidiously, without a mandate from the people.

In practical ways, much of the implementation of a national welfare policy can be devolved to localities, and to nonprofit and even proprietary as well as government agencies. To do that is part of what "reinventing government" requires.²¹ It is the standards, not the administration, of welfare that must be national. It is by changing these rules, above all, that Washington can turn welfare into a work program, which is what Americans want.

Decisions about who is eligible for aid and what they must do for it are not obscure matters beneath the notice of Washington, like where to put a post office or how much to spend on local schools. They express part of what one gets and gives by being an American. They amount to an operational definition of citizenship. Requirements like work tests enforce the common obligations that, as much as common rights, constitute what Americans understand as equality.²² Decisions about such norms must be national. Americans, to judge from polls, want to help the needy wherever they live, not only in their own communities. In return, they want these needy to adhere to common civilities, such as work, wherever they live. Americans must have a practical and a moral objection to the fact that a million people subsist on welfare in New York City, even if they do not live there. To express this sort of popular will, a national welfare policy is indispensable.

The stakes are ultimately spiritual. The religious traditions of Americans, though diverse as to creed, agree that the individual is a child of God. From that follows immeasurable dignities and responsibilities, even beyond those of citizenship. Americans are called by their Creator to live out meaningful lives, obeying timeless principles and fulfilling their personal destinies. Welfare policy cannot express ultimate beliefs, but it must embody an image of the individual that is at least consistent with this heritage. It must *honor the person*.²³ Not to expect people to

¹⁹ Lawrence M. Mead, "Kicking New York's Dependency Habit," *City Journal*, vol. 1, no. 4 (Summer 1991): 41-9.

²⁰ Richard J. Behn and Douglas Muzzio, *Empire State Survey: New Yorkers on the Limits of Welfare* (New York: Empire Foundation and Lehrman Institute, 1994).

²¹ David E. Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).

²² Mead, *Beyond Entitlement*, chs. 10-11.

²³ Welfare Responsibility Project, *A New Vision for Welfare Reform* (Washington, DC: Center for Public Justice, 1994).

function in minimal ways in return for support is deeply to *dishonor* them. The nation can express such convictions only if a national welfare policy endures.

A division lies at the heart of conservatism. Does one question government, or use it for conservative ends? Traditionally, Republicans have opposed federal power, seeking to free society and the economy from unjustified constraints. As long as the national government was liberal, to do this was only prudent. But now that liberalism is in retreat, antigovernment conservatism squanders an opportunity. The leading challenge of America today no longer is to preserve the free economy, crucial though that is. Rather, it is to defend order against the social problems linked to the seriously poor--crime, school failure, drug addiction, as well as dependency. Ordinary Americans want values such as the work ethic and law-abidingness upheld by public as well as private authorities. When they say they want government to work better, this above all is what they mean.

Accordingly, it is time for Republicans to claim the other half of their tradition--to use national power as appropriate to uphold social values. In doing this, they follow the great governmental conservatives in their own past--Alexander Hamilton, Abraham Lincoln, Theodore Roosevelt. Even Ronald Reagan used government as well as curbing its pretensions. It was Reagan, and after him George Bush, who are chiefly responsible for the welfare employment programs we have today, which still afford our best hope of transforming welfare. The way forward in welfare is to continue that reform tradition, and not to abandon it.

Mr. MCCRERY. Thank you, Mr. Mead.
Ms. Herr.

**STATEMENT OF TOBY HERR, FOUNDER AND DIRECTOR,
PROJECT MATCH; AND SENIOR RESEARCH ASSOCIATE,
ERIKSON INSTITUTE, CHICAGO, ILLINOIS**

Ms. HERR. Thank you for inviting me to testify.

I agree with Lawrence Mead that immediate followup and ongoing monitoring related to participation is absolutely critical, and that does not occur right now.

I believe that legislators need to make a choice—either create a one-size-fits-all system with very strict work requirements—35 hours per week of employment—that is likely to exclude the majority of welfare recipients or they can acknowledge the heterogeneity of the welfare population and the need for flexibility and customization of employability plans so that all welfare recipients from day one can be making progress toward economic independence.

For real welfare reform to occur, Congress must address the needs of distinct groups of welfare recipients. To date, researchers examining welfare dynamics have identified three groups: Short termers, welfare cyclers, and continuous AFDC users. Project Match has identified a fourth group usually classified as welfare cyclers or continuous users. The first group, short termers, is estimated at about 40 percent of the welfare population. They enter or leave welfare within 2 years, and they never return. And even this group might have difficulty working 35 hours initially.

There is a second group estimated at 42 percent of welfare recipients, and they are referred to by most researchers as welfare cyclers. They get jobs, and they can keep them. They know the rules of the world of work. They can work for 8 months, 1 year or 2 years. And something happens, and they lose their job and then they fall back on welfare as a safety net until they can get back on their feet.

So the question is what supports that are not currently provided by the welfare system might be put in place to help this group stay in the work force. For this group, Project Match created what we have called postemployment services and that is help after people get their first job. Such services might include assistance to get a second, third, or fourth job very quickly, as soon as they lose their job. Other kinds of postemployment services include advancement assistance so that while people are working at entry level jobs they can get help to move to better jobs, help to apply for the earned income tax credit, and so forth.

There is a heretofore group that tends to get lumped with either the welfare cyclers or continuous users. Though we know little about this group, we believe it is a distinct group. Instead of cycling on and off of welfare, this is a group that cycles in and out of jobs. And in most cases they never really lose their welfare grant, but the grant seems to go up and down based on income as they move in and out of part-time and temporary jobs.

This is a particularly difficult group to work with, and I think they need elaborate postemployment services, and it is unclear what is going to keep this group in the work force.

Finally, there is a fourth group researchers refer to as the continuous AFDC users, and they are the least job-ready group. Some estimate this group to be about 18 percent. This is the group for whom a rigid time-limited system would be least successful in pushing them into the work force. Another fear is that this group will be considered unreachable, and they will be made exempt from participation, which is likely to lead to their further isolation from mainstream expectations.

This is the group for whom Project Match has created what we call lower rungs on the ladder so that there is a broadened array of activities which would be viewed as a legitimate effort toward becoming self-sufficient. These might include activities such as volunteering at their child's Head Start or school, or becoming a Scout leader. And for some parents it would include getting their children to school on time and getting them to extracurricular activities.

In closing, Project Match envisions a welfare plan in which it would be possible for all AFDC recipients from day one to participate and to make progress. Setbacks and failures would result in revised plans and easy-to-access, appropriate help. Fulfilling parental responsibility would play a significant role. And, most important, the stick would fall on those who fail to try to improve their lives and the lives of their families and communities rather than those who might experience difficulty in becoming self-supporting.

[The prepared statement and attachment follow:]

**TESTIMONY OF TOBY HERR
PROJECT MATCH**

Members of the Subcommittee:

My name is Toby Herr. I am the founder and director of Project Match, a research and service welfare-to-work program. The testimony I am presenting is adapted from the paper "Lessons from Project Match for Welfare Reform," authored by my colleague, Dr. Robert Halpern of the Erikson Institute and myself, dated February, 1994.

Sandra entered Project Match in 1986 as a nineteen-year-old single parent who had dropped out of high school when her baby was born. Initially she wanted help from Project Match to find a GED (high school equivalency) program. Over the next two years she enrolled in and dropped out of three GED programs and one for-profit training program (with a \$2,000 outstanding loan). She also got a job and quit it within three months.

Eventually Sandra began to stabilize her life. She moved out of Cabrini-Green and found a new group of friends. Project Match helped her find a part-time job at a downtown restaurant. She wanted to quit that job too, but her counselor convinced her that she needed to build a work history in order to obtain a better job. Sandra "hung in" for one year until, through a friend, she heard about an opening for a full-time unionized position paying \$5.00 per hour with benefits at a hospital.

Sandra has held the hospital job for more than three years and is now earning \$9.50 per hour. She has bought a car, moved to a nicer apartment, sends her son to a magnet school, and is off welfare. She still checks in with her Project Match counselor from time to time to brag about her son's grades or when she just needs a listening ear. While Project Match is very proud of Sandra - and still recognizes her employment milestones in its quarterly newsletter, The Independence - staff continue to encourage her to get a GED.

We are concerned that current proposals for welfare reform do not adequately reflect what has been learned in the welfare-to-work field over the past twenty-five years. In this paper we focus on lessons from Project Match, as well as related research and program experience, which we think should inform the work of creating a transitional welfare system. We then propose an alternative model that we believe still captures the intent of current proposals and prevailing programs, but more realistically reflects what has been learned by us and others both about welfare recipients themselves, and about how to encourage and assist them in leaving welfare.

I. WHAT IS PROJECT MATCH?

Mission: Since 1985, Project Match has operated an "urban lab" committed to working with people unlikely to succeed in the job market on their own. Its mission is twofold: (1) to provide long-term assistance to welfare-dependent families as they move through multiple career stages toward economic independence, and (2) to document and disseminate lessons learned about the process of leaving welfare and effective welfare-to-work strategies.

Population Served: To date, the program has worked with more than 750 residents of the Cabrini-Green community in Chicago, one of the most economically disadvantaged areas in the country. The majority of participants are African-American (99%), female (77%), and unmarried. Sixty percent were age 25 or younger at the time of enrollment. Only 55% came into the program with any work experience and more than half (58%) grew up in homes supported by welfare.

History: The program's primary service site is located at a health center, within walking distance of the Cabrini-Green housing development. Its most recent project, *The Two-Generation Head Start Self-Sufficiency* demonstration, originally funded by the U.S. Department of Health and Human Services, is located at a Head Start center in Cabrini-Green. The research component of the program, originally

part of Northwestern University, is now affiliated with the Erikson Institute of Chicago. In 1988, Project Match was a winner in the *Innovations in State and Local Government Awards* program of the Ford Foundation and Harvard University. Lessons from Project Match have been shared with a broad audience through research reports, conference presentations, site visits, technical assistance, and the media.

Evolution of the Project Match Model: The programmatic flexibility and operational independence of Project Match have allowed it to adopt a truly experimental approach – developing, testing, and refining strategies that seem promising, while eliminating those that prove ineffective. Linked to and feeding into its inductive approach to model development is an inductive approach to conceptualizing the process of leaving welfare for long-term recipients. Instead of presuming that it knows what people need to get off welfare, Project Match studies its participants' career histories month by month. From this process the Project Match model, with its commitment to *individualized services, as-needed assistance, and incremental progress*, has evolved.

Going to Scale: Based on Project Match's experiences, as well as findings from other studies, we believe that successful welfare reform will require *large-scale* customization. Project Match has created a tool for conceptualizing and operationalizing an *individualized, human development approach* to welfare reform. Because this tool, the "Incremental Ladder," has pulled into the welfare policy framework a broad range of activities and institutions not heretofore viewed as work force preparation, there would be an appropriate first step for every AFDC recipient. Therefore, as explained in Section III, every AFDC recipient, from the day he/she enters the system, would be *required and helped* to climb onto the ladder and to keep moving from step to step, making concrete, measurable progress toward economic independence.

II. LESSONS FROM PROJECT MATCH AND OTHER PROGRAMS THAT HELP GROUND WELFARE REFORM

The Project Match model is grounded in the understanding that for many welfare recipients leaving welfare is an uneven, back and forth *process* – not a single *event*. This process is characterized by false starts, setbacks and incremental gains. The Project Match experience has yielded a number of lessons that are starting to be supported by other studies. These lessons include:

- **The importance of allowing for the option of work before school.** Project Match's experience, as well as others',¹ suggests that for some recipients, particularly high school dropouts or high school graduates with low basic skills, participating in traditional education programs (e.g., GED programs) as a first step results in high dropout rates or lack of progress. For many Project Match participants, a more successful route begins with employment. Only after experiencing low-paying jobs with few prospects for advancement do many really understand the link between school and work, and choose to make a commitment to school. Such experiences suggest that AFDC recipients should not be forced to go to school when they want to work, nor prevented by lack of financial support from seeking more education when they desire it.
- **Job development, actively helping people locate and apply for jobs versus relying on independent job searches, moves people into the work force quickly.** There is increasing evidence that, regardless of conditions in a local labor market, many people need a formal mechanism such as job development to gain access to available jobs.² Such mechanisms become, in effect, "proxy

¹ "Rethinking Adult Education: Part Two," *Learning for Learning*, Center on Budget and Policy Priorities, Issue Brief 3, June 1993.

² For example, Manpower Demonstration Research Corporation's (MDRC) evaluation of California's GAIN program found that Riverside, the county with the strongest impacts, was also the county with

networks that can inform, socialize and vouch for employees in much the same way that social and ethnic networks do now."³

- **Losing initial jobs emerged as a major problem for Project Match** participants moving toward economic independence. Within 6 months after placement, 57% lost their first job; within 12 months, 70% lost their job.⁴ Reasons for job loss range from the structure of jobs (e.g., temporary jobs with irregular hours) to employees' lack of familiarity with the world of work. Findings from other welfare-to-work programs such as JOBS also highlight the problem of early and rapid job turnover among welfare recipients.⁵
- **Providing post-placement follow-up assistance** gets Project Match participants who fail in their first placement back on track quickly. Within 3 months, 70% of those who lost their first job were either working again (77%) or enrolled in education or training programs (23%). Specifically, participants who remain active in the program after their first placement benefit from help in getting a second or third job, or advancing to a better job when they are ready.
- **A long-term, individualized approach yields gains** for many Project Match participants. One study examined the labor market gains made by 259 participants in the program for at least 3 years. It showed that participants' likelihood of employment increased by 47% between their first and third years of program participation. In the third month after enrollment, 38% of participants were working; at the end of 3 years, 56% were working. Project Match also found that participants' average wages increased by 23% between the first and third years of employment.⁶
- **For those who fail to make progress, options other than school or work may be valuable.** When Project Match examined the progress of individuals, rather than the total group, the outcomes were less optimistic. Approximately half of the participants who remained in the program for 3 to 5 years had made unsteady or no measurable progress.⁷ This suggests that, for some, school or work is too big a first step and the road to economic independence must begin with more appropriate activities.

III. IMPLICATIONS FOR WELFARE REFORM

A. Exits from Welfare Are Unpredictable and Nonlinear

The standard government welfare-to-work model, depicted as Model 1 on the following page, views leaving welfare as a predictable, linear experience that can be accomplished within a short time frame: a direct and straightforward progression in which an individual is initially on welfare but not working or in training, then participates in an education/training program or a job-readiness class, then enters employment and leaves AFDC, and then continues upward in the labor market without returning to welfare.

the strongest job development component. D. Friedlander, J. Riccio, and S. Freedman, *GAIN: Two-Year Impacts in Six Counties*, MDRC, 1993.

³ Philip Kasintz, "The Real Jobs Problem," *Wall Street Journal*, November 26, 1993.

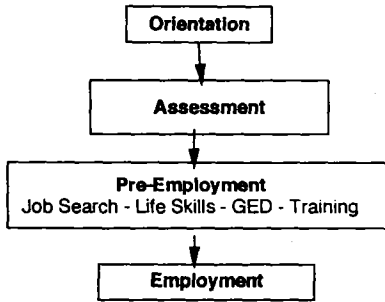
⁴ Lynn Olson, Linnea Berg and Aimee Conrad, *High Job Turnover Among the Urban Poor: The Project Match Experience*, Center for Urban Affairs and Policy Research, Northwestern University, 1990.

⁵ Mark Greenberg, *Welfare Reform on a Budget*, Center for Law and Social Policy, Washington, D.C., June 1992.

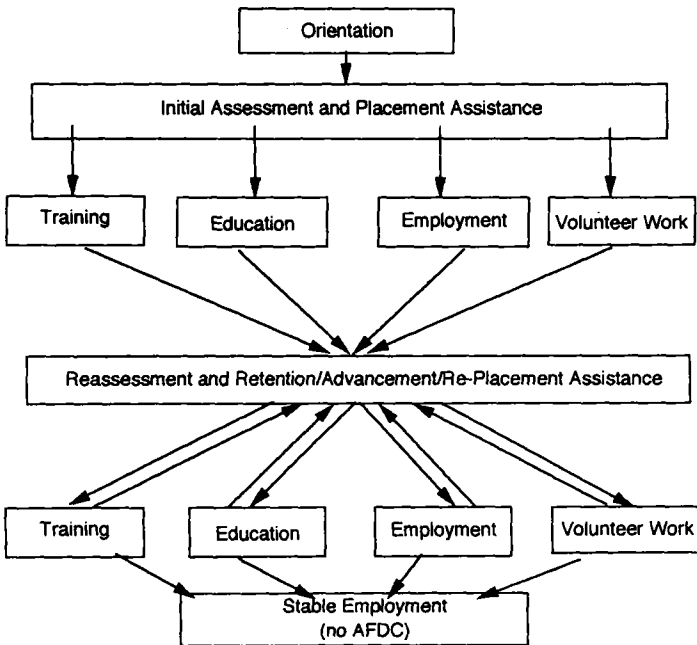
⁶ Analysis by Lynn Olson, Ph.D., and Aimee Conrad, former research staff of Project Match.

⁷ Toby Herr and Robert Halpern with Aimee Conrad, *Changing What Counts: Rethinking the Journey Out of Welfare*, Center for Urban Affairs and Policy Research, Northwestern University, 1990.

Model 1
Typical Welfare-to-Work Program Model



Model 2
The Project Match, Individualized Service Model



While this model reflects the behavior of many AFDC recipients (i.e., the group that is likely to leave welfare within two years and not return), data from programs that try to help people leave welfare and longitudinal data on patterns of welfare receipt suggest that a larger group than is usually acknowledged does not leave welfare in such a direct manner. An examination of welfare use dynamics among women ages 20 to 23 who were part of the National Longitudinal Survey for Youth found that, of the approximately 50% who left welfare for work, 40% returned within a year. Only 20% of the women who found work appeared to have left welfare permanently by the end of two years.⁸ Findings from Riverside County, the most successful site of California's GAIN program, indicate that while two-thirds of experimental group members worked at some point during the first two years, only half of those (or one-third of the total experimental group) were working during the last quarter of the second year.⁹

The evidence from these two studies, as well as others, suggests that difficulty making a permanent attachment to the work force is *not* confined to a relatively small group of disadvantaged families (e.g., Project Match participants). Rather, there is a significant group (whom we refer to as the middle group) that cycles between welfare and work, *neither staying on welfare for lengthy spells nor leaving for good*. In other words, the majority of AFDC recipients will not leave welfare permanently with one job or within a two-year time period.

Model 2, set forth on the previous page, presents a more complicated view of leaving welfare and one that captures the dynamics of the Project Match model. This model allows people to move in and out of schools and jobs as they make gradual, but not necessarily linear, progress toward stable employment. Assistance is oriented to these different pathways and time frames. In contrast to the standard model, this model more accurately describes the *back and forth movement of the large middle group of AFDC recipients* – the group that is likely to leave welfare eventually but for whom the timing and nature of support needs have not been well mapped out. However, our experience suggests that even the more flexible welfare-to-work model (i.e., Model 2) is not likely to meet the needs of *a portion of the most disadvantaged* welfare recipients. For example, as stated earlier, approximately half of Project Match participants made little or no measurable progress over a three-to five-year period.

B. The "Incremental Ladder" Approach to Welfare Reform

Our concern about prevailing and proposed welfare-to-work policy has led us to create an alternative model, which we refer to as the "Incremental Ladder to Economic Independence." This model is based on two interrelated ideas:

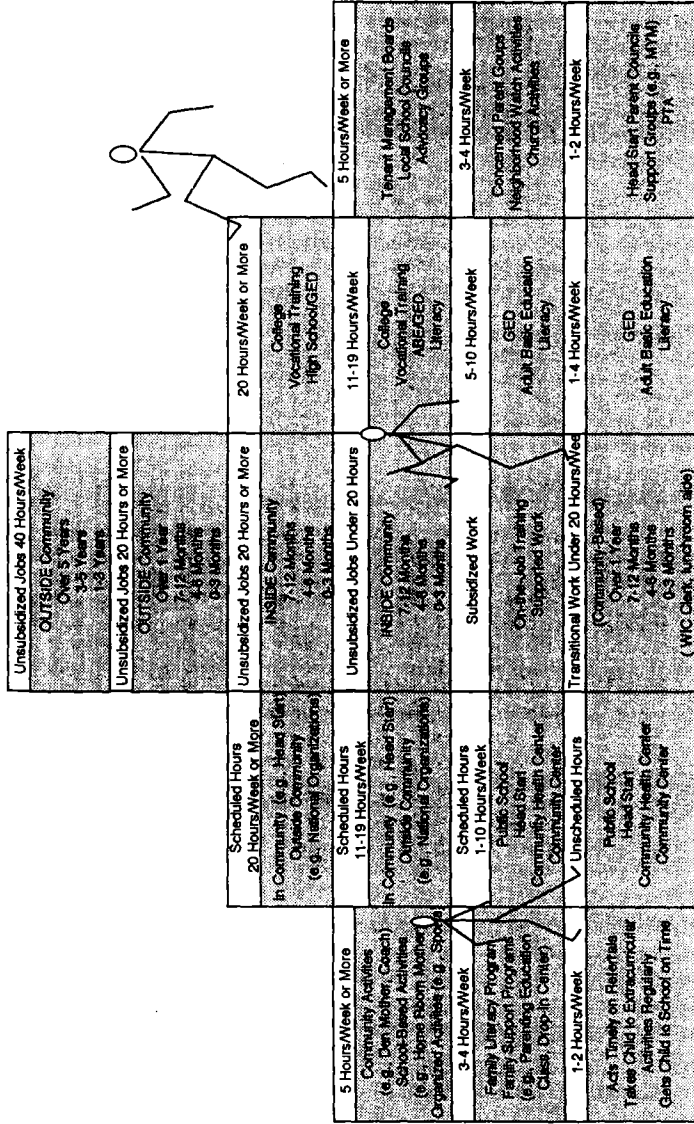
- 1) **Everyone on AFDC (without exception and from the day he/she enters the welfare system) can and should be actively engaged in the interrelated processes of leaving welfare and improving the life of his/her family and community; and**
- 2) **These processes should occur within a flexible, individualized time frame, allowing for various combinations and sequences of activities.**

The visual metaphor for the model, an incremental ladder (see ladder on the following page) captures the assumptions of this approach. It was created as a tool to help us envision leaving welfare as a nonlinear process that *cannot* be restricted to a particular time frame.

⁸ LaDonna Pavetti, "Welfare to Work: Breaking the Cycle of Dependency," Research Bulletin, Malcolm Wiener Center for Social Policy, John F. Kennedy School of Government, Harvard University, Fall 1993.

⁹ D. Friedlander, J. Riccio, and S. Freedman, *GAIN: Two-Year Impacts in Six Counties*, Manpower Demonstration Research Corporation, May 1993.

Incremental Ladder to Economic Independence



— WELFARE DEPENDENCY —

A typical "employability plan" under JOBS (e.g., 20 hours of school and/or work) comprises the upper rungs of the ladder. If supports such as child care and transportation were available, the majority would start at this level. However, as stated earlier, a significant number of those who get placed in jobs quickly will lose them just as quickly. We believe that the key to keeping people from lapsing back either onto AFDC or into costly community service jobs will be *quick and nonbureaucratic access* to assistance for updating resumes, getting job leads, and, as necessary, obtaining help to understand what went wrong. These kinds of *post-employment* supports are an important part of our model and help keep people on the upper rungs.

And what about those for whom school or work is too big a first step? Under JOBS, with its narrow set of authorized activities coupled with the now widespread practice of a 20-hour participation requirement, many are pushed onto the upper rungs of the ladder before they are ready. This means that for many recipients their initial attempts to leave welfare end in failure and often with sanctions. Moreover, the absence of lower rungs in existing programs leads to a lack of realistic starting points for those who are least job-ready, which in turn leads to a tendency to exempt them. The unintended result is that there is a sizable minority of recipients (e.g., the functionally disabled, parents with infants) who are excluded from opportunities to improve their lives. We believe that policies such as time limits are likely to exacerbate these dynamics of relatively high numbers of *failure, sanctions, and exemptions*.¹⁰

C. Building the Lower Rungs

For those who are least job-ready, we have created lower rungs on the ladder. *This subgroup of recipients will now have a broader array of meaningful and realistic first steps that will count as legitimate efforts toward becoming economically independent.* These first steps include community volunteer work, participation on advisory boards, and activities related to parental responsibilities. Also, for both the lower- and upper-rung activities, gradually increasing time commitments have been added. Thus, one parent might begin the journey out of welfare dependency by volunteering at a Head Start program for 20 hours a week, another by attending a GED class for 2 hours each week.

The addition of the lower rungs is based, in part, on the idea that the activities people perform in their roles as parents and members of communities can be pulled into the policy framework and used as stepping stones and indicators of movement toward economic independence and family well-being. It is also based on the notion that *community work makes the most sense early in the process rather than later as a dumping ground for those who are unable to get and keep jobs.*

In order to implement the lower rungs as a *social contract*, certain conditions must be met. First, lower rung activities will be legitimate only if they involve skills, competencies, and time commitments that a person has not yet mastered (e.g., the inability to get one's child to school on time). Second, the skills and competencies fostered by these activities must be conceptually linked to job readiness (e.g., getting one's child to school on time contains the seeds of getting to work on time). Third, they have to be activities that can be placed in a progression of increasingly work-like skills and dispositions (e.g., moving from unscheduled volunteering, such as staying at a Head Start center after dropping one's child off, to scheduled volunteering, that is, signing up in advance and adhering to that schedule). Finally, participation in lower-rung activities must be made discrete, measurable, and verifiable.

¹⁰ Almost every element in the current federal JOBS program – from inadequate funding for child care to the limited choice of authorized employability activities – contributes to a dynamic in which the majority of welfare recipients are exempted from being required to seek work or prepare for work. This phenomenon creates a central stumbling block to achieving a transitional welfare system.

Unlike a time-limited approach where the stick (the loss of an AFDC grant) tends to fall at the end point, the "Incremental Ladder" model nudges, pushes, and pulls people toward stable employment from the outset and on a continuous basis. In a system where individual employability plans involve people in activities that are relevant to their personal goals and life situations, where they can progress in identifiable increments, and where setbacks can result in revised plans, sanctions are likely to be imposed primarily on those who refuse to try to improve their lives.

Prototypes driven by many of these principles are already operating in Utah and Iowa. But individuals' plans negotiated under these existing programs tend to be ad hoc. As *national policy*, this approach is not feasible without a lower-rung framework in place.¹¹ Implementing it as public policy will require the active involvement of the full range of institutions and agencies that are part of the daily lives of AFDC recipients, including public housing authorities, family support programs, and schools.

D. Design and Institutionalization Challenges Around the "Incremental Ladder"

To translate the "Incremental Ladder" model into practice, there are a host of design, implementation, and organizational issues that will have to get worked out. For example, how will we determine where on the ladder a person begins and when he/she is ready to move to a higher rung? Who will determine which government or private agencies will be responsible for helping people become reemployed when they lose their job? How will we bring the full range of institutions and agencies represented on the ladder, such as Head Start and public housing agencies, into this new welfare framework both as settings for lower-rung activities and as potential case managers? And how will we track individuals' participation and progress from month to month? The challenge of mobilizing the full range of government and private agencies around these issues gives concrete meaning to the Clinton administration's broad idea of reinventing government.

In our own work in Chicago, we have begun to tackle some of these questions in different institutional settings. For example, at a Head Start program in Cabrini-Green, we have transformed the existing parent involvement activities, which tend to be informal, open-ended, and isolated, into an increasingly work-like hierarchy. For Head Start, we are developing a set of protocols and procedures, including a computerized tracking system, Individualized Participant Passports, and recognition strategies, which help parents move from rung to rung. In other words, we have developed a blueprint that at least one major institution that works with welfare-dependent families (i.e., the Head Start Bureau) could use to create an authentic *two-generation program*: a setting where parents could support their children's development while they prepare for work. To implement the "Incremental Ladder" model, similar processes need to occur within other institutions. That means those institutions traditionally involved in employment and training, like the U.S. Department of Labor's programs (e.g., one-stop shopping sites), and those that need to be brought into the welfare-to-work arena, like school systems and family support programs.

We recognize that what we are proposing would require a fundamental shift in both prevailing and proposed welfare-to-work policies. Based on our experience, however, we believe that the "Incremental Ladder" model should be tested in Illinois and other states. It is important to emphasize that the *individual elements* of this model (e.g., maximum participation from day one, support as needed, flexibility around sequencing and choice of activities, and an individualized time frame for leaving welfare) *work together and are part of an interrelated whole*. While we would not recommend that the entire country be mandated to implement the model at this time, we think it is crucial that any welfare reform

¹¹ It is important to understand that making progress does not just mean leaving the lower-rung activities behind. Once people master the skills and competencies that underlie activities such as getting children to school on time or adhering to a volunteer schedule, they become part of an accumulating portfolio of skills and habits leading to work.

legislation allows sufficient flexibility so that states that want to could use the model.

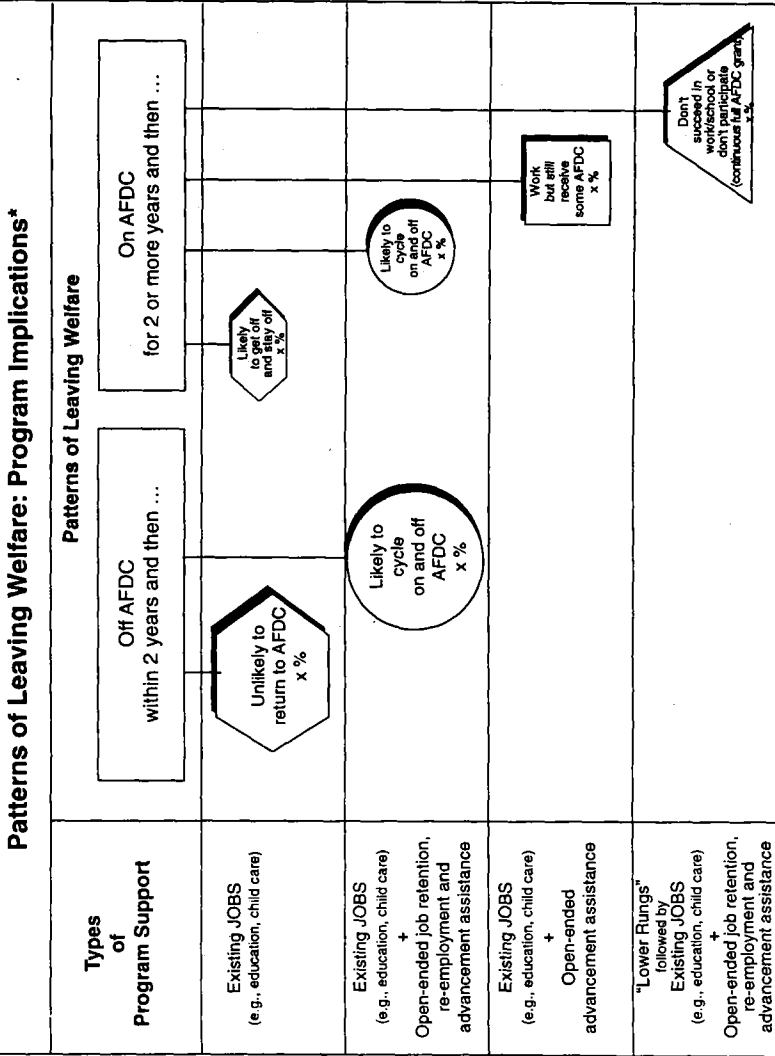
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In this position paper we have outlined an expanded framework for welfare reform that strives to accomplish two principal tasks: 1) it reworks the traditional welfare-to-work approach so that it better meets the needs of the large middle group of AFDC recipients who are likely to leave AFDC within two years but return, and 2) it creates a new major component of a transitional welfare system, the "lower rungs of the ladder," designed to serve those who will experience the most difficulty entering mainstream work worlds. The chart on the following page begins to lay out this more differentiated view of the welfare population with a correspondingly differentiated view of its support needs.

In summary, we are calling for *large-scale customization* significantly different than anything previously attempted in recent decades in the human services (although customization has now become a critical underpinning of our ability to compete in the global marketplace). The process of leaving welfare can be facilitated or complicated, made more constructive or more destructive, depending on the particular configuration of institutional supports and sanctions. Unfortunately, we cannot magically alter the process for individuals by simply declaring, for political purposes, that it is going to happen in a particular sequence and time frame. What if the American public is not upset per se about the fact that welfare recipients are not working? What if, as seems plausible, the public is upset about the idea – myth or not – of people doing nothing? What would be critical then is measurable evidence of trying, of doing "something," within a framework of consistent, gradually increasing, and increasingly work-like effort.

Project Match gratefully acknowledges the financial support of The Joyce Foundation and Woods Fund of Chicago in the preparation of *Lessons from Project Match for Welfare Reform*. A special acknowledgment to Ria Majeske of Project Match and Suzanne Wagner for their assistance in the preparation of the *Lessons* paper.

Diagram from Lessons From Project Match For Welfare Reform
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* Limited data available give us some sense of the size of each subgroup, but further analysis is necessary (shapes are proportional to our estimated percentages for each subgroup). Size of each subgroup will, of course, vary based on factors such as a state's AFDC grant level, amount of earned income disregard, availability of health insurance, ejection of EITC, etc.

Mr. MCCRERY. Thank you—all of you—for your excellent testimony.

We will ask Mr. Collins to inquire.

Mr. COLLINS. Thank you, Mr. Chairman.

Mr. Mead, as you know we are considering block grants down to the States for literally dozens of current welfare programs or Federal programs, and yet you recommend specific characteristics of welfare-to-work programs that the Federal Government should impose on States. Where do you see the balances between flexibility and Federal controls?

Mr. MEAD. Well, I would say that the crucial Federal matter is the standards and not the administration. I think the actual administration of these programs, work programs and welfare itself, can be and should be devolved to the lowest possible level. But the standards, it seems to me, have to be national because of their very, very far-reaching implications and because of their enormous sensitivity.

I would recommend that in any block grant that there be standards kept for the participation rates that are required in the work program that is being contemplated and also that there be standards set for what participation means, what you have to do to be a participant. The current plan I understand requires a 50-percent participation level in actual work by the year 2003. I believe that that is too tough unless you also let activities other than employment be included in the permissible activities.

I would also say that to have 35 hours, as is now contemplated, as the standard for participation is probably too demanding, because mothers have to worry about their families also. But it is characteristic of the Republican proposals that they combine standards which appear to be unreachable with an idea of block granting the program, which would effectively eliminate all standards.

I would prefer half-time work as a standard but enforce it seriously and have up front job search. I would work toward 50-percent participation but allow other activities besides actual employment to count toward that. I would have a standard for actual employment also.

In Kenosha County, Wisconsin, over a third of the recipients are already employed while still on welfare. I think that ought to be a standard for the Nation. We ought to require that a third of the recipients actually be employed.

They can do other things, too. They can go into education and training, but we have to have some idea of standards. How you reach the standard should not be a Federal concern. That ought to be left to the States. There are a lot of ways to run the programs, and I don't see a national interest in that, but the criteria or what the States have to do and the essential meaning of participation I think has to be defined.

Mr. MCCRERY. Excuse me, Mr. Collins.

I notice there are a number of folks in the audience with posters and signs that you would like to hold up. I have no objection to your holding up signs, but if you would take them to the back of the room so they don't obstruct the view of others who are here trying to observe and listen. Anybody who wants to hold up a poster move to the back, and it is OK with me. Thank you.

Mr. COLLINS. Mr. Mead, we are talking about—you mentioned people, a third of people working and still have access to some benefits, some subsidies. In the Contract With America what we are really talking about are some cash benefits. All other type subsidies would remain intact or accessible.

What about the 2 years? Is 2 years a reasonable time or should there be an earlier date set for phaseout of the benefits? Or should it just be up to a certain point and then that is it?

Mr. MEAD. I don't think that time-limiting welfare is the right way to reform welfare now, because I don't think it is possible for the majority of welfare recipients to support themselves. Some can, and they will if we enforce a half-time work requirement. But we have to recognize that their ability to earn is limited.

My initial goal is not to time-limit welfare or to cut welfare per se. It is rather to change the nature of it so that more people are employed. Once you did that I think you would find that the number of people who stayed on welfare as long as 2 years was reduced considerably, and then you could contemplate time-limiting welfare, but not immediately. I think to do that is the wrong approach.

Rather than try to limit welfare at the back end by limiting how long people stay on, I would prefer to change the nature of it at the front end. Rather than have a 2-year limit, I would rather require people to work or look for work immediately, as soon as they go on welfare.

And that ought to be the message: You go on welfare and you are going to be looking for a job immediately, not at the end of 2 years. Two years is an eternity to many welfare mothers. It is not meaningful to have a work test that is postponed. Put it up front but limit it to half time and allow a person to work and, if necessary, to train alongside that. A lot of people will leave welfare if you do that. Do that first and then see how many people are still on and talk about time limiting at a later point.

I fear that if you were to time limit welfare now, when we have only a largely symbolic work requirement in most localities, too many people would hit the 2-year limit and then you would have to do something to ease the limit, and it would make the policy a laughingstock. So let's implement a work test up front and then talk about time limits later.

Mr. COLLINS. You mentioned New York City, the inner city. Quite a few Members of the House do not actually represent a city the size of New York where you have the inner city problem, but yet it is of great concern to a number of us. What do you suggest we could actually do in the inner city as far as trying to create and provide jobs?

Because under the current system—I don't know what the average is in New York City but across the Nation it is \$12,000 annually in all benefits combined. When you take that amount and equate it to an hourly wage that would net out to \$12,000, you are talking about better than a \$7-an-hour job, which is a little more than flipping a hamburger or raking leaves. What can we do in the inner cities that would encourage job creation there? Go beyond just the welfare reform itself.

Let's go to job market itself. What can we do?

Mr. MEAD. I don't think that job creation right now is the main problem. As far as we can tell, jobs are available at the margin for people who seek them.

In 3 weeks, interviewing around the State of Wisconsin, talking to JOBS people, including in Milwaukee, not a single person said to me that jobs were unavailable to people on welfare. The statistics say the jobs are available. They are not necessarily good enough to get off welfare completely or out of poverty, but our initial goal ought to be to get people working.

I don't think you need to worry about the job market immediately. If we got serious about enforcing work on the whole caseload the day might come when there were shortages of jobs. My first step at that point, rather than create jobs, would be to crack down on illegal immigration. After that I would worry about job creation.

Mr. COLLINS. Ms. Gueron.

Ms. GUERON. Starting with your first question about block grants. This is an important issue. For any of you who care about expanding work programs, you have to care about the incentives facing States.

One concern I have is that if you switch to a block grant structure, the last dollar spent will be 100 percent a tax levy dollar at the State level. And under those incentives, States could be conservative about work programs which represent up front investments with clear, but future, payoffs. Faced with pressure on caseloads and the need to trade off providing money for people to live on versus running work programs, States might consider the latter more discretionary. States may resist paying the full cost of investing in work programs when some of the savings will go to the Federal Treasury. Thus, I think if your goal is to expand work programs the financial structure can be very key.

In terms of your question about a 2-year time limit, I think a lot depends on what is meant by that. Clearly, the public has said that they favor people working and that there has to be some kind of limit on education and training and other services, and that activities should shift toward work. Whether that is rigidly 2 years, it shouldn't wait for 2 years. Many people on welfare can start working right away, and programs that have an up front work focused message will get some people very quickly into jobs; for others, it might take longer. But you certainly don't need to wait.

I don't think anybody is talking about waiting for 2 years. They are talking about setting some limit, after which something else would happen. Whether there is enough work activity for everyone on the rolls or whether you could create enough work activity is a serious question.

In New York City, Mayor Koch was very devoted to work-for-benefit programs, and at the maximum he created about 7,500 work slots for a mandated welfare caseload that was about 150,000 at that point. Despite all of his enthusiasm and will in this area, going to 150,000, if you think that the public payroll in New York City is about 300,000 employees, would be a daunting job. You could have a very large sector of your public payroll in workfare positions.

So while at the margin clearly jobs are available, were you pushing to that level I think we would hit something quite different.

Mr. MEAD. The crucial area to look for jobs is not in government but in the private sector. No effective program has relied heavily on government jobs.

Mr. MCCRERY. Thank you.

Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.

Dr. Mead, following up that job market idea, the job-ready population within the welfare population. What do we need to do to match up some of the welfare recipients with some of these jobs that might be available in the private sector, people who have been forced through recessions or bad economy or just out of the work force and now find themselves on welfare? What do we need to do for this job-ready population?

Would the case managers in Health and Human Services, as they apply—what do you suggest that we do to get this 15, 20 percent of the job-ready population moved into the private sector? Do we respond through giving the assistance to, I guess, matching up with the job, the application process, the things that one would need in order to move back into the work force who may have been out for the last 4 or 5 years?

Mr. MEAD. Most essential is to enforce up front job search. It is unusual in most job programs for the first step to be looking for work. If we do that, we will right away move a lot of people into jobs. I think the job market is the best way to assess the employability of someone. If you send them out for a job you are likely to find out what sort of jobs they can get and what they can do.

In my understanding, the best thing would be to require people to work or look for work half time. At a certain point if a person failed to get a job they should also get some kind of assistance to improve their skills, maybe job development where you try to find a job for them. But I don't think we should give up as quickly as we do now on the idea that a person can get a job.

Mr. FORD. I am not suggesting that we do. I just want to know how do we say to a percentage of the adults on welfare who want to work, who might not have all of the know-how to really match their skills with what might be open on the other side of town, that they don't access through whatever the transportation needs are, who would like to work and would do a good job—I am talking about people who are law-abiding citizens who would love to move off the welfare rolls and move to the private sector. Do we offer credits to the private sector to employ these people or do we move forward?

Mr. MCCRERY. Please, ma'am, you are a guest here. This is a warning. If you do not stop and take your seats we will have to have you removed from the hearing room. We appreciate—

The Committee will be in recess for 5 minutes.

[Recess.]

Chairman SHAW [presiding]. The Committee will now reconvene.

I would like to thank the officers for the way that they cleared the hall in the most orderly manner but yet without any tremendous problems. I understand that none of the uninvited witnesses who were demonstrating in the room will be arrested at this point.

However, any further interruption is going to be cause for a charge—a misdemeanor—which is interruption of Congress.

This Committee is not going to accept these types of outbursts. It does great prejudice to the cause that the people who are demonstrating are trying to further. We are going to be hearing from all kinds of witnesses. We are going to be thorough and as fair as any committee can possibly be, but we are going to uphold the dignity of this Committee, and we are not going to stand for this on any basis.

I apologize to the witnesses.

Mr. Ford.

Mr. FORD. On behalf of the Democrats, we agree. We are faced with very critical issues as we move to reform the welfare system to bring about new policies, and any time spent in interruption with those who want to have outbursts in the audience certainly is not accepted by the Democratic side of the aisle. I, too, apologize to the witnesses.

Dr. Mead, back to the question that we were—we had before the Committee. I am convinced that there might be 20 to 25 percent of the welfare population who are able to work, just might be job-ready.

I know we say they need to search every day. It is difficult in my State for a mother with three children, \$189 in cash payments per month—it is difficult to search through public transportation or the child care that is needed if there are no programs.

I know the Personal Responsibility Act that we have before the Committee removes any requirement to provide education and training services to welfare mothers, and I don't think you have been suggesting that we remove it totally. You are saying put them to work immediately and then train them once they are in the work force.

I have no problem with that idea. I think that we should try to place them in the work force. But are you saying place them in workfare jobs rather than trying to place them into the private sector and offer maybe some type of tax credit to the employer or employing people on a particular program? Or do we set in motion some type of mechanism that would be in place on State levels that would, in fact, identify and match up people and get them job-ready to move quickly into the work force?

Mr. MEAD. I don't think that you need special arrangements at the outset. The main step is simply to require people to look for work.

One thing that programs do, though, is provide support services, and that is necessary. Actually, transportation is more often a problem, it has been found in the past, than child care, and that should be something that the staff help arrange. You are not asking people to look for work without assistance.

Mr. FORD. Support systems like transportation?

Mr. MEAD. Yes. Transportation is a service now provided under JOBS. And where it is critical, where it is unavailable—

Mr. FORD. What if additional money is needed in order to—

Mr. MEAD. I am not able to estimate that, but I know that in past surveys transportation is more often mentioned as a problem than child care, and in rural areas especially it is a serious consid-

eration. However, that is something that the program can solve because it is set up to do that. The major difficulty is not that there is no transportation; it is that right now not enough of the recipients are looking for work.

Mr. FORD. Should we leave the JOBS Programs in place, the one that we put in place in 1988? Or should we remove it?

Mr. MEAD. Leave it in place, but modify it in such a way that you have clear-cut requirements for up front job searches. Right now, job search is allowed but not required.

Also, I would require that the standard about participation be raised above 20 percent. Measure it in a different way and have a stipulation about people who are actually employed. You should have to look for work or work half time. That should be a general requirement.

And then have a participation standard and a standard for people who are actually employed as well. These would be set at levels that we think are feasible, although there should be an implementation period as there was for the first several years of JOBS.

I would try to move the participation rate up to 50 percent but, unlike the Republican proposal as it now stands, I would allow a broader range of activities. But I would still require people to work first and then go into training. I think that is the best way to solve a problem.

Mr. FORD. Out-of-wedlock births or illegitimacy or the lack of incentives to work—which are the real problems that we need to address in this welfare bill?

Mr. MEAD. That is a tough question. I don't think it is necessary to choose. As far as I can see, government has found almost no way to prevent unwed pregnancy. As far as I can tell from sketchy evidence, employment may be one of the best ways to reduce unwed pregnancy.

Mr. FORD. What about the teenage pregnancy problem that is filling up the welfare rolls? You mentioned in your testimony—isn't poverty there before the teenage pregnancy problem and then poverty—it is not like the teen pregnancy and poverty is there beforehand. How do we address that problem and—if we are going to reduce those rates?

Mr. MEAD. Although poverty per se is something to look at, I don't think that low income is the reason people get in trouble. It is, rather, they have deprived upbringings. The deprivation that matters has to be more with human things than with money, although money is important, too.

I would think that the best thing you can do for many teen mothers is to put them in a structure where they get assistance but at the same time they have to function. I am thinking of the Teen Parent Demonstration Program recently evaluated by MDRC and also the LEAP Program in Ohio, where they are showing some effects. Mothers are put in a situation where they have to work. They have to do something that is enforced. They also get support services. That has more effect on the problem than anything we have found. I don't know of a better solution right now.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. I have a number of questions, and I will try to be very specific to whom I will address these questions. But I would like to ask Ms. Herr a question first.

I was very interested in your testimony, and I wonder if you could give us some thoughts on why these welfare moms are coming onto the welfare rolls and getting back off and needing to move back in again? Do you have background or statistics that could explain this problem to us?

Ms. HERR. There seem to be two groups. There is a group that goes on, and then they lose their job, and they get off. That is a group that seems to know how to keep a job. They know the rules of the world of work. Why they get off—they are seldom fired. That is not why they leave their jobs. Some get off because they need health care, because there is an illness, because there is a problem with an abusive boyfriend or husband, those kinds of reasons. It is not that they can't keep a job.

That is why I said, for that group at least, what we have found most helpful is easy, immediate access and assistance to get another job. And that is the job development we are talking about. That is, people can actually walk into the office without an appointment. They don't have to go back to the welfare department and start over again. Within 24 hours they are sent out on job interviews, and they tend to get jobs quickly. The other service we provide is just assistance with whatever problems people are having. That is one group.

The other group, why do they lose their jobs? That is a group that in general has a much more tenuous work identity. So that when there is a problem at home, a problem at work, a problem with their supervisor, the first thing to go is the job. That is a group that is more likely to get fired or quit. They keep a job for maybe 2 or 3 months. They lose the job, get another job—it doesn't seem that over time they seem to do much better. They are not keeping the next job for longer. It is a group that we have very much struggled with. Some just mature their way out of it.

Also, our program is a volunteer program. It is very hard to know what would happen if they were mandated. I don't know what would happen if they were mandated. They would still need a lot of assistance. Would they not lose jobs as quickly? I don't know.

Ms. DUNN. Maybe the followup that Dr. Mead talked about would be helpful.

Dr. Mead, I want to ask you a question that is very central to my thinking. I want to see the private sector more involved. Are there incentives that come to mind that we could provide to private sector job providers that make a welfare mom or somebody we want to move off these rolls more interesting?

Mr. MEAD. There have been tax incentives in the past whereby if you hired a welfare recipient or several other groups of people, disadvantaged groups, you would get a tax benefit from that. The general history has been that few employers either apply for or use those incentives. Some do. There are some who make a business out of it, who basically hire welfare recipients because of the tax benefits, but that is uncommon.

There is some evidence that if you provide such an incentive it may stigmatize the job seeker because, although the person can offer the tax incentive to the employer, it identifies them as a welfare recipient. It may be best if we don't do that, if we let the job seeker go forward as anyone else would. So history here is not encouraging.

I don't mean that something might not change in the future. If we had a much higher proportion of recipients looking for work, and as such the availability of jobs became more questionable, then the tax incentive might matter more. But right now that would not be my emphasis.

Ms. DUNN. Thank you very much.

Chairman SHAW. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Have you seen statistics of people that have gone via tax incentives into the workplace? Following the period of time that that money runs out or that tax incentive runs out, do you know the percentage that stay employed?

Mr. MEAD. I wouldn't be able to estimate that because the use of these incentives is quite limited. We inherently look for incentive-oriented mechanisms because we would like to believe that the dynamics here is the sort of thing that we see on Wall Street, where people respond to incentives.

I don't think that that is typically true of long-term welfare recipients. It is true of some, but these are people who in general are not very responsive to incentives. We should not project our middle-class psychology on them and assume that they are going to respond to subtle changes like a tax break for an employer.

I think they respond more to public authority, to demands of administrators who provide structure as well as support. It is really the construction of a paternalistic structure around recipients that gets results. They get support and direction from staff members who follow up, who see that they do what they are supposed to do.

These are people who often have not had very structured lives. From the moment they were children their lives usually have not been well ordered for various reasons. They need structure, and that has more effect on improving employment as far as I can tell than anything we can do with changing the incentives.

Mr. ENSIGN. When you are talking about State flexibility, some of the Governors that have been using more block grants with minimal guidelines, it seems to me that if you are in a rural type of State—Utah is an extreme example—where there is a homogeneous population, very good family structure, versus maybe New York where it is more urbanized and there is more illegitimacy—if you tried to take the same kind of a program in both of those States where one State has much more support structure outside the family and you are trying to take the same guidelines within that program, it seems to me that that is a faulty approach. This cookie-cutter approach from Washington seems so faulty because there are such differences at local levels.

Ms. GUERON. I think that is clearly true, that work programs were really invigorated during the eighties when Governors took some ownership for these programs. To run these programs you have to believe in their mission and get staff motivated to succeed

and to convince and to communicate to welfare recipients the reality that they can succeed. So there is flexibility for different communities to emphasize different goals and objectives. Then I think the programs will be operated more effectively.

In response to your earlier question about incentives, at the local level caseworkers working with welfare recipients think that the fact that work does not beat welfare is a real problem in getting people to take jobs and that welfare recipients often will return to the rolls because they are not better off working.

A number of Governors in the waiver packages and reforms that they have launched in recent years have tried to do something about that in terms of making work more remunerative; and Congress has, too, in extending transitional Medicaid and child care tried to make work more attractive. The results are not in from all of those experiments, and it will be important to see how much of a boost you can get from incentives, but I think that is part of the equation.

Mr. MEAD. The standards I would have for JOBS do not restrain a program from doing more or different provided the minimums are set. A State like Utah is probably very high performing in the JOBS Program, and it would probably already meet the standards that I would set for the Nation generally.

It is not as if we are constraining Utah. They have lots of freedom to do as they wish. It is minimum standards I am talking about. It is just what we do in unemployment insurance, Social Security—we don't allow those to vary in their essentials around the country. We do allow details to vary. That is what I am talking about.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Dr. Mead, there is no Republican welfare system. I was addressing myself to that, and they don't have a system yet, but they have concepts which we are dealing with now.

I think you said in your testimony that when the voters are so angry and frustrated about something, they may dictate a rather harsh solution. But that solution may not work, whether it is the death penalty—and I would assume you would include in that the cutting off of welfare for a child whose mother is under 18, even though people behind them in the supermarket line may agree with this solution. But it doesn't work. Saying that a person who has no training and there is no job available, whether they are on for 2 weeks or 2 years, will be automatically cut off after a 2-year period it may sound political, but it is not a solution.

And to say that because paternity is not established and without any other justification, benefits will be denied is a political solution but it won't work.

I think we have already discounted the possibilities of public jobs. It is not workable. There is layoff and shrinkage. And the unions will go bananas when their employees are laid off and you try to filter AFDC recipients into those jobs.

We would prefer not to have teenage pregnancy in the beginning and not to have as many welfare recipients.

You said something about being outraged at the number of people in New York City that are on welfare. If you assume that you can't deal with the public sector, where are these jobs? You say

they are out there. They may be out there for you or out there for me, but how is a teenaged, untrained high school dropout, and an irresponsible person, going to find this job that is out there?

Is there a way where we can make certain that the private sector tells us what jobs are out there and that government has a responsibility to shore up those with babies, without babies, those that are not on welfare, so that these people can hook into what is out there?

All of the jobs in New York are going to the Caribbean, and to Mexico. We know that those jobs are leaving so instead of being so outraged that these people are not working, could you professionals help us to marry the needs of the business world with our responsibility to train these people to meet that challenge?

Mr. MEAD. The main reason that more people are not going to work in New York is not that we lack such a mechanism but two other reasons. Those on welfare are in a job program that is known as the BEGIN Program in New York. This program has two overwhelming problems. One is that they don't have anywhere near administrative control of the caseloads. They are unable to assign and direct their recipients. They are overwhelmed by numbers.

Mr. RANGEL. Forget that. We are reforming that system. We have creative Governors to come up with new ideas. How can I marry the private sector needs with a group of people with babies, without babies but unemployed and untrained? That is where we need your guidance.

Mr. MEAD. And I am saying to you the best way to do it is require them to look for work, which they are not now required to do.

Mr. RANGEL. Do you understand how much it is to get on the subway to look for work? If you are a high school dropout you don't pick up the "New York Times" and find out what jobs are available. That is not realistic.

If we have a bureaucracy that is an impediment—I am taking a clean-cut kid, and he wants a job. What should he do? Hit the streets?

Mr. MEAD. Yes.

Mr. RANGEL. And that is what you expect teenage mothers to do?

Mr. MEAD. Yes.

Mr. RANGEL. That is a political solution. It makes people feel good to be able to say they should be working.

But when someone comes to you and asks how can I get a job and how can I work and you tell them to hit the streets, that is unfair. You didn't train them. You didn't assist them. You are ready to prepare to allow Governors to knock them off welfare, and you haven't done a thing except to say they are out there.

I know your training, and I know my training, and we can get a job, and we should hit the streets, but it is unfair for you to do that to high school dropouts.

Look at the public school system where 90 percent of the kids go through and drop out of the system because they know there is no job at the end of the process. Principals know it. Teachers know it. We should have the private sector working with the educational system to make certain that when you get a diploma, you also get a job.

You are saying that even after the mistake, after we have failed this population—and you know who those people are: They come from communities with the highest unemployment, 5 or 10 times the national average, and you are telling them to go outside their community to get a job. You have the highest number of high school dropouts, the highest number addicted to drugs, the highest incidence of violence, the highest crime rates, the highest number of AIDS cases in these areas and you say what the hell.

I tell you this. This is a great political solution; people white and black buy it: Make them work. But the babies keep coming, the crack keeps coming, the violence and crime keeps coming, and the jails are now exploding. We better come up with a solution that is not just political but something that will work.

Chairman SHAW. The time of the gentleman has expired.

Mr. McCrery.

Mr. MCCRERY. Thank you, Mr. Chairman.

To the panel of witnesses I would say, Congressman Rangel brings up an excellent point. We do need to think about ways to encourage participation in the various communities of high-welfare populations, to assist those folks in finding the jobs that are out there.

However, one thing that appears to me to be true—and, please, I would like your comments—the current welfare structure in America clearly does not encourage people to seek work, find work and continue working. To me, that is obvious to a casual observer of the system.

So what we are talking about now is changing in a massive way the incentives that are in the current system. And, yes, it is easy to say we are going to require work, but that is a start in my view. It turns upside down the current incentive, which says, don't work.

And Dr. Mead, maybe I misinterpreted some of your comments, but I think you have said that the Republican proposal as now written perhaps may not be broad enough in terms of the activities which would qualify for a continuation of welfare benefits or AFDC benefits, is that correct? If so, would you expound upon that for a minute?

Mr. MEAD. Yes, I think that is right. The bill is useful in emphasizing the priorities of actual employment. That is something the JOBS Program does not do now. We do need to change that.

At the same time, I think to regard only employment as participation is too narrow. I would rather have a requirement that people work or look for work half time up front and then allow other things, too, like education and training.

The evidence is that programs that do that—Riverside is one example, also Kenosha County in Wisconsin—achieve all the goals. They achieve more jobs, and they also achieve higher quality jobs than would be the case otherwise. This suggests to me that we ought to have a requirement that people work first but then allow other activities.

I would not mandate more than half time because I think that that is unrealistic, given that these are single mothers who also have to take care of their children. I would require that they work or look for work half time and then allow education and training

on top of that. So they might end up doing more than half time, but that part would be optional.

So I applaud the Republican proposal on employment, but I think it is too narrow. We shouldn't just focus on work, and we should settle for half time. However, we should also enforce that half time rigorously.

The fear with 35 hours is that it would not, in fact, be enforced, and would be a symbolic requirement. I would rather have a lesser requirement that was not symbolic, that really was serious, where we required work up front as soon as someone went on the rolls.

Mr. MCCRERY. What about being a full-time student? Would you not allow that to qualify?

Mr. MEAD. I would not allow that in advance of working half time. We have a large number of people who go into what is called self-initiated training, where they undertake education programs which become a substitute for actually working.

At the outset in JOBS, there was reason to think education was more constructive because these are often the more able recipients who are able to get a college degree, let's say, and that might be a way to get them permanently off welfare. But we don't find that they usually go to work. It turns out that in many cases people that go into these programs don't actually finish their programs. It is a way of avoiding going to work in many cases.

We have to realize that it hasn't worked. Let's require half time work first and then let's allow training on top of that.

Mr. MCCRERY. Ms. Gueron.

Ms. GUERON. I agree with Dr. Mead on a lot of these issues and do agree that an up front focus on getting a job is a good idea. I think that his discussion of job search could be complemented by job development activities. Job search alone has some success, but there is no evidence that it will do more than increase the employment rate about 10 percentage points.

People who work actively with the private sector, seek to identify jobs, hook welfare recipients up with those jobs, can make that more effective. I do think that we have to recognize that that is not going to get everybody off the welfare rolls. No project that has gone as strong and as actively as they could with job search and development have done more than reduce the rolls 5 or 10 percentage points. You are still going to have a lot of people on welfare. And if you are interested in work you are going to have to think about moving beyond the private sector to some form of work for benefits or public work program.

Ms. HERR. I would like to make three comments, one relates to getting people into the work force. At least most of the people who get jobs are socially networked into the work force. That is, they know people who can give them job leads.

I know every June I get a call from friends whose children are graduating from high school—could I help get them a job? And that is how most of us get jobs.

The population Project Match serves, in general, is not networked into the work force. I am responding to Mr. Rangel. I think we have to create what is called a proxy network for this group, and I think that we have to make sure that in it is job development. It is interesting to me that job development is man-

dated under the JOBS Program and is not an optional component and yet most States aren't doing it. It is unclear to me why since it is mandated.

Project Match uses job development very intensively; 70 percent of people are placed into jobs within 3 months. We can get people into jobs. I find it very interesting in our program that the people who can get the jobs on their own, can get the jobs easiest because they are attractive, they know what to say, they know how to dress for the interviews, they tend to be the ones with the most trouble keeping jobs. They are the most awkward, have the least confidence, make the worst impression, don't know how to interview. Yet it is this group that when we get them into the work force they do a very good job. So it is very complicated. That is one set of issues.

Another set of issues. While Riverside is the most successful program in getting people into the work force, at the end of 3 years only 23 percent were working and off welfare. It is not enough to just get people into the work force. Clearly a more significant problem is keeping them there, and I think we need to figure out how to address this problem.

I did talk about the notion of postemployment services. We have to stay with people after they are working. As soon as they lose a job we have to get them another job. We have to help them deal with problems with their supervisors. Most of our clients are African-American, many have never had a white supervisor before. In terms of the rules of the world of work they need a chance to learn just like everyone else does, a chance to learn how to make it in the work force.

I think this is complicated, but I think we have to be honest about what some of the problems are and what some of the most promising solutions are.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Let's continue because the three of you seem to agree that the key point here is linking welfare with work. You all say that.

Dr. Mead, you do not like the prescriptions in the Contract on out-of-wedlock births, the denial of additional benefits for additional children—I haven't heard you comment on legal immigrants. You say, Dr. Mead, everybody should be required to look for work. I believe Dr. Gueron also agrees with that.

It has been suggested that there has to be some training involved in many of these cases. Many of the AFDC recipients have not graduated high school. I don't think we have the figures, but many of them don't read very well. So do we need to have in addition to a requirement that people look for work some kind of assistance in education?

Mr. MEAD. I would agree with that, but also I don't think that it should postpone job search. I don't think that a person is unemployable because they are not able to read English. It certainly limits the kinds of jobs they can get, but I believe you need to establish a principle of job search. You can't allow a person to say that because they have low skills that they have no obligation to look for work. I wouldn't say that they necessarily have to get a job, but

you have to be making an effort. Alongside that you also have remediation.

Mr. LEVIN. Let me ask you, if there is no child care arrangement what do we do about that? If there is no parent, grandparent or family friend, what do we do about that?

Mr. MEAD. In that case, we have to provide care through a child care center, but it is important to emphasize that the child care problem has turned out to be less serious than most people thought when these programs were mandated in 1988.

Mr. LEVIN. Let's not argue or discuss the extent. You would say you have to supplement the program with some child care in some cases. Dr. Gueron, where do you and Dr. Mead disagree?

Ms. GUERON. I might be a little less enthusiastic about lack of education than he is and the ability of the public sector to do something about that. I think there has been sobering evidence since the act passed about the ability of basic education services to, in fact, improve people's skills.

A study in California showed that, despite a strong focus on basic education, people did not score higher in most counties on tests afterward; and there was no clear link between the amount of basic educational services that people received and their employment experience. The evidence is more encouraging relating to training.

I think that basic education probably served some function but maybe a more indirect function less tied to the increase in basic skills. I don't think we disagree on a program being strongly work focused to begin with. It is not just the services that you have, it is the message communicated through those services, whether it be job search or education or training, but the message should be prowork.

Mr. LEVIN. As someone who believes that the work-welfare linkage is key I think we need to probe your differences, and I don't know that they are as deep as they are made out to be. Dr. Mead and Dr. Gueron, the two of you have been here before, and it is interesting now to see them in this context. What is the national interest in welfare programs? Why should the Federal Government be involved at all?

Mr. MEAD. As I said before, I think it is clear in public opinion studies that the American public has two very strong desires about welfare. One is they want to help the needy. There is a strong philanthropic interest on the part of average Americans. They are not indifferent to people who are destitute. They want to help.

At the same time, they are seriously disturbed by the disorders that they associate with the current welfare system, two particularly—unwed pregnancy and nonemployment by welfare adults, also by fathers who are responsible for families but are not paying child support. These features of welfare cause deep distress on the part of the average American.

So they want to help people, but they also want to turn welfare into a work program where the adults contribute. They don't necessarily, I don't think, want people to have to get completely off welfare. They are not saying you can't be dependent. They are saying you have to make an effort.

These are such strong desires that it seems to be a national priority that we worry about these things, and that is why this is a Federal matter.

Ms. GUERON. I would agree that the AFDC Program was set up to provide a safety net under children. The concern was children and poverty rates among children. That concern is still out there, tempered by a concern that poverty may be created or aided by actions of their parents. So there is a strong desire to both create a safety net for children and get tough on parents.

This is very hard because children and parents are a tied sale. They come together. It is hard to get tough on parents and still maintain a safety net to support children. That is what the whole work program strategy is. That is why it is attractive, because it seems to be a way to reconcile these two objectives. You can continue to provide some support for children but only if their parents take some actions toward work.

Mr. LEVIN. Thank you.

Chairman SHAW. Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

Dr. Gueron, pulling together some of the testimony you have already presented, can you summarize for us the elements of a successful welfare-to-work program?

Ms. GUERON. Yes, I will do that by talking about Riverside, California's program. It is the program that so far has the strongest results.

I think there were eight things about that program that distinguished it. The first was that the agency from the very top put a priority on work programs. This wasn't some secondary issue. They weren't only focused on writing checks accurately. They cared about the work message from the top. Second, there was a strong commitment and adequate resources—and resources are very important—to serve everyone. Not just motivated volunteers but everyone was required to participate or begin the participation process.

Third, there was an emphasis on getting a job quickly that pervaded every component—job search, education, training.

Fourth, it was a mixed strategy. It wasn't just job search. There was some education and training for those who didn't get jobs through job search.

Fifth, there was an active use of job developers in connection with the private sector, very key.

Sixth, there was a willingness to use sanctions to enforce the participation requirement.

Seventh, and often not discussed, there was a very cost-conscious management style. You can spend a lot in these programs, and I think the Riverside administrator appreciated that time is money and that you have to pay attention to that issue.

Finally, there was an outcome-focused management style. They paid attention to two issues that are important to keep your eye on at the same time—getting all people into activities and making sure that your staff are focused on getting them into work.

Mr. ENGLISH. Dr. Mead, in your written testimony you characterize the effects of welfare employment programs as marginal. And I was wondering, drawing on what Dr. Gueron has just said, would

you like to comment on what you think makes a successful welfare-to-work program and perhaps in your view what makes some welfare-to-work programs unsuccessful?

Mr. MEAD. First of all, I don't think the effects are marginal. What I said in my testimony is that they usually are regarded as marginal if one looks at the economics. But in terms of the activity, the effect on the people doing something to help themselves, the impact is a lot more than marginal. JOBS doubles and triples the share of clients who are involved in work or looking for work or education training.

I would mention a program I studied this past summer in Kenosha County. This was a program where they emphasized very strictly up front job search. They enforced a requirement for half-time work. They allowed people to train once they were working half time.

And the result was that this county outperformed another job-oriented county in Wisconsin where they emphasized simply going to work and available jobs, with much less remediation. Kenosha obtained not only more job entries but higher quality—higher wages, higher retention rates. So it looks like this is the way to go, to require work up front and also to have remediation along with it.

Another thing to stress is that reform is an administrative challenge. Although I think standards have to be set at the national level, creation of a program like Riverside is a task for administrative leadership of the highest order.

These programs construct a structure around the recipients so that they are given unquestioned support, but they also have unquestioned oversight, and they have to carry out their assignments.

The great difficulty with long-term welfare people is that they are defeated. They tend to withdraw from activities for reasons that are understandable, perhaps, but that defeat the purpose. So you have to enforce attendance.

In good programs, the followup on the clients is relentless. If someone drops out, they go after them, send letters, call on the phone. They make home visits. They don't let a person get away. And the clients experience that as caring, as providing a structure they haven't had. My phrase for this is help and hassle. You have to help people, and you have to hassle people, and the combination does the trick.

Mr. ENGLISH. Thank you very much.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. English.

Mrs. Kennelly will inquire.

Mrs. KENNELLY. Reading your testimony, Ms. Herr, I see a lot about getting people into jobs. And the recidivist rate is a recession problem, and to get the job first, to get the person in, is a problem. As you who have had such great experience along these lines, do you have any advice for an individual like myself who comes from a State that is in recession? How do you go at providing jobs when there are not many jobs? Or do you have two different approaches? Or do you use the same model whether there are jobs or you have to make work jobs? How do you handle something like that when the economy is not in an active position?

Ms. HERR. Well, I think one of the things is that if there are jobs—as you are saying, I think I may agree with both Dr. Mead and Dr. Gueron, that we need to require participation.

One of the things that we have observed in Chicago at a project at a Head Start is that there are parents that—although there are jobs in Chicago, these parents are not ready to work. So whether it is parents that aren't ready to work or whether it is a city where there aren't enough jobs, we can look at the kinds of things that they are doing in their roles as parents and members of a community and begin to build on that.

Communities need Scout leaders, volunteers at Head Start, people to walk kids to and from places in unsafe neighborhoods, to rides buses with kids when they go to activities. I think that there are an awful lot of things that are work preparation kinds of things that require real skills that people could be or are already doing. I think we have to sort of take that more seriously and really begin to structure those informal activities and think about them as serious options for those that are not ready for work and in areas where there aren't enough jobs—does that make sense?

Mrs. KENNELLY. Yes. Because I wrestle constantly with the idea that we have training and work training—for what? When I go home people say I need a job, but we know the employment situation is so terrible for somebody who is not skilled.

You see the way the Committee is moving, the way the Contract is moving. Would there be administrative ability to do this kind of task orientated in real life? You haven't got a skill. You are a mother. You have children. So you work that into what you are going to do to qualify. Do you see that as something we are doing in the direction of the Contract?

Ms. HERR. I think that when we talk about community service jobs we tend to think about creating a set number of jobs and slotting people into them whether or not they are interesting or relevant to them. I am talking about something different. What I mean is talking to a person and saying to them, "Let's look at what you are actually doing now."

When you talk to people they are all doing something. They are on tenant-management boards. They are Scout leaders, helping poor people in their communities, working in food pantries. They are doing many things. What happens is these things don't have a place in the welfare system so that they go to their JOBS Program which has certain other requirements, and they do this volunteering on the side.

What we are trying to think of is how to take these things that they are already doing and build on them and move these new activities into the JOBS Program—that is, make them legitimate activities toward becoming self-sufficient.

We have someone that is a Scout leader now. She is in training with a very good person in child development, and now she is thinking of going back to school and taking something having to do with recreational activities.

We put people in training before we know what they are good at or interested in. I think if we would start with things people are doing, with what they are interested in and then give them a

chance to go into training I think we would be a lot more successful.

Mrs. KENNELLY. Thank you.

Chairman SHAW. I would like to thank this panel for very fine testimony and appreciate your taking the time to be here, not under totally easy circumstances. But all three of you did a wonderful job.

Mr. RANGEL. Could I have one request of Ms. Herr?

Chairman SHAW. Sure.

Mr. RANGEL. Thank you.

One thing that appears to me is that a teenage mother would have love for her child. We could build on teaching her how to take care of that child, how to make certain that the child remains healthy. If she learns how to do that we can build on that and let her understand how to take care of someone else's child, and we could do this in maternity wards, in day care centers, in home care. Why can't we just say that is a Contract, and we are going to do it?

Ms. HERR. I agree. One last comment with respect to that. We have observed that the same parents that have trouble getting to work on time or getting to an educational program are the same parents who are not getting their children to school on time, and are not getting them to extracurricular activities. So our reasoning is getting someone to work on time is a competency, and you have it or you don't have it.

I have been married to someone for 25 years who doesn't have it. To me the idea would be why would we take someone who we know is having trouble getting places on time, why would we send them to a job where we know they are going to get fired? The cost of failure is so staggering for everybody.

We could be using those kinds of things as work preparation—and I don't mean parenting education. I mean things like getting the child to school, doing things for the child, participating in activities. And as they do that it gets them involved, and they naturally move on.

Mr. RANGEL. Thank you.

Mr. MCCRERY. A quick followup on that.

A concrete idea we brought up last year, Mr. Rangel—and the Committee voted it down—was simply requiring the parents to show proof of immunization for their children in order to get their checks. That is one concrete way I think we could get the parents involved. Thank you again.

Chairman SHAW. Thank you again.

One thing I hear through the testimony is that as part of this there is going to have to be a certain amount of followup. Dr. Mead, you made a statement about somebody calling and following up.

This isn't exactly onpoint, but it is the same type of philosophy. There is a high school in Fort Lauderdale, Florida, and the principal, who has since retired, set up a program where a teacher was assigned to ask a specific student, "How are you doing today?" The principal pointed out that so many of these kids go through the day without anybody really caring how they are doing. It is building

self-esteem, and I think that will satisfy a lot of the attitudes which need to be changed.

Thank you very much.

Now I would like to welcome our second panel which includes Larry Townsend, the director of the Riverside, California, work program that is undoubtedly considered one of the country's most successful in getting people off welfare and into a job. His program has been mentioned many times through the hearings that we have had.

Also Gary Stangler, who is a long-time leader in the American Public Welfare Association. Chuck Hobbs was a welfare expert in the Reagan administration who has turned his attention to private sector programs that help people find and keep a job. Jean Rogers will describe some of the successful features of Wisconsin's welfare-to-work program.

And State Senator Stephen Martin of Virginia joins us to offer his expertise as a leading State legislator on this issue. He is also the only elected official to be offering his views with us today.

We will lead off with Mr. Townsend. Each of the witnesses' written testimony will be made a part of the record. If you care to summarize, please proceed as you wish.

Mr. Townsend.

**STATEMENT OF LAWRENCE E. TOWNSEND, JR., DIRECTOR,
RIVERSIDE COUNTY DEPARTMENT OF PUBLIC SOCIAL
SERVICES, RIVERSIDE, CALIFORNIA**

Mr. TOWNSEND. Thank you, Hon. Chairman Shaw and Members of the Subcommittee.

I would like to identify a number of activities that we do in Riverside County to make sure that our process is understood.

We started off in our program concentrating on something called philosophy and ideology, also something called salesmanship. I had to think about becoming less of a manager and more of a sales manager.

We started off thinking about values. I read a little on Aristotle, and he said that work is virtue and that happiness is derived from being involved in a meaningful activity.

We believe in our county that to work is inherently good for individuals and that each and every day in employment, even if it is only one, is a good day and it helps teach individuals about work.

Employment is a gradual socialization process. It doesn't happen with a magic wand. Employment socialization includes listening to an alarm clock, learning how to dress appropriately, how to get along with your supervisor, how to convince him you are listening to what he wants, how to get along with coworkers, it takes a long time.

Employment is really wonderful, and I think it is a necessary prelude to education, it is probably the most important method of training.

A lot of us don't know what we want to do when we first start out, and I didn't either. But after performing a number of undesirable jobs and I saw people involved in employment that interested me, I decided that that exposure was crucial to my development. Employment gives you a chance to discover abilities you don't even

know you possess, and you won't get that sitting at home watching the soap operas.

Frankly, it is really crucial to get out there and show your stuff to your employer and earn pay increases and promotions. The old-fashioned work ethic that made America great was if you work hard, show your stuff, be reliable, eventually you will prosper. In our county we have found this still to be true.

I would like to cover a little bit about the initial job placement. A lot of people feel like we should make a value judgment as to whether you should take that job or stay on welfare based on the employment wages of the first day. That is unfair. That is just the beginning of a new, beautiful and wonderful story.

So we find that our welfare recipients do progress. They do get off welfare. About 25 percent of them leave welfare about 3 months after they get the job, not the first day. About 60 percent get off welfare about 6 months later. So it is a progressive process where clients are able to make themselves more valuable.

We work on trying to spend all of our time on those few factors that are needed to get somebody a job and off of welfare. We aren't invested in the process. We intervene only to the extent necessary with remedial education, working on attitudes, skills, just to the degree it is necessary to get somebody a job.

Some clients need more encouragement than others. There is a lot of fear out there. If we get them to believe in themselves, point out good things about themselves, the fear level dissipates, cooperation and excitement grows, and we teach them how to find a job so that they won't even need an employment agency in the future.

There are just a few key program elements I would like to mention. One is employment focus. I have set a goal that the GAIN Program in our county is focused on job placements. I expect each counselor to get 12 job placements a month as a minimum if they are going to stay with us, and that is because I care about the clients being successful and being exposed to a new future.

We insist that recipients who are registered do in fact show up. We try to use sales and marketing, we try to influence them, but we can't do that unless they show up in our doorframes. So if necessary I will reduce the welfare grant, my staff will encourage them to participate in the program, and show them how to actually get employment and have a new future.

We do utilize job developers. I think we are one of the first ones that did that. Some of our job placements come from the job developers. Also, I am a job developer. Clerical and all other staff are job developers on a part-time basis, but I have full-time ones. They belong to each Chamber of Commerce, go to Rotary Clubs and become part of the communities.

I guess what you have to do I have discovered in the program is that you have to believe in the program yourself, you have to believe that welfare recipients all have a future regardless of long term, short term, need education, not in need of education, regardless of ethnic group. We have discovered that every one of them has a better future through employment.

I would like to conclude with a basic statement that in our opinion only work works. Thank you.

[The prepared statement and attachments follow:]

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HUMAN RESOURCES
JANUARY 23, 1995

TESTIMONY OF:

LAWRENCE E. TOWNSEND JR.
DIRECTOR, DEPARTMENT OF PUBLIC SOCIAL SERVICES
COUNTY OF RIVERSIDE, CALIFORNIA

GENERAL COMMENTS

GOOD MORNING, HONORABLE CHAIRMAN SHAW AND MEMBERS OF THE SUBCOMMITTEE ON HUMAN RESOURCES. IN CALIFORNIA, THE JOBS PROGRAM IS CALLED GAIN, WHICH STANDS FOR GREATER AVENUES FOR INDEPENDENCE. RIVERSIDE IS ONE OF THE COUNTIES INCLUDED IN THE MANPOWER DEMONSTRATION RESEARCH CORPORATION (MDRC) STUDY OF CALIFORNIA'S GAIN PROGRAM. THE SEPTEMBER 1994 MDRC REPORT INCLUDES THE STATEMENT THAT RIVERSIDE COUNTY'S GAIN PROGRAM "PRODUCED THE MOST IMPRESSIVE RESULTS EVER FOUND FOR A LARGE-SCALE WELFARE-TO-WORK PROGRAM."

BEFORE SHARING WITH YOU WHAT IS UNIQUE ABOUT RIVERSIDE'S GAIN PROGRAM AND HOW OUR SUCCESS CAN BE TRANSLATED TO THE JOBS PROGRAM, I WOULD LIKE TO SPEAK BRIEFLY ABOUT THE SEPTEMBER 1994 MDRC REPORT AND THE IMPORTANCE OF THE JOBS PROGRAM AS PART OF WELFARE REFORM.

ONE IMPORTANT RESULT DISCUSSED IN THE REPORT IS THAT OVER THE THREE YEAR PERIOD OF THE STUDY, MDRC FOUND THAT SINGLE PARENT FAMILIES RECEIVING GAIN SERVICES IN RIVERSIDE COUNTY HAD 49% MORE EARNED INCOME THAN THOSE IN THE CONTROL GROUP WHO DID NOT RECEIVE GAIN SERVICES AND THAT THEY HAD ALSO RECEIVED 15% LESS IN AFDC PAYMENTS. ADDITIONAL DETAIL IS AVAILABLE BY REVIEWING THE MDRC TABLES WHICH FOLLOW MY WRITTEN COMMENTS.

ANOTHER IMPORTANT RESULT IN THE REPORT IS A BENEFIT-COST ANALYSIS WHICH SHOWS WHAT MDRC CALLED AN "EXCEPTIONALLY LARGE" RETURN ON INVESTMENT IN RIVERSIDE'S GAIN PROGRAM FROM THE PERSPECTIVE OF THE GOVERNMENT BUDGET. THIS RETURN WAS \$2.84 FOR EACH NET DOLLAR INVESTED FOR SINGLE PARENT FAMILIES, WHICH MAKE UP OVER 80% OF THE AFDC POPULATION, AND \$1.61 FOR EACH NET DOLLAR INVESTED FOR TWO PARENT FAMILIES.

AS IMPORTANT AS THE RESULTS JUST DESCRIBED ARE THE LESSONS WHICH WE CAN LEARN ABOUT WELFARE-TO-WORK PROGRAMS BY EXAMINING THE SUCCESS OF RIVERSIDE'S EMPLOYMENT-FOCUSED GAIN PROGRAM. THESE INCLUDE:

- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE COST EFFECTIVE
- o A LOWER CASELOAD DOES NOT NECESSARILY LEAD TO BETTER RESULTS
- o LONG-TERM WELFARE RECIPIENTS DO NOT REQUIRE LENGTHY AND COSTLY PROGRAMS TO ENTER EMPLOYMENT
- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE SUCCESSFUL FOR AFDC RECIPIENTS WITHOUT TARGETING ANY CLIENT GROUPS

- o SUCCESS OF AN EMPLOYMENT-FOCUSED PROGRAM IS NOT INHIBITED BY A HIGH LOCAL UNEMPLOYMENT RATE
- o AN EMPLOYMENT-FOCUSED PROGRAM CAN BE SUCCESSFUL ACROSS ETHNIC GROUPS
- o SUCCESS IN AN EMPLOYMENT-FOCUSED PROGRAM IS GREATER AND MORE COST EFFECTIVE WITH SINGLE PARENT FAMILIES ON AFDC THAN WITH TWO PARENT FAMILIES ON AFDC
- o A SUCCESSFUL EMPLOYMENT-FOCUSED PROGRAM DOES NOT ELIMINATE THE NEED FOR AFDC

AS SUCCESSFUL AS RIVERSIDE'S PROGRAM IS, IT IS LIKELY THAT IT WOULD BE EVEN MORE SUCCESSFUL IF AFDC RECIPIENTS HAD NOT HAD THE EMPLOYMENT DISINCENTIVE OF A 4-MONTH LIMIT ON THE AFDC EARNINGS EXEMPTION AND IF GAIN PARTICIPANTS HAD NOT HAD THE OPTION, AS A RESULT OF STATE STATUTE, TO DEFER THEIR PARTICIPATION BY WORKING AS LITTLE AS 15 HOURS A WEEK.

SINCE THE END OF THE STUDY PERIOD, CALIFORNIA HAS ELIMINATED THE 4-MONTH LIMIT AND MADE OTHER CHANGES TO REDUCE THE WORK DISINCENTIVE IN THE AFDC PROGRAM. IN ADDITION, THE GAIN ADVISORY COUNCIL, CONVENED BY GOVERNOR PETE WILSON AND CONSISTING OF REPRESENTATIVES FROM COUNTY WELFARE DEPARTMENTS AND VARIOUS STATE ORGANIZATIONS CONCERNED WITH CALIFORNIA'S GAIN PROGRAM, RECENTLY DEVELOPED 27 RECOMMENDATIONS FOR IMPROVING CALIFORNIA'S GAIN PROGRAM. I UNDERSTAND THE GOVERNOR'S STAFF IS PREPARING A PROPOSAL FOR CONSIDERATION BY THE STATE LEGISLATURE WHICH WOULD IMPLEMENT MANY OF THESE RECOMMENDATIONS, INCLUDING THE ELIMINATION OF THE 15-HOUR WORK DEFERRAL.

WELFARE REFORM AND THE JOBS PROGRAM

WHILE FOR SOME FAMILIES, AFDC IS A NECESSARY WAY STATION ON THE ROAD TO SELF SUFFICIENCY, FOR OTHERS IT IS A STEP TOWARD LONG TERM WELFARE DEPENDENCY. IN SOME CASES, THAT WELFARE DEPENDENCY LASTS FOR GENERATIONS.

WHILE I AM PREPARED TO SHARE WITH YOU WHATEVER DETAIL YOU DESIRE REGRADING RIVERSIDE COUNTY'S PERSPECTIVE ON WELFARE REFORM, I WILL LIMIT MY COMMENTS TO THE IMPORTANCE OF THE EXISTENCE OF A FEDERALLY MANDATED, PROPERLY FOCUSED, AND ADEQUATELY FUNDED JOBS PROGRAM. IF DESIGNED PROPERLY, THE JOBS PROGRAM CAN BE ONE OF THE BEST VEHICLES FOR ASSISTING THOSE WHO ARE AFDC-DEPENDENT TO SUCCESSFULLY TRAVERSE THE ROAD TO SELF SUFFICIENCY.

A WELL DESIGNED JOBS PROGRAM SHOULD:

- o REQUIRE THE PARTICIPATION OF ALL ABLE ADULT AFDC RECIPIENTS,
- o SET CLEAR PERFORMANCE STANDARDS, BASED ON OUTCOMES RATHER THAN PROCESS, AND PERHAPS MOST IMPORTANTLY,
- o BE FOCUSED ON AFDC RECIPIENTS SECURING PAID EMPLOYMENT AS QUICKLY AS POSSIBLE.

SUCH A SYSTEM CAN BE COST EFFECTIVE AS DEMONSTRATED IN RIVERSIDE COUNTY'S GAIN PROGRAM.

RIVERSIDE COUNTY'S GAIN PROGRAM

WHILE I DO NOT PROFESS THAT RIVERSIDE COUNTY HAS A FINAL SOLUTION TO WELFARE DEPENDENCY, I DO BELIEVE THE DESIGN AND IMPLEMENTATION OF GAIN IN RIVERSIDE COUNTY INCORPORATES APPROACHES WHICH CAN BE DUPLICATED AT OTHER SITES AND WHICH MAY LEAD TO THE KIND OF SUCCESS DOCUMENTED BY THE MDRC STUDY. BECAUSE IMPLEMENTING LEGISLATION FOR CALIFORNIA'S GAIN PROGRAM GAVE CONSIDERABLE DISCRETION TO INDIVIDUAL COUNTIES REGARDING HOW TO OPERATE GAIN, RIVERSIDE COUNTY'S PROGRAM WAS RELATIVELY DISTINCT AT ITS INCEPTION FROM OTHER GAIN PROGRAMS IN CALIFORNIA.

I BELIEVE SEVERAL THINGS HAVE CONTRIBUTED TO RIVERSIDE'S SUCCESS. FIRST, IS THE UNDERLYING PHILOSOPHY AND IDEOLOGY. SECOND, IS A SET OF THREE KEY PROGRAM ELEMENTS WHICH CAN BE DUPLICATED ELSEWHERE. THIRD, IS A BRIEF LISTING OF LEADERSHIP TECHNIQUES WHICH CAN BE USED TO EMPOWER STAFF.

PHILOSOPHY AND IDEOLOGY

THERE IS A FOUNDATION OF BELIEFS UPON WHICH THE EMPLOYMENT FOCUSED PROGRAM IN RIVERSIDE COUNTY IS BASED. THESE INCLUDE THE FOLLOWING.

- o WORK IS INHERENTLY GOOD FOR INDIVIDUALS AND EACH DAY IN EMPLOYMENT IS A GOOD DAY

EMPLOYMENT PROVIDES INDIVIDUALS WITH: PRIDE IN EARNING ALL OR PART OF THEIR SUPPORT; AN OPPORTUNITY TO DISCOVER UNSUSPECTED ABILITIES AND SKILLS; A CHANCE TO BE A BETTER ROLE MODEL FOR THEIR CHILDREN; AND, HOPE FOR A BETTER FUTURE.

- o THERE IS NO MAGIC BULLET OR ULTIMATE JOB FOR EACH CLIENT

EARNINGS FROM THE STARTING WAGE LEVEL OF A JOB SHOULD NOT BE COMPARED WITH THE WELFARE PAYMENT LEVEL TO DETERMINE WHETHER THE JOB SHOULD BE ACCEPTED. THE INITIAL HOURLY WAGE ON THE FIRST DAY OF EMPLOYMENT IS JUST THE BEGINNING OF OPPORTUNITY. THE IMPORTANT STORY IS THAT THE NEW EMPLOYEE HAS A CHANCE TO LEARN, DEVELOP, DISCOVER ABILITIES, PROVE HIS OR HER WORTH TO AN EMPLOYER, EARN PAY INCREASES AND PROMOTIONS, OR MOVE ON TO ANOTHER JOB.

IN AMERICA'S PAST THERE WAS A BELIEF THAT IF YOU WORKED HARD, DID GOOD WORK, AND WERE RELIABLE, YOU WOULD EVENTUALLY PROSPER. THIS BELIEF IS STILL VALID TODAY. PROOF OF THIS IS EVIDENT IN THE SUCCESS OF OUR GAIN CLIENTS.

- o EMPLOYMENT IS A GRADUAL SOCIALIZATION PROCESS

EMPLOYMENT, HOWEVER MODEST, TEACHES AND REINFORCES VERY BASIC, YET ESSENTIAL, SKILLS NECESSARY FOR ACQUIRING AND RETAINING EMPLOYMENT THAT MANY PEOPLE TAKE FOR GRANTED BUT NOT ALL OF US HAVE, SUCH AS: SETTING THE ALARM CLOCK; GETTING TO WORK ON TIME; ACCEPTING SUPERVISION; LEARNING TO

COMPLETE TASKS RELIABLY; GETTING ALONG WITH COWORKERS; AND, DRESSING APPROPRIATELY FOR WORK.

IF AN INITIAL JOB PLACEMENT IS NOT SUCCESSFUL, IT IS NOT VIEWED AS A FAILURE IN OUR GAIN PROGRAM, BUT, RATHER, IS EXAMINED AS AN OPPORTUNITY RICH WITH LESSONS REGARDING HOW THE GAIN PARTICIPANT MIGHT BE SUCCESSFUL IN THE NEXT JOB.

- o ALL INDIVIDUALS HAVE PROMISE, ABILITIES, AND POTENTIAL FOR A NEW FUTURE

MOST AFDC CLIENTS DO NOT WANT TO BE ON AFDC. RATHER THAN BE LABELLED AND PLACED IN CATEGORIES OR TARGET GROUPS, ALL AFDC CLIENTS SHOULD BE EQUALLY SERVED BY THE JOBS PROGRAM AND EFFORTS SHOULD BE MADE TO MOVE ALL AFDC CLIENTS INTO EMPLOYMENT AND OUT OF WELFARE DEPENDENCY AS SOON AS POSSIBLE.

- o MORE AFDC CLIENTS CAN BE SERVED IF EACH CAN BE SERVED LESS EXPENSIVELY
THE "PARETO PRINCIPLE", ESPOUSED BY NINETEENTH CENTURY ECONOMIST VILFREDO PARETO, IS THAT, IN ANY HUMAN ACTIVITY, PEOPLE SPEND ONLY 20% OF THEIR TIME DOING WORK WHICH YIELDS 80% OF THE RESULTS. IN RIVERSIDE COUNTY, WE APPLY THIS CONCEPT BY FOCUSING OUR EFFORTS ON THE ACTIVITIES WHICH ARE MOST LIKELY TO RESULT IN OUR CLIENTS OBTAINING PAID EMPLOYMENT.

BY COMBINING THE "PARETO PRINCIPLE" WITH THE PHILOSOPHY OF ACHIEVING THE GREATEST GOOD FOR THE GREATEST NUMBER, WE ARE LIMITING OUR EXPENDITURES PER INDIVIDUAL BY MOVING CLIENTS THROUGH OUR SYSTEM MORE QUICKLY THEREBY ENABLING US TO ASSIST A FAR GREATER NUMBER OF CLIENTS IN ACHIEVING A FUTURE OF PAID EMPLOYMENT.

- o SOME CLIENTS NEED MORE ENCOURAGEMENT THAN OTHERS TO PARTICIPATE

SOME AFDC CLIENTS RESIST PARTICIPATION IN GAIN. FOR SOME OF THESE AFDC CLIENTS, ONCE THEY UNDERSTAND THEIR PARTICIPATION IS MANDATED, THEY DIVE INTO THE PROCESS WHOLEHEARTEDLY. SOME OF OUR MOST INTERESTING SUCCESS STORIES ARE INDIVIDUALS WHO WERE INITIALLY HESITANT ABOUT PARTICIPATING.

A SMALL PROPORTION OF ABLE-BODIED AFDC CLIENTS BELIEVE SOCIETY SHOULD SUPPORT THEM. FOR THIS SMALL NUMBER, SANCTIONS MAY BE NECESSARY. IF, AFTER EXTENSIVE COUNSELLING, PLEADING, OFFERS OF ASSISTANCE IN PERSON, BY LETTER, AND BY PHONE, WE CONTINUE TO BE MET WITH NON-COOPERATION, WE SANCTION THE RECALCITRANT CLIENTS. WHILE SANCTIONS ARE APPLIED TO ONLY A SMALL PROPORTION OF THE CASELOAD, THE EXISTENCE OF SANCTIONS IS IMPORTANT TO THE SUCCESS OF OUR APPROACH.

THREE KEY PROGRAM ELEMENTS

THERE ARE THREE MAJOR PROGRAM ELEMENTS WHICH ARE INSTRUMENTAL TO THE SUCCESS OF OUR PROGRAM.

EMPLOYMENT FOCUS:

ALL GAIN STAFF RECEIVE A STRONG AND UNEQUIVOCAL MESSAGE THAT THE PURPOSE OF THE GAIN PROGRAM IS TO ASSIST CLIENTS IN BECOMING EMPLOYED. GAIN COUNSELLORS ARE EXPECTED TO EACH MAKE 12 JOB PLACEMENTS PER MONTH.

OUR WORK WITH GAIN CLIENTS IS FOCUSED ON HELPING THEM LEARN TO UNDERSTAND THE BENEFITS OF WORKING, TO RECOGNIZE THEIR OWN VALUES AND ABILITIES, AND TO MARKET THEMSELVES. IN ADDITION, THEY ARE TAUGHT HOW TO LOCATE AND SECURE EMPLOYMENT INDEPENDENT OF OUR GAIN STAFF IN THE FUTURE.

PARTICIPATION:

GAIN CLIENTS ARE APPROACHED BY STAFF WITH THE OBJECTIVE OF SECURING THE CLIENT'S ENTHUSIASTIC PARTICIPATION. WE SELL THE CLIENTS ON THE BENEFITS OF PARTICIPATION AND THE SERIOUSNESS OF THEIR RESPONSIBILITY TO THEIR FAMILIES.

WE DO CONSIDER THEIR PARTICIPATION TO BE MANDATORY AND, IF NECESSARY, WE DO ENFORCE PARTICIPATION.

JOB DEVELOPMENT:

WE HAVE SPECIALIZED JOB DEVELOPERS AGGRESSIVELY INVOLVED IN LOCATING JOB VACANCIES AND RECRUITING EMPLOYERS. THE JOB DEVELOPERS VIEW BOTH THE POTENTIAL EMPLOYERS AND THE GAIN PARTICIPANTS AS THEIR CUSTOMERS. WE DO EXTENSIVE SCREENING OF GAIN PARTICIPANTS PRIOR TO REFERRAL IN ORDER TO ENSURE THE EMPLOYERS WILL CONTINUE TO PERCEIVE GAIN PARTICIPANTS AS A VALUABLE RESOURCE.

AS AN AUGMENTATION TO THE JOB DEVELOPERS, ALL STAFF, FROM THE CLERICAL LEVEL TO THE DEPARTMENT DIRECTOR, ACT AS VOLUNTEER JOB DEVELOPERS BY IDENTIFYING AVAILABLE JOBS IN THE COMMUNITY. IN ADDITION, AT ONE STAGE OF THE GAIN PROCESS, ALL PARTICIPANTS ARE WORKING TO IDENTIFY JOBS AVAILABLE IN THE COMMUNITY. IF THE JOBS THEY IDENTIFY ARE NOT SUITABLE FOR THEM, THEY MAKE THE INFORMATION AVAILABLE TO OTHER GAIN PARTICIPANTS.

SELECTED LEADERSHIP STRATEGIES

o LEADING BY EXAMPLE

FROM THE EARLIEST STAGES OF PLANNING FOR THE GAIN PROGRAM THROUGH TODAY, I VISIBLY DEMONSTRATED TO STAFF MY BELIEF IN THE VALUE OF EMPLOYMENT, IN THE GAIN PROGRAM AS A MEANS TO HELP AFDC CLIENTS BECOME EMPLOYED AND REDUCE THEIR DEPENDENCY ON WELFARE, AND IN THE CRUCIAL VALUE OF THE GAIN PROGRAM TO THE COMMUNITY.

SOME ACTIONS TAKEN TO ACCOMPLISH THIS OBJECTIVE INCLUDE ATTENDING STAFF TRAINING SESSIONS, MAKING REGULAR VISITS TO THE DISTRICT OFFICES, AND CHAIRING LARGE GROUP DISCUSSIONS ON THE GAIN PROGRAM WHERE WE DISCUSS THE VALUE OF THE PROGRAM TO THE PARTICIPANTS, TAXPAYERS, SOCIETY, AND FUTURE GENERATIONS.

o LEADING BY EXPECTATIONS

WHILE THE GAIN PROGRAM HAS MANY COMPONENTS AND PROCESSES, WE RECOGNIZE THEM AS THE MEANS AND NOT THE END. IN ORDER TO KEEP STAFF FOCUSED ON THE END GOAL, JOB PLACEMENTS FOR GAIN PARTICIPANTS, I ESTABLISHED WRITTEN PERFORMANCE STANDARDS IN WHICH JOB PLACEMENTS ARE THE PRIMARY MEASURE OF SUCCESS. WHILE I SET THE GOAL HIGHER THAN ANY OF THE STAFF THOUGHT REASONABLE, 12 JOB PLACEMENTS PER MONTH, THE VAST MAJORITY OF GAIN COUNSELLORS REGULARLY EXCEED THE STANDARD. IN ADDITION TO INDIVIDUAL STANDARDS, THE GAIN PROGRAM AS A WHOLE IS REQUIRED TO MAKE 9,000 JOB PLACEMENTS PER YEAR.

I ALSO ESTABLISHED AN EXPECTATION THAT STAFF HIRED IN GAIN WOULD HAVE SEVERAL IMPORTANT CHARACTERISTICS. THEY MUST BE TOP PERFORMERS FROM OTHER PROGRAMS; THEY SHOULD NOT HAVE HAD FAILURES IN THEIR OWN EMPLOYMENT HISTORY; THEY SHOULD BE WELL GROOMED; THEY SHOULD HAVE A POSITIVE AND ENTHUSIASTIC DISPOSITION. EXTENSIVE TRAINING IS PROVIDED FOR GAIN STAFF TO INCREASE THE LIKELIHOOD THEY CAN MEET THE PERFORMANCE EXPECTATIONS.

o LEADING BY GETTING OUT OF THE WAY

WHILE GAIN STAFF HAVE BEEN GIVEN CERTAIN PARAMETERS WITHIN WHICH THEY MUST OPERATE, THEY HAVE BEEN ENCOURAGED TO EXPERIMENT TO DETERMINE WHAT WORKS BEST FOR THEM AND TO SHARE THE RESULTS WITH OTHERS. THEY HAVE BEEN TOLD THAT THE BOTTOM LINE EXPECTATION IS JOB PLACEMENTS AND HAVE BEEN HELD ACCOUNTABLE FOR PRODUCTIVITY AND ACKNOWLEDGED FOR THEIR SUCCESS. RECOGNITION AWARDS FOR HIGH PRODUCTIVITY ARE USED EXTENSIVELY.

ATTACHMENTS:

- I. SUMMARY TABLES - SEPTEMBER 1994 MDRC REPORT
- II. JOB PLACEMENTS AND GRANT TERMINATIONS IN RIVERSIDE COUNTY

TABLE 1
GAIN'S THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-FGs (SINGLE PARENTS)

County	Average Total Earnings			Average Total AFDC Payments			Percentage Change
	Experimentals (\$)	Controls (\$)	Difference (\$)	Experimentals (\$)	Controls (\$)	Difference (\$)	
Alameda							
Year 1	1421	1212	209	6916	7066	-150	-2%
Year 2	2132	1624	508 *	5816	6077	-261	-4%
Year 3	2680	2105	774 **	4861	5232	-371 **	-7%
Total	6432	4941	1492 **	17583	18375	-792 *	-4%
Bucks							
Year 1	2001	1729	272	5132	5486	-353 *	-6%
Year 2	2908	2442	556	3716	4048	-332	-8%
Year 3	3538	2992	647	2612	3101	-489	-15%
Total	8537	7163	1474	11659	12635	-976	-8%
Los Angeles							
Year 1	1304	1308	-4	6674	7202	-528 ***	-8%
Year 2	1899	1589	110	5711	6111	-401 ***	-7%
Year 3	1889	1786	103	4729	5006	-277 **	-6%
Total	4943	4683	260	17314	18319	-1005 ***	-5%
Riverside							
Year 1	2470	1550	920 ***	4962	5658	-695 ***	-12%
Year 2	3416	2233	1183 ***	3456	4161	-703 ***	-17%
Year 3	3562	2552	1010 ***	2964	3448	-584 ***	-17%
Total	9448	6335	3113 ***	11284	13267	-1983 ***	-15%
San Diego							
Year 1	2462	2113	349 **	5529	5832	-302 ***	-5%
Year 2	3503	2784	709 ***	4199	4679	-480 ***	-10%
Year 3	3521	3108	413 **	3555	3908	-353 ***	-9%
Total	9786	8014	1772 ***	13288	14419	-1136 ***	-8%
Tulare							
Year 1	1792	1941	-149	6363	6231	132	2%
Year 2	2536	2531	5	5118	5023	95	2%
Year 3	3111	2594	518 **	4171	4264	-113	-3%
Total	7439	7066	374	15653	15538	114	1%
All counties (e)							
Year 1	1908	1642	266 ***	5963	6246	-283 ***	-5%
Year 2	2741	2062	679 ***	4637	4917	-280 ***	-6%
Year 3	3159	2523	636 ***	3933	4167	-234 ***	-6%
Total	7781	6367	1414 ***	14464	15426	-961 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as *** = 1 percent (the highest level), ** = 5 percent, * = 10 percent. (e) In the all-county averages, the results for each county are weighted equally.

TABLE 8
GAIN'S THREE-YEAR IMPACTS ON EARNINGS AND AFDC PAYMENTS FOR AFDC-US (HEADS OF TWO-PARENT FAMILIES)

County	Average Total Earnings			Average Total AFDC Payments			Percentage Change
	Experiments (\$)	Controls (\$)	Difference (\$)	Experiments (\$)	Controls (\$)	Difference (\$)	
Alameda (a)							
Year 1	-	-	-	-	-	-	-
Year 2	-	-	-	-	-	-	-
Year 3	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-
Bucks							
Year 1	3026	2383	633 *	6523	6749	-226	-3%
Year 2	4033	2776	1257 ***	5246	5775	-529	-9%
Year 3	4732	3346	1406 **	4555	5071	-516	-10%
Total	11811	8515	3296 ***	16324	17595	-1271	-7%
Los Angeles							
Year 1	1480	1221	259 **	9440	9871	-431 ***	-4%
Year 2	1726	1417	309 *	8333	8526	-193	-2%
Year 3	1726	1417	309 *	7417	7739	-322 *	-4%
Total	4932	4106	827 **	25180	26436	-1246 ***	-5%
Alameda (a)							
Year 1	3691	2800	761 ***	4850	5807	-957 ***	-17%
Year 2	4075	3171	904 ***	4650	5170	-520	-11%
Year 3	3612	3478	134	3614	3984	-370 *	-9%
Total	11342	10038	1500 **	12346	14411	-2064 ***	-14%
San Diego							
Year 1	3331	3069	242	6790	7301	-510 ***	-7%
Year 2	4126	3472	654 **	5155	5339	-184	-3%
Year 3	4126	3472	654 **	5155	5339	-184	-3%
Total	11603	11469	134	17310	18637	-1327 ***	-7%
Tulare							
Year 1	2667	2061	26	7545	7523	23	0%
Year 2	3721	3698	23	6316	6281	35	1%
Year 3	4121	4136	-15	5085	5000	85	1%
Total	10609	11097	-286	19446	19304	142	0%
All counties (b)							
Year 1	2503	2519	-16	7026	7450	-422 ***	-6%
Year 2	3542	3170	372 **	5971	6340	-369 ***	-7%
Year 3	3711	3356	355 **	5266	5543	-277 ***	-5%
Total	10156	9045	1111 ***	18164	19332	-1166 ***	-6%

NOTES: Dollar averages for each year include zero values for sample members who were not employed or did not receive welfare during that year. Statistical significance levels are indicated as *** = 1 percent (the highest level), ** = 5 percent, * = 10 percent.
(a) Because of Alameda's small sample size for AFDC-US, the estimates of its earnings impacts (\$782 for the three-year period, or a 24 percent increase over the control group average) and AFDC payments impacts (-\$103, or less than a 1 percent decrease) are considered much less reliable than those for the other counties; therefore, the Alameda impacts are not included in this table.
(b) In the all-county averages, the results for each county are weighted equally.

**AN OVERVIEW OF RIVERSIDE COUNTY GAIN
JOB PLACEMENTS AND GRANT TERMINATIONS**

DURING THE PERIOD JULY 1993 THROUGH JUNE 1994, RIVERSIDE COUNTY'S GAIN EXPENDITURES WERE \$10,217,849. DURING THIS PERIOD, THERE WERE

7,084 GAIN JOB PLACEMENTS AT A COST OF \$1,442 PER PLACEMENT

1,929 GAIN AFDC GRANT TERMINATIONS AT A COST OF \$5,297 PER TERMINATION

AS A RESULT OF AN IN-DEPTH REVIEW OF ALL GAIN JOB PLACEMENTS IN TWO CONSECUTIVE MONTHS THOUGHT TO BE TYPICAL DURING THIS PERIOD, IT WAS FOUND THAT:

AFDC TERMINATION OCCURRED WITHIN THREE MONTHS OF JOB PLACEMENT FOR 27% OF THE CASES

AFDC TERMINATION OCCURRED WITHIN TWELVE MONTHS OF JOB PLACEMENT FOR 58% OF THE CASES

BY USING RIVERSIDE COUNTY'S GAIN IMPACT TRACKING SYSTEM, IT WAS FOUND THAT:

TWELVE MONTHS AFTER AFDC TERMINATION, 68% OF THE TERMINATED CASES REMAINED OFF AID

Chairman SHAW. Mr. Stangler.

STATEMENT OF GARY J. STANGLER, DIRECTOR, MISSOURI DEPARTMENT OF SOCIAL SERVICES, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. STANGLER. Thank you for the opportunity to testify this afternoon on behalf of the American Public Welfare Association. I am Gary Stangler, director of the Missouri Department of Social Services; and I am chair of APWA's National Council of State Human Service Administrators and a member of our Task Force on Self-Sufficiency, of which Jerry Miller of Michigan is the chair.

I would like to discuss some of the requirements in the Personal Responsibility Act that relate to the capacity of the States to administer these programs. While we have not taken a formal position on the PRA, there are a number of concerns that I would like to raise.

There is no doubt that welfare reform is something we all want to aggressively pursue, and the best evidence of that is what we in the States have been trying to do to pursue experiments and demonstration projects. More than half the States have demonstration projects. Twenty-seven States have waivers pending right now, mine included. We have created a traffic jam at HHS in our efforts to secure waivers to try different things.

Missouri is not New York. St. Louis is not the boot heel of Missouri, and there are a number of things that we wish to try, given different settings. My urge would be to allow great flexibility for State-based reform and our efforts to change the welfare system.

A couple of brief examples. There are many examples, but I would like to mention briefly what we are trying to do in Missouri.

It has been alluded to several times and Governor Carnahan has recognized there is a clear and fundamental difference between job skills and work skills. Job skills are fairly straightforward and easy to transmit in a variety of settings. Those work skills that have been mentioned—showing up on time, getting along with your supervisor—the only way to learn those skills is at work.

But employers are not willing to shoulder this burden alone. It is one thing for us to say you have to get a job. It is quite another for an employer to say I want you. And our programs have to be sensitive to the needs of the employers and in a sense user friendly in our ability to put people in jobs.

I would also like to mention one thing that gets lost in the discussion frequently, the notion of male joblessness. We have a Parent Fair Share Program in Missouri, started with MDRC, to offer the same set of training and educational opportunities to the fathers of children who are on welfare that we offer to the mothers. I believe that until we move from welfare being a women's training program to include the fathers we are not truly going to reform welfare.

Last year APWA released its report, and work and the expectation of work was the centerpiece. We urge you to consider four things in terms of our capacity in Missouri and my fellow States to implement these reforms:

First, flexibility. We have to have different ways to cope in order to keep expenses down and to keep measures in place that work.

Second, the technology that allows us to track different people through different systems is very important.

Third, collaboration is very important. It is a very nice sounding word that we use frequently. I often talk about the dictionary definition of collaboration, which is the treasonous cooperation with the enemy. If you consider collaboration in that context, you understand better how it is to work at the Federal, State and local levels.

A quick example of some of the administrative complexities and the reason flexibility is so important is because of these unintended consequences of good things we try to do. In the mandated participation rates, it is unclear who must participate, who is counted and when.

I am a veteran, and I remember the debates from the Jobs Act of the 20-hour work rule and the endless arguments and discussions with the Federal Government over who is counted, how, how do you track somebody.

Say that I have to sanction somebody who has not put in 35 hours work. Say they missed it by 1 hour. I am going to have to backtrack and, under this act, identify the child and prorate that child's school lunches in order to circumscribe with the sanction.

So I have these various systems and these unintended consequences. What we want to do is sanction the parent, not put unnecessary burdens on other systems, on the education systems and on the employers as well.

As we proceed in this debate, Mr. Chairman, what I would want to leave you with is the flexibility of the States to cope with these unintended consequences and the public-private partnerships that are necessary.

We want private sector jobs. In Missouri, we are using wage supplementation, but we have found that the employers are more interested in job coaching and the mentoring, the case-management activities that Professor Mead mentioned, than they really are in the tax break or the wage supplement that allows them to raise the wage. This is instructive to us because if we are going to get people into private sector jobs we have to use the wage supplement and our job coaches, not just to create the jobs that somewhere on the margins are there but are not often there where we need them when we need them.

And, second, that we are allowed to work in some flexibility with the employers who are going to hire these people. If they are not happy with the people that we send them from the welfare system, they are not going to last, and we will see them back in the system. So we have to be user friendly with the employers, and we have to establish partnerships with some flexibility at the State level.

Thank you.

[The prepared statement follows:]

**TESTIMONY OF HON. GARY J. STANGLER
AMERICAN PUBLIC WELFARE ASSOCIATION**

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify today on behalf of the American Public Welfare Association. My name is Gary Stangler, Director of the Missouri Department of Social Services and chair of the American Public Welfare Association's (APWA) National Council of State Human Service Administrators and a member of the APWA Task Force on Self-Sufficiency. APWA is a 64-year old nonprofit, bi-partisan organization representing all of the state human service departments as well as local public welfare agencies, and individual members.

In my testimony, I will address the issue of welfare reform and work. I'd like to note that APWA has not adopted a formal position on the Personal Responsibility Act (PRA) in its entirety. However, we are prepared to share our views on the provisions contained in Title II of the PRA, "Requiring Work," the subject of your hearing today. Our welfare reform task force, chaired by Jerry Miller Director of the Michigan Department of Social Services, is in the process of developing policy positions on the PRA and the proposals to create block grants for cash welfare, food and child care.

Mr. Chairman, there is unquestionable national consensus that the existing welfare system is broken. Not waiting for federal efforts to reform welfare, the states have, out of necessity, begun implementation of their own welfare reform projects. And state welfare reform efforts have focused principally on the goal of moving AFDC clients off of welfare and into work.

State Flexibility

More than one-half of the states are now operating welfare reform demonstration projects. While states have implemented demonstration and research projects under the AFDC and food stamp programs for several years, nothing compares to the number of state-based reforms in operation today. Twenty-three states have received approval to implement a welfare reform demonstration project in the last two years. The commitment to welfare reform at the state and local level is growing as approximately 27 waiver applications are now pending.

State human service administrators support increased state responsibility and oppose any change that would limit state flexibility to reform the current welfare system. In fact, Mr. Chairman, we call for **state-based reform** and we recommend that states be given maximum flexibility.

Through early evaluation of state welfare reform projects, state administrators already have ideas of what reforms work. Many state welfare demonstration projects currently operating are positive and are making a difference. Here are a few examples.

In my state of Missouri for example, we have several model programs that provide services and training to welfare recipients to help them find jobs and move toward self-sufficiency. Our JOBS program called FUTURES, for example provides welfare recipients with the education, training, case management and support services necessary to help them find jobs and become self-sufficient. FUTURES is overseen by an advisory committee that is a public-private partnership that designed the program with local input. In its first three years, the program has placed 240 participants in employment with an hourly wage of \$6.55, and 100 others received their GED.

Governor Mel Carnahan recognizes the difference between job skills and work skills and Missouri's efforts acknowledge those differences. Job skills are relatively straightforward and can be taught in a variety of ways and settings. Work skills are such things as showing up at work, showing up for your job on time, and getting along with coworkers and supervisors. Work skills are acquired by working. However, employers are unwilling to shoulder the burden of helping welfare recipients gain work skills alone. We know that addressing the concerns of employers, and the issue of creating enough jobs to absorb the welfare rolls will take a variety of measures with which Missouri is already experimenting, such as wage supplementation, job coaching, mentoring, and most importantly, public-private partnerships.

Under the *To Strengthen Michigan Families* statewide initiative, changes in the earned income deduction allow AFDC clients to keep the first \$200 they earn plus 20 percent of the balance without reducing their AFDC grants. Since October 1992, Michigan has seen an increase of nearly 55 percent in AFDC recipients with jobs and more than 50,000 Michigan AFDC cases have been closed as a result of income from employment. And in addition to achieving total cost neutrality, Michigan has saved more than \$100 million during the first two years of the program's implementation.

Another successful program is Ohio's Learning, Earning, and Parenting (LEAP) program, which has received national attention for its' targeting of the teenage population receiving welfare. LEAP provides a wage incentive to teen parents who attend school regularly, and induces a penalty for those who do not. The Manpower Demonstration Research Corporation (MDRC) evaluation of this program, found positive results for teens who entered the program while enrolled in school. For this population, LEAP substantially increased high school and GED completion. And there are many more examples of state welfare reforms that are working.

Many states are promoting work in ways that increase family earnings and family security. For example, 23 states have received approval or have waivers pending to modify the earned income deduction; 27 states have or plan to increase asset or resource limits; and 20 states are eliminating or plan to eliminate the 100 hour rule.

Task Force on Self-Sufficiency Recommendations

Last year, APWA released its bi-partisan welfare reform proposal, Work, Responsibility, Pride the Values of Welfare Reform, that places work as a centerpiece of welfare reform. Our current proposal is based on the premise that welfare should reflect mutual responsibilities on the part of the parent and the welfare agency. When applying for AFDC the parent must sign an "Agreement of Mutual Responsibility," agreeing to enter job training, job search or work. If the parent refuses to sign the agreement, the parent would not be eligible for financial assistance.

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

- Up to a limit of two years in a JOBS career-focused education and training phase; and/or
- A JOBS mandatory work phase in which AFDC parents would be required to work in an unsubsidized private or public sector job, with CWEP available as a last resort for those who complete JOBS and are unable to locate unsubsidized work. Individuals working at least 20 hours per week are considered meeting the mandatory work requirement under our proposal.
- If, however, an AFDC client was not considered capable of entering into the JOBS program at the time of application, for example an individual who was illiterate or had a chronic substance abuse problem, that individual would be required to participate in an intensive JOBS preparation phase before entering up to two-years of education and training.

In short, there would be no exemptions from participation in JOBS under our proposal. If AFDC parents fail to comply with the plan as required, we propose a penalty reducing the family's combined AFDC and food stamp benefit by 25 percent. We believe such a penalty is realistic and necessary for any parent who fails to take his or her responsibility seriously.

Our proposal emphasizes the need for employment that results in family self-sufficiency as the successful endpoint. We underscore the preference for jobs in the private sector--the primary source of our nation's economic growth and development.

We recognize the lack of private sector jobs available today for many Americans who are poor. We therefore call for creation of a new, adequately

funded job creation strategy to support employment of low income individuals in the private sector.

The Personal Responsibility Act

Mr. Chairman, as Congress considers welfare reform, we urge you to consider the administrative capacity of the states to implement these major reforms. In this area, we believe there are four key elements that warrant special attention by decision-makers. First, in shaping national policies, state flexibility in the design and implementation of welfare reform programs is necessary in order to make optimum use of agency resources. Second, we know that information technology is fundamental for state and local operations to effectively deliver services to clients, and that federal resources must be brought to bear in order that states may keep up with advances in management information technology. Next, cross-system collaboration must become a reality through interagency agreements and efforts at the federal, state and local levels. Finally, technical assistance and training are needed to design, and implement, a reformed welfare system, and we believe that the necessary federal resources should be provided.

Moving Individuals from Welfare to Work Under the PRA

Title II of Personal Responsibility Act states a goal of moving adults quickly off welfare and into work. We strongly support this very important goal and emphasize that the importance of self-sufficiency remain at the center of this debate. However, we are concerned that the Personal Responsibility Act does not allow for the increased state responsibility and flexibility we see as necessary to the goal of moving people from welfare to self-sufficiency.

The Personal Responsibility Act allows states to operate a work program that is a work supplementation program, a community work experience program, or any other program that is approved by the Secretary of Health and Human Services. Individuals required to participate in the work plan must work an average of at least 35 hours per week or 30 hours plus five hours in job search. AFDC Unemployed Parent populations must work an average of 32 hours a week plus eight hours in job search for a combined cash AFDC and consolidated food assistance benefit. Participants who do not comply with work program requirements will have their cash and food assistance benefit reduced on a prorated basis. While we understand the intent of this provision, we believe that states must have the flexibility to fully develop and implement their work programs without federal proscription — including participant sanctions.

Mr. Chairman, while we support flexibility to design our own work programs, there are significant proscriptions included in this section of Title II that could potentially create major administrative burdens for states, such participant

compliance requirements mandated participation rates, and work slot requirements.

Mandated Participation Rate

It is unclear how the PRA seeks to define participation in a work program. We believe a state's capacity to administer their work program and meet the bill's participation requirement will be directly affected by what expectations are tied to this term. It is unclear who must participate in, and who may or may not be exempt from participating in the work program. Again, we recommend providing the states with the flexibility to establish and meet their own aggressive participation requirements.

Administrative Capacity

Mr. Chairman, states look forward to an opportunity to move an increasing number of aid recipients from welfare rolls to work. And each state wants to achieve maximum results. For this reason, we are deeply concerned that the Personal Responsibility Act does not appear to take into account the issue of administrative capacity to implement the proposed work program.

The enactment of the placement and administrative strictures I've mentioned, whether as part of the Personal Responsibility Act, or any other proposal -- including block grants -- will serve to tie the hands of the States as they move to enhance their welfare to work efforts. It is critical that States be free to set and meet challenging participation rates for their work programs. It is also critical that states have the administrative capacity to meet their goal. For example:

- If a State must sanction a parent for noncompliance with its work program, — say for participating for an hour or two less than the required work rate — it would be faced with tracking down the parent's child in school to prorate how much of his school lunch should be eliminated. It appears that states will have to make daily and weekly calculations based upon this type of situation.
- If a recipient is working in a 25 hour a week slot, it appears that the state will have to create a 10 hour slot in order to make the 35 hour requirement. This situation proves administratively burdensome because of the State's responsibility to meet the requirements of the Personal Responsibility Act, the needs of the employer, and the needs of the client, which include transportation and childcare.

The cost of creating work slots is a real consideration. We cannot emphasize enough the cost of moving people into work, and the need to ensure adequate support to states to achieve this worthy goal. Under the Personal

Responsibility Act, we foresee barriers to adequate funding that may hinder states from meeting the bill's required participation rates.

- While there is authorized increased funding to States for the work program until FY 2000, there is no increased funding authorized beyond when states' participation rates are expected to increase to 50 percent by the year 2003.
- The Congressional Budget Office estimated in 1993 that for a similar measure, H.R. 3500, the cost per slot of a 35 hour work week would be \$6300 by 1999.

We also wish to express our concern over the October 1, 1995 effective date of the Personal Responsibility Act. States will face serious issues in implementing their work program requirements and trying to reach the bill's participation rates.

Finally Mr. Chairman, we are eager to continue our work in moving individuals and families into work and toward self-sufficiency. We appreciate this opportunity to share our views with you today, and stand ready to work with you and the members of this subcommittee in the future.

Thank you again, Mr. Chairman for the opportunity to testify today. I would be happy to answer any questions you may have.

Chairman SHAW. Ms. Rogers.

STATEMENT OF J. JEAN ROGERS, ADMINISTRATOR, DIVISION OF ECONOMIC SUPPORT, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, MADISON, WISCONSIN

Ms. ROGERS. Thank you, Mr. Chairman. Good morning.

On behalf of my Governor Thompson, I want to thank you for the opportunity to address this Committee regarding our JOBS Program and welfare reform in general in Wisconsin.

We started our work focus by implementing the Work Experience and Job Training experience in 1987. That was the year Governor Thompson first took office. The Family Support Act followed 2 years later, and part of that was patterned after Wisconsin's experiences.

We run a comprehensive JOBS Program in Wisconsin. It runs in all 72 of our counties and 11 tribal reservations. We spend over \$50 million a year on the JOBS Program, and for us that means we capture 100 percent of our Federal funding allocation.

In 1993, 69,076 individuals were enrolled in our JOBS Program. That is a monthly average of about 39,000. Twenty-one percent of these enrollees entered employment, most of them full time, but retention is just as important to us as job placement. In fact, 73 percent of our full-time placements were still on the job 6 months later. The average wage for starting for full-time JOBS participants is almost \$6 an hour, \$5.99 to be exact.

Our guiding philosophy is centered on independence. When a person makes their initial entry into one of our offices, the very first activity should be reviewing their personal options and a discussion of how they might be better off not applying for welfare at all.

We have begun a very successful initiative called Work First which operates under this very philosophy. Once a determination has been made that a person needs to receive assistance, that individual should be placed immediately in challenging employment activities, we believe, and this activity needs to simulate the real world of work as closely as possible. Employers say that a positive attitude and good work habits are the most important characteristics they seek in new workers.

On a similar note, I feel that we should provide compensation to our participants in direct proportion to the number of hours they work. This pay-for-performance concept makes a welfare check look a lot more like a paycheck. We intend to submit a Federal waiver application to allow for this very provision in Wisconsin in the near future.

Another characteristic of effective programs is that they do not hold participants out of early entry into the labor market in order to complete educational activities. In fact, we are more than twice as successful at placing individuals in employment after participation in subsidized employment with a private company than we are in placing individuals who have participated in any educational component.

In terms of administration, I think the biggest challenge we face is the failure of large cities' JOBS Programs to respond properly to uncooperative clients. In Milwaukee, more than half of all JOBS

mandatories fail to show up for the initial job appointment. We need to send the message that this is unacceptable and level more severe penalties than simply a reduction in an AFDC check made up in large part by an increase in food stamps.

Our strategy that we have used to inspire greater productivity from the six JOBS operators in Milwaukee is through competition model. Until last year, each of our agencies in Milwaukee was paid on the basis of process and not on whether or not they met any particular performance criteria. This is a very common method of payment.

This year, we awarded points for employment and divided the agencies into two teams. The result: full-time employment increased by 38 percent and part-time employment increased by 29 percent in the first 6 months of operation.

Finally, we need to transform the culture of the welfare office by mobilizing the bureaucracy to help individuals in need find alternatives to welfare, and that must begin the first day they call. That was affirmed by a long-time economic support worker who said, "Gosh, I love this. I even feel better about myself now that I am not just handing out checks anymore." She was referring to her new role as a financial planner.

Rather than simply determining eligibility, we are now asking our staff to say: "How can we help you from needing welfare?" rather than: "Here is your check." "We should have been doing this all along," she said to me. "I didn't think we were supposed to."

In Wisconsin, we now know we are supposed to.

Thank you for the chance to share the Wisconsin perspective today.

[The prepared statement follows:]

TESTIMONY OF J. JEAN ROGERS
STATE OF WISCONSIN DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Good morning. My name is Jean Rogers and I am the Administrator of the Division of Economic Support at the Wisconsin Department of Health and Social Services. On behalf of Governor Thompson, I would like to thank you for the opportunity to address this committee regarding the JOBS program in Wisconsin. It is truly an honor to be here.

My Division is responsible for administering the welfare programs in Wisconsin, including the JOBS program. Employment and training programs form the foundation of our welfare reform efforts. Our successes have led to a 25 percent decrease in our caseloads since 1987, while the national average has been a 35 percent increase over the same time period.

We started our work focus by implementing the Work Experience and Job Training (WEJT) program in 1987, the year Tommy Thompson first took office. The Family Support Act followed two years later, patterned after Wisconsin's programs. Wisconsin runs a comprehensive JOBS program in all 72 Wisconsin counties and on our 11 tribal reservations. The state spends \$22 million a year on JOBS, just under half of the total program expenditure of \$50 million -- capturing all of our federal allocation.

In 1993, 69,076 individuals were enrolled in JOBS, a monthly average of 39,321. Over 14,000 of these enrollees, or 21 percent of the total, had an entered enrollment that year -- 63 percent of the employments being full-time. Of these full-time employments, 73 percent were either working and off assistance or working and receiving reduced benefits six months after entering employment. The average wage for our full-time JOBS participants is almost \$6 an hour.

One of the most debilitating aspects of welfare dependency is the inactivity associated with being a recipient. When cash assistance operates as an alternative to work, it dampens the urgency with which recipients view the world of work.

So the first mission of any effective JOBS program is to engage the participant immediately in challenging activities. Participants need to understand that finding employment is an integral, positive and permanent aspect of the welfare experience.

JOBS programs should immediately enroll all eligible recipients in active components of the program. As an example, Sheboygan County makes sure that individuals are enrolled in JOBS within a few days after becoming eligible. They then move directly into supervised job seeking where fully 40 percent of them find employment before receiving the first check [Source: work first pilot data].

Participating in JOBS should parallel the conditions of work as closely as possible. Employers say that a positive attitude and good work habits are the most important characteristic they seek in new workers. This means that regular participant attendance should be taken very seriously by both the individual and the agency. Systems need to be in place so that non-attendance brings an immediate response from the agency. In addition, the time of participation should parallel as closely as possible that of full-time employment, or

40 hours per week, referred to as a "simulated work week." This concentrates employment preparation activities while getting the participant used to the rhythm of a full work week.

One of the mistakes of the Family Support Act, in my view, is that Congress failed to provide for welfare checks to be issued in direct proportion to the hours of JOBS activity successfully completed, referred to as "pay for performance." We intend to submit a waiver to allow for this provision in Wisconsin. It will make a welfare check look more like a paycheck - - just as in the workplace if you don't work, you don't get paid. The same should be true for JOBS activities.

This brings me to an ongoing challenge in managing the JOBS program. The truth is that, in Milwaukee, and based on conversations with colleagues this is true in every large city, more than half of welfare recipients who are called in to enroll in JOBS fail to show up for their initial appointments.

JOBS agencies respond to this inability to get people into the program, or to attend scheduled activities in two ways. First, they can sanction them. But while the current sanction penalty in Wisconsin reduces the benefit for a family of three from \$517 to \$440 per month, food stamps are actually increased as a result of the sanction in AFDC - making up about a third of the initial reduction. Therefore, sanctions are small and frequently ignored by recipients.

The second way to handle the difficulty of getting unwilling individuals to participate is, quite frankly, to ignore them in favor of those more willing. Large urban programs seem to be either less willing or have more difficulty than do smaller programs in keeping track of participants and assuring that they are fully engaged in the program. The result is that most large urban JOBS programs devalue into voluntary programs. This is not the best way to achieve employment results or let people know we are serious about the rules of participation. The word gets out quickly that "no show" is tolerated, and consequences are light or nonexistent as the problem feeds itself.

We are taking steps to assure that we run a JOBS program in Milwaukee that's just as aggressive as we have in the rest of the state. In order to do so we introduced competitive performance standards to Milwaukee last year.

Here's a little history.

Until last year, we funded the six major providers of employment and training services independently. These six providers included four community based organizations, the county, and Job Service. In the past, each agency was paid whether or not they achieved the employment results we expected.

Beginning last year, the six providers were grouped into two teams and required to compete with one another for the following year's funds. JOBS participants were assigned randomly to each team by social security number. Then, each team was awarded two or four points, for respectively, part or full-time jobs obtained by any of its members.

Not only did this result in an explosion of new activity directed at employment, but the grouping of providers into teams allowed for greater specialization and cooperation within each team. The results speak for themselves. Compared to the year prior, the total number of full or part-time entered employments jumped by 29 percent, and full-time entered employments increased by an astonishing 38 percent. The lesson is that performance standards tied to funding will focus the attention of JOBS agencies like nothing else -- on employment where it belongs.

Another characteristic of effective programs is that they do not hold participants out of early entry into the labor market so as to complete extended education or other activities. The research evidence, as well as our own experience, conclusively show that it is more effective to engage a participant in the labor market as soon as possible. To those who argue that employment stability is enhanced by more extended training for higher entered wages, I say this: that by and large employers hire \$10 per hour employees from the ranks of successful \$6 per hour employees, not those who have completed a government training program with no actual work experience.

Our own data indicates the value of work component and short-term training over extended educational activity. For instance, it was more than twice as likely that individuals who obtained employment through the JOBS program in 1993 had prior participation in job search, CWEP, or short-term skills training than had participated in post-secondary education of three or four years.

One of the special strengths of Wisconsin's success in reducing dependency on AFDC is that we never stop looking for ways to improve our approach.

Recently, we have begun using the JOBS program to initiate deep cultural changes within the welfare bureaucracy. Why not try to mobilize the welfare system itself to help people avoid dependency altogether before they receive their first check?

Our Work First initiative engages former welfare eligibility workers in helping potential applicants review their personal options and discover why they are better off *not* applying for welfare. These workers, newly identified as "financial planners," enter into one hour problem solving discussions to help the potential applicants see the future through alternatives such as immediate employment, alternative support from family, friends or charity, and if necessary, temporary bridge loans. Of those who decide to apply for AFDC after talking to the financial planner, intensive job search is required for the 30 day period while the application is pending, with the hope that welfare will become unnecessary before the first check is received.

Work First has allowed the welfare staff to view themselves as agents of self-help, not dependency. The early results from seven pilot counties have exceeded our expectations: of all of those who inquire about AFDC assistance in Work First sites, fully 85 percent decide not to apply after talking with the financial planner. And of those that do apply, another half drop their application before receiving their first check, with newly found employment being the most frequent reason.

The success of this initiative was demonstrated in an ABC Nightly News feature that aired on January 13th. Included in that piece was an interview with a woman who came to the Grant County Department of Human Services to apply for assistance.

This applicant commented after meeting with staff that she has never been treated with such dignity at a welfare office. Wisconsin was the third state in which she has sought economic support. While she came interested in applying for assistance, she told the staff she was more interested in work than a hand out.

The result? She left that day with three scheduled job interviews and a lot of hope.

In order to maximize the impact of JOBS, universal participation should be the norm. We see over and over that to the greater the extent the program reaches out to touch everyone who is eligible, the greater the net results. Remember, many involved in JOBS will find employment on their own. But it is precisely those who are not sufficiently motivated to volunteer for JOBS, or to stick with regular JOBS activity, that are least likely to find a job on their own. These are the ones who benefit most by aggressive JOBS outreach and follow-up.

In Wisconsin, all individuals eligible for JOBS must enroll, and we are pushing our local program operators, through performance standards, to engage more and more of these folks in active components.

So, the lessons from the Wisconsin JOBS program regarding how to best serve people who come to us for help can be summed up in 6 objectives:

- Make self-sufficiency through employment the immediate and ongoing goal of those receiving temporary welfare assistance;
- Strive for universal participation in challenging activities;
- Have measurement systems set up to track individual progress and assure participation;
- Get programs focused on early employment using job search, work experience and short-term occupational skills training, while de-emphasizing remedial and post-secondary education;
- Make funding of JOBS program operators dependent on performance, and encourage healthy competition among JOBS providers and among local programs; and

Last, and perhaps most important of all...

- Transform the culture of the welfare office by mobilizing the workers to help the folks who come to them find alternatives to welfare.

Many counties in Wisconsin adopt these objectives in their JOBS programs, but I would like to close my remarks by telling you about one. Sheboygan is a medium-size county in east central Wisconsin, and it holds the second highest level of persons active or working in the state at 79 percent.

Eighty-five (85) percent of those who found full-time employment were either employed or still off AFDC after six months, again the second highest level in the state.

This past December, while a visitor came to study the secrets of Sheboygan's success, staff pulled the tickler file of one of their newer provider agency staff. Of the 152 persons she had worked with:

- ✓ 115 had closed AFDC cases,
- ✓ 24 had full-time jobs but were still on AFDC,
- ✓ 8 had part-time employment,
- ✓ 2 were in job search,
- ✓ 2 were in remedial education, and
- ✓ 1 was in post-secondary education and work study.

Of these 152 cases in a new staffer's caseload, 96 percent were self-sufficient or working.

Sheboygan staff believe that their success is built on the premise that **PEOPLE ARE BETTER OFF WORKING**. How do they get them in the workplace and help them achieve once they are in a job? By creating a sense of urgency and ownership. They tell their clients that they are able and the time to do it is now

Getting people off welfare and into jobs is the best social service that we can provide our clients. The participants of our welfare system deserve the chance to prove their self worth and their children need working role models to bring hope and opportunity to their own condition.

Thank you for the chance to share the Wisconsin perspective with you today. I will be pleased to answer any questions you might have.

Chairman SHAW. Thank you.
Mr. Hobbs.

**STATEMENT OF CHARLES D. HOBBS, SENIOR FELLOW,
AMERICAN INSTITUTE FOR FULL EMPLOYMENT,
WASHINGTON, DC**

Mr. HOBBS. Thank you for the invitation to testify, and I am pleased to be in such good company with these people who are at the frontline of welfare reform around the country.

I represent the American Institute for Full Employment, a new nonprofit institute founded to assist the States in doing welfare-to-work programs, specifically programs that involve subsidized employment as a transitional bridge from welfare to work. I would like to extend my comments that you have in writing on a few major points.

First, as hard as it may seem for you to do, I think it is necessary for you to consider people who need public assistance as individuals rather than groups. We have spent 30 years putting people in boxes and trying to design programs to fit the boxes. We need to provide an opportunity on an individual basis for people to make the best of their lives, and the public assistance system should be an aid to that.

Second, I believe we should be talking about welfare replacement rather than welfare reform. We have had enough welfare reforms in the last 30 years that have turned out to be expansions and dependency kinds of expansions that have left us worse off than we were before.

The full employment program is a mandatory work program that provides full-time jobs. It provides full-time jobs. It provides jobs before people get additional training or additional education, and it covers AFDC, food stamps and unemployment beneficiaries. It is an OJT program.

The jobs are training programs provided by private and public sector employers and are meant to transition people from nonwork into regular employment, unsubsidized employment. It is a subsidized wage program. The employer receives the full wage costs of a minimum wage job—that is, the minimum wage itself plus the FICA contribution to the employer and the worker's compensation and unemployment insurance payments and taxes. It is a public-private partnership program.

The bulk of the work job development is in the private sector. And the private sector has organized in Oregon the effort to find jobs to go in this program, and it is potentially a job creation program in that the employers who are offering these subsidized jobs are asked to offer jobs that they feel that if a person works out in that job will end up to be an additional job in their enterprise, whether private or public sector, and therefore provide more work for more people over a period of time.

There are four points that I would like to make about what I think needs to go in the welfare reform program done by the Federal Government. First, I think the Federal Government needs to get out of the way, particularly with regard to program design and operation.

Oregon is now testing the full employment program, and it took 1 year from the time it came forward to get the waivers from the Federal Government to undertake this program, and it took some significant nudges from the Oregon congressional delegation on top of that.

The best vehicle for carrying out a welfare replacement program, in my opinion, is the block grant vehicle. Lacking that, certainly a great extension and expansion of the waiver authority of the States to get waivers and the Federal authority to grant waivers should be put into effect.

Second, there has to be heavy emphasis on the private sector because that is where the jobs are. Congressman Rangel asked about jobs availability. Let me just give you the Oregon example.

Two months into the program Oregon started November 1 with six counties—two large, two medium, two small counties—the private sector itself has been able to identify and get committed to this program 1,624 jobs and 683 employers from a standing start on November 1. Unfortunately, the Oregon Adult Family Services Division has only been able to place 53 people in those jobs so far, so they are running to catch up. The jobs are available out there and in the private sector.

As another example, I have talked with private staffing companies around the country, national in scope, who tell me that in almost every area of the country they are looking at being able to only fill only 6 out of every 10 jobs employers give them to fill. They can use 4 more workers for every 10 jobs right now.

Third, participants must do better in any welfare reform system. The chart included in my written testimony shows how that can work.

There is nothing wrong with a full-time minimum wage job in this society, and it will get people not only out of welfare but also out of poverty.

Right now, in Oregon a combination of AFDC and food stamps provides \$750 in benefits. A full employment program or Jobs Plus jobs will raise that to \$962 a month. This is for a mother and two kids. If that person then goes into a regular unsubsidized minimum wage job they then get EITC and the food stamps increased to the point where they are at \$1,069. If they get up to the average placement figure for jobs in Oregon at \$6 an hour, when you count in the food stamps and the EITC they are at \$1,177, which puts them above the poverty level in that State.

This is a stepping-stone transition out of welfare which it seems to me is essential to any welfare replacement. We cannot expect people to go to work and continue on that career if we are going to have fallbacks to doing worse than they did before or worse than they did on welfare.

Finally, I think it is imperative that you act now in a bipartisan effort. The full employment program is now being tested in Oregon and waivers granted to Mississippi, two States that I think are about as far apart in the political spectrum as you can get. This is a program that does appeal to bipartisan support, and it is a program which I feel has a good chance of being a major solution to the problem of welfare.

[The prepared statement and attachments follow:]

TESTIMONY* OF
CHARLES D. HOBBS
AMERICAN INSTITUTE FOR FULL EMPLOYMENT

TO

SUBCOMMITTEE ON HUMAN RESOURCES,
COMMITTEE ON WAYS AND MEANS,
U.S. HOUSE OF REPRESENTATIVES

January 23, 1995

Principles of Welfare Replacement

As the president has rightly stated, it's time to end welfare as we know it. It's also time to end welfare reform as we have come to know it: the constant expansion and proliferation of wasteful and ineffective federal programs that have drained our economy, weakened our social structure, and left too many of our citizens dependent and unproductive.

—It is time, not merely to reform welfare, but to replace it. What is needed is not another welfare expansion masquerading as reform, but a replacement process through which welfare dependency can be reduced and kept to an irreducible minimum. What is needed is a comprehensive and systematic effort to bring the wards of the welfare state into the mainstream of American life, where work for pay and stable families are the legitimate sources of self-esteem.

To accomplish this new mission, the welfare replacement process must meet four critical tests:

- Does it reduce dependency on welfare by increasing the ability of those who seek public assistance to support themselves?
- Does it promote the development of strong and self-reliant families and communities through increased personal responsibility and economic capacity?
- Does it reduce bureaucracy and curb the perverse incentives and unresponsive organizations which characterize the current welfare system?

* Parts of this testimony were abstracted from "Let's Get Back to Work", by Charles D. Hobbs, in *Commonsense*, Vol. 1, No. 3, Summer, 1994, pp. 48-57.

- Does it reduce costs by reducing the need for welfare, and by cutting the waste of a welfare system designed, not to reduce poverty, but to support a \$300 billion a year welfare industry?

The process that meets these tests must replace welfare with work for those who seek public assistance for themselves and their children. The assumption should be made that all families are capable of some degree of self-support through work, and that both custodial and non-custodial parents have a responsibility to work to support their children. The welfare replacement process should:

- require and assist those who can hold down regular jobs to find and take them,
- require and assign those who cannot find regular jobs to work in training-oriented, subsidized jobs until they can find regular work,
- insure that subsidized jobs provide more spendable income than welfare, and that regular work provides more spendable income than subsidized jobs,
- stress private sector employment , and
- control costs by funding welfare replacement activities from combinations of existing welfare benefit streams.

The goal should be a regular job or a training-oriented subsidized job for every family seeking public assistance. Meeting this goal will produce steady and dramatic decreases in welfare caseloads and costs, and enormous gains in economic self-reliance and growth opportunities for low-income families.

Development of the Full Employment Concept

Welfare industry advocates have always maintained that such a program is not possible: welfare recipients aren't ready to work, jobs aren't available, and any work program will entail huge additional costs. Yet just such a program has recently been enacted into law in three states -- Oregon, Mississippi, and Arizona -- and is under active consideration in several others. Full-scale testing of the program began in Oregon in November, 1994.

The Full Employment Program is the brainchild of Dick Wendt, founder and CEO of Jeld-Wen, a large door and window manufacturing firm headquartered in Klamath Falls, Oregon. Considering the problems of poverty and unemployment, and unencumbered by welfare state preconceptions of the incapacities of the poor, Wendt concluded that what any poor family needed most was the opportunity to gain,

through work, the self-respect, experience, and reputation for dependability that would lead to long-term employment and economic security. How could this opportunity be provided? By converting welfare and unemployment benefits to real wages for real work.

The Oregon Full Employment Program was first enacted into law by popular ballot initiative (Measure 7) in November, 1990. It took almost three years for a cautious governor and legislature to agree on implementation details, and another year to obtain the necessary federal waivers from a reluctant federal bureaucracy. Oregon calls its version of the Full Employment Program "JOBS Plus" to highlight its expansion of participation in work compared to the federal JOBS Program.

JOBS Plus combines federal and state cash welfare, food stamp, and unemployment benefit funds to reimburse the wage costs of employers willing to employ and train public assistance recipients unable to find regular jobs. Emphasis is placed on recruitment of private sector employers, and priority for job placement goes to those for whom work will directly reduce welfare dependency, including both custodial and non-custodial parents of a welfare child. JOBS Plus jobs are stepping stones to regular jobs: spendable income from the JOBS Plus wage, combined with the Earned Income Tax Credit, is more than welfare benefits, but less than spendable income from an unsubsidized job -- even an unsubsidized job at minimum wage. In JOBS Plus child care is guaranteed, if needed, and Medicaid is available to meet health care needs. Teenagers are exempt from participation until they complete high school or drop out.

If JOBS Plus sounds like a good deal for participants, that's because it is: more spendable income, work recognized as valuable, and experience likely to lead to a regular job. On the other hand, for the vast majority of welfare recipients, JOBS Plus is, realistically, the *only* deal worth considering. Those who refuse to take JOBS Plus jobs lose more than a third of the spendable income available to those who decide to take them. Other states considering the program hope to enforce even stiffer sanctions, including making participation in a Full Employment Program job a condition of eligibility for any public assistance.

The total work orientation of the Full Employment Program transforms the concept of public assistance from a handout that promotes dependency to a wage for work that leads to self-support. The administration of public assistance also should be transformed. Proven private sector job development and placement techniques can and, in most cases, should replace the bureaucratic processes of the welfare industry. Private employment and temporary staffing agencies have the experience and motivation to screen and place people in jobs with a future. Referrals to such agencies would be made more effectively by grass roots organizations, such as public housing resident management associations, neighborhood development corporations, and church-based family improvement organizations. To the extent possible, job

placement fees should be collected from employers rather than government, thus reducing program costs as well as the power of the welfare industry to bend the program to its own purposes. Added child care costs should be met through a child care apprenticeship program involving Full Employment participants themselves.

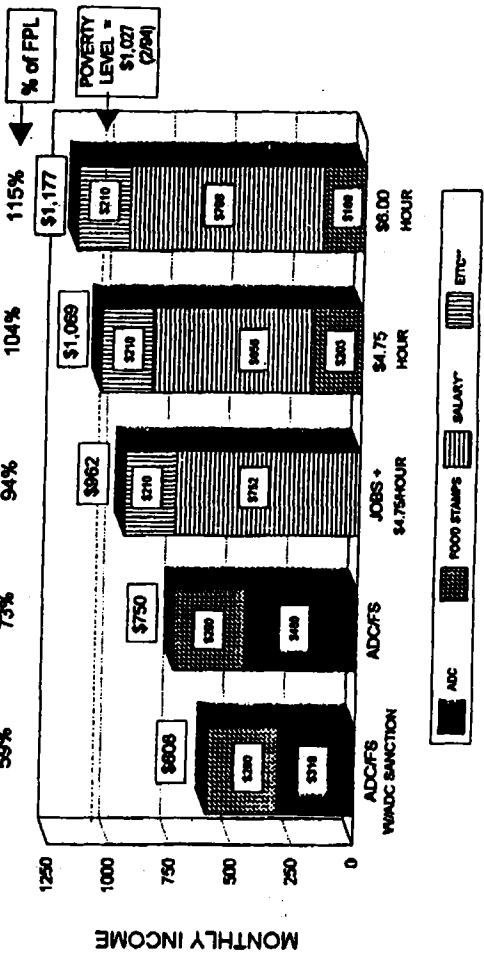
One of the complaints of welfare advocates who oppose welfare-to-work is that there are too few jobs available to carry out an effective program. Oregon's JOBS Plus, in its first two months of operation, has already silenced that debate: 683 employers have offered to employ 1,624 JOBS-Plus participants in the six test counties. Based on that extraordinary response, Oregon is now considering statewide implementation and an expedited placement process.

The Potential Impact of Full Employment

What impact will the Full Employment Program have on the social disintegration fostered, or at least abetted, by welfare? For one thing, having welfare-supported babies will become much less appealing, since the parent or parents will not receive public assistance unless they work, and their wages will not go up just because they have another child. For another thing, children will not grow up in homes in which the father has been replaced by the government and the mother is supported in indolence. For still another, the discounted and easily laundered currency that food stamps represent to the drug trade will dry up. Finally, the productive effort of those people whom welfare has shut out of the economic mainstream will surely benefit their families and neighborhoods, as well as the nation's economy.

OREGON

WELFARE / WORK / JOBS PLUS SPENDABLE INCOME FOR 1 ADULT & TWO CHILDREN



NETPMSA

*SALARY = GROSS WAGES MINUS TAXES, FICA, CHILD CARE COSTS AND 4.5% MISCELLANEOUS EXPENSES
 **ETC = EARNED INCOME TAX CREDIT - ETC IS AVAILABLE IN MONTHLY PAYCHECKS - EARNINGS ARE AVAILABLE AS A REFUNDABLE TAX CREDIT AT THE END OF THE YEAR - THIS CHART DISPLAYS THE FULL ETC AMOUNT
 †OVERLAPPING CHILD CARE COSTS OF \$88 PER MONTH

OREGON JOBS-PLUS STATUS ACTIVITY REPORT

Thru 1-13-85

	ADC-B	ADC-JN	UI	TOTAL	EMPLOYERS	JOBS	PLACEMENTS
Baker	190	22	190	402	20	30	6
Cleburne	1,524	53	2,397	3,974	194	424	18
Ogilliam	16	2	21	39	9	13	
Lincoln	535	27	500	1,062	90	198	8
Matheur	397	18	274	689	41	147	11
Washington	2,062	130	2,892	5,104	329	814	10
Total	4,744	252	6,274	11,270	683	1,824	53

Chairman SHAW. Senator Martin.

STATEMENT OF HON. STEPHEN H. MARTIN, STATE SENATOR, COMMONWEALTH OF VIRGINIA; AND CHAIRMAN, TASK FORCE ON EMPOWERMENT, OPPORTUNITY AND URBAN POVERTY, AMERICAN LEGISLATIVE EXCHANGE COUNCIL

Mr. MARTIN. Thank you for this opportunity to represent the American Legislative Exchange Council as its Virginia State chairman and as chairman of the Task Force on Empowerment, Opportunity and Urban Poverty.

I am also a member of Virginia's Governor George Allen's Commission on Citizen Empowerment. In May of last year Governor Allen appointed the commission to develop recommendations for welfare reform in the Commonwealth. Today, 8 months later, Governor Allen is advancing that welfare reform plan which we believe is the most comprehensive system in the country, transforming a system of dependency and despair to one of hope and opportunity.

We believe that the key to successful reform is in the participation of the entire community—businesses, churches, synagogues, schools, civic associations and families—and providing opportunities for those in need. We believe that breaking the cycle of dependency begins not with government but with the family.

At the top of the list of tools is education. It is unreasonable to expect that opportunity will knock on the doors of those who lack even basic communication and social skills. An employee who cannot read an invoice or multiply the numbers on it will not hold his job for long. For this person the answer is not job training. The answer is basic academics.

In Virginia, we will require parents who want to continue receiving benefits for their children to ensure their attendance in school. Additionally, we will step up our family literacy initiatives, both public and private, to combat reading deficiencies. And, finally, through the Governor's Champion Schools Initiative, we will strengthen Virginia's schools as places of learning and academic excellence.

The second tool needed for self-reliance is gainful employment. Work is essential to achieve financial security and move upward, but having a job provides a person more than just a paycheck. It gives him a sense of purpose and responsibility. It makes him a role model for his family and compels him to contribute in their enhancement and their success.

Our reform initiative in Virginia is aimed at producing able-bodied public assistance recipients with employment that will enable them to become self-reliant. I traveled around the Commonwealth last year meeting with and talking with many welfare recipients. I cannot recall ever being told that what people on welfare wanted was more welfare, more bureaucracy and more dependency. What they wanted is help, temporary help getting on their feet.

So in Virginia we will work with public assistance recipients for 2 years to help them develop the skills they need to be independent. While they are receiving benefits, able-bodied Virginians will also receive supplemental education, life skills training and—most important—job experience which will move them into the working

community. After 2 years, they will move from welfare to self-reliance as employees in private sector, unsubsidized jobs.

In addition to receiving 2 years of public assistance benefits while gaining job experience and training, they will receive 1 year of transitional benefits, including child care, transportation and medical care. These benefits are designed to make the transition to the working community smoother for former recipients and their families.

This approach gives people options which help them make positive decisions for themselves and their families. It removes perverse incentives which result in family disintegration and destructive behavior.

There is something very wrong with the fact that our government is, in effect, inducing its most vulnerable citizens to make self-destructive, demoralizing decisions. We must craft welfare programs that give people the incentive to choose work over welfare.

The States are innovators in this, as in so many other public policy areas, as we are provided the freedom to be so. Some of these innovations include enforcing child support by requiring establishment of paternity, allowing recipients to accumulate a modest amount of income in savings or business incubation, requiring school attendance of children of AFDC recipients, packaging food stamps and AFDC benefits in the form of cash which is used to subsidize private sector jobs and denying additional benefits for additional children born 10 or more months after initial eligibility. These reforms serve to properly orient incentives in the welfare system.

How do these lessons impact on Federal policy?

First, I believe that you must hear the message that the States do care about those in need. Federal policy too often has been developed to meet needs that you believed we were neglecting. By making such an assumption, the Federal Government often reaches beyond its constitutionally prescribed powers, establishing a counterproductive adversarial relationship with the States, missing out on the opportunity to benefit from State public policy innovation and competition, and inevitably ends up micromanaging the delivery of services to those who qualify.

Some have suggested establishing Federal requirements which attach strings to the disbursement of funds, but this still assumes that the States need to be told what to do because we cannot figure it out for ourselves. It also assumes that what works in Montana will work in New Jersey. Both assumptions are false.

Some have suggested disbursing money in block grants, but allocation formulas distort the procedures States must use to determine priorities. By allocating funds based on each State's poverty rate, the Federal Government removes the State's incentive to reduce poverty.

Matching fund formulas are even worse. They set up situations in which States can make money by spending money without regard for whether such programs are working. This distortion placed on our budget process damages our effort to properly determine our States' priorities.

The ultimate goal should be to phase out the Federal role in delivering welfare services. In the meantime, Federal aid should take

the form of block grants distributed according to a formula based on population but not be tied to a State match, and States should be granted maximum freedom and discretion to develop their own programs. For once, I recommend that Federal lawmakers assume their State counterparts know what they are doing.

Again, I want to thank you for this opportunity to speak with you.

[The prepared statement follows:]

**TESTIMONY OF HON. STEPHEN H. MARTIN
STATE SENATOR, COMMONWEALTH OF VIRGINIA**

THANK YOU FOR THE OPPORTUNITY TO ADDRESS THE HOUSE WAYS AND MEANS COMMITTEE. MY NAME IS STEVE MARTIN. I AM A STATE SENATOR FROM VIRGINIA AND A MEMBER OF THE AMERICAN LEGISLATIVE EXCHANGE COUNCIL, BETTER KNOWN AS ALEC.

ALEC IS THE NATION'S LARGEST INDIVIDUAL MEMBERSHIP ORGANIZATION OF STATE LEGISLATORS WITH OVER 2,500 DEMOCRAT AND REPUBLICAN MEMBERS. I AM ALEC'S VIRGINIA STATE CHAIRMAN AND THE CHAIRMAN OF THE ALEC TASK FORCE ON EMPOWERMENT, OPPORTUNITY AND URBAN POVERTY. MY TASK FORCE IS COMPOSED OF STATE LEGISLATORS FROM ALL FIFTY STATES AND ADVISORS FROM THE PUBLIC POLICY COMMUNITY.

CLOSER TO HOME, I AM A MEMBER OF GOVERNOR GEORGE ALLEN'S COMMISSION ON CITIZEN EMPOWERMENT.

IN MAY OF LAST YEAR, GOVERNOR ALLEN APPOINTED THIS COMMISSION TO DEVELOP RECOMMENDATIONS FOR WELFARE REFORM IN THE COMMONWEALTH OF VIRGINIA. TODAY, NEARLY EIGHT MONTHS LATER, GOVERNOR ALLEN HAS A WELFARE REFORM PLAN WHICH WE BELIEVE IS THE MOST COMPREHENSIVE IN THE COUNTRY, TRANSFORMING A SYSTEM OF DEPENDENCY AND DESPAIR INTO ONE OF HOPE AND OPPORTUNITY.

I AM HERE TODAY TO TELL YOU ABOUT OUR EXPERIENCE IN VIRGINIA, AND OFFER OUR APPROACH AS ONE THAT COULD BE EASILY DUPLICATED ACROSS THE COUNTRY.

THE KEY TO SUCCESSFUL REFORM IS IN THE PARTICIPATION OF THE ENTIRE COMMUNITY -- BUSINESSES, CHURCHES, SYNAGOGUES, SCHOOLS, CIVIC ORGANIZATIONS AND FAMILIES -- IN PROVIDING OPPORTUNITIES FOR THOSE IN NEED. WE BELIEVE THAT BREAKING THE CYCLE OF DEPENDENCY BEGINS NOT WITH GOVERNMENT, BUT WITH THE FAMILY.

THIS MEANS THAT GOVERNMENT MUST RETHINK ITS APPROACH TO WELFARE AND POVERTY, PROVIDING PEOPLE WITH THE RUDIMENTARY TOOLS THEY NEED TO BECOME SELF-RELIANT.

AT THE TOP OF THIS LIST OF TOOLS IS EDUCATION. IT IS IMPOSSIBLE FOR US TO EXPECT THAT OPPORTUNITY WILL KNOCK ON THE DOORS OF THOSE WHO LACK EVEN BASIC COMMUNICATION AND SOCIAL SKILLS. AN EMPLOYEE WHO CANNOT READ AN INVOICE OR MULTIPLY THE NUMBERS ON IT WILL NOT HOLD HIS JOB LONG. FOR THIS PERSON, THE ANSWER IS NOT "JOB TRAINING." THE ANSWER IS BASIC ACADEMICS. WE CAN NO LONGER AFFORD TO GRADUATE STUDENTS WHO HEAD TOWARD THE JOB MARKET UNABLE TO READ THEIR DIPLOMAS.

IN VIRGINIA, WE WILL REQUIRE PARENTS WHO WANT TO CONTINUE RECEIVING BENEFITS FOR THEIR CHILDREN TO ENSURE THEIR ATTENDANCE IN SCHOOL. ADDITIONALLY, WE WILL STEP UP OUR FAMILY LITERACY INITIATIVES, BOTH PUBLIC AND PRIVATE, TO COMBAT READING DEFICIENCIES. AND FINALLY, THROUGH THE GOVERNOR'S CHAMPION SCHOOLS INITIATIVE, WE WILL BEGIN TO MAKE VIRGINIA'S SCHOOLS PLACES OF LEARNING AND ACADEMIC EXCELLENCE.

THE SECOND TOOL NEEDED FOR SELF-RELIANCE IS GAINFUL EMPLOYMENT. WORK IS ESSENTIAL TO ACHIEVE FINANCIAL SECURITY AND MOVE UPWARD INTO THE MIDDLE CLASS. BUT HAVING A JOB PROVIDES A PERSON MORE THAN JUST A PAYCHECK. IT GIVES HIM A SENSE OF PURPOSE AND RESPONSIBILITY. IT MAKES HIM A ROLE MODEL FOR HIS FAMILY AND COMMUNITY AND COMPELS HIM TO CONTRIBUTE TO THEIR ENHANCEMENT AND SUCCESS. AND IT GIVES HIM VALUES AND ETHICS WHICH HE PASSES ON TO HIS CHILDREN.

OUR REFORM INITIATIVE IN VIRGINIA IS CALLED WELFARE TO WORK, AND IT IS AIMED AT PROVIDING ABLE-BODIED PUBLIC ASSISTANCE RECIPIENTS WITH EMPLOYMENT THAT WILL ENABLE THEM TO BECOME SELF-RELIANT. I TRAVELED AROUND THE COMMONWEALTH OF VIRGINIA MEETING WITH AND TALKING TO MANY WELFARE RECIPIENTS. I CANNOT RECALL EVER BEING TOLD THAT WHAT PEOPLE ON WELFARE WANTED WAS MORE WELFARE, MORE BUREAUCRACY AND MORE DEPENDENCY. WHAT THEY WANT IS HELP -- TEMPORARY HELP -- GETTING ON THEIR FEET. SO IN VIRGINIA, WE WILL WORK WITH PUBLIC ASSISTANCE RECIPIENTS FOR TWO YEARS TO HELP THEM DEVELOP THE SKILLS THEY NEED TO BE INDEPENDENT. WHILE THEY RECEIVE BENEFITS, ABLE-BODIED VIRGINIANS WILL ALSO RECEIVE SUPPLEMENTAL EDUCATION, LIFE SKILLS TRAINING, AND -- MOST IMPORTANT -- JOB EXPERIENCE WHICH WILL MOVE THEM INTO THE WORKING COMMUNITY. AFTER TWO YEARS, THEY WILL MOVE FROM WELFARE TO SELF-RELIANCE AS EMPLOYEES IN PRIVATE SECTOR, UNSUBSIDIZED JOBS.

IN ADDITION TO RECEIVING TWO YEARS OF PUBLIC ASSISTANCE BENEFITS WHILE GAINING JOB EXPERIENCE AND TRAINING, RECIPIENTS WILL ALSO RECEIVE ONE YEAR OF TRANSITIONAL BENEFITS, INCLUDING CHILD CARE, TRANSPORTATION AND MEDICAL CARE. THESE BENEFITS ARE DESIGNED TO MAKE THE TRANSITION TO THE WORKING COMMUNITY SMOOTHER FOR FORMER RECIPIENTS AND THEIR FAMILIES.

THIS APPROACH TO WELFARE PROMISES TO TRANSFORM THE PRESENT SYSTEM SO THAT IT WORKS FOR PEOPLE, NOT AGAINST THEM. IT GIVES PEOPLE OPTIONS WHICH HELPS THEM TO MAKE POSITIVE DECISIONS TO AFFECT THEMSELVES AND THEIR FAMILIES. IT REMOVES PERVERSE INCENTIVES WHICH RESULT IN FAMILY DISINTEGRATION AND DESTRUCTIVE BEHAVIOR.

THIS DOES NOT MEAN THAT EVERYONE RESPONDS LIKE A ROBOT TO THE LURE OF DOLLARS, NOR ARE THE POOR MORE MORALLY SUSCEPTIBLE TO THESE DISINCENTIVES. IT SIMPLY ACKNOWLEDGES THAT THESE FINANCIAL INCENTIVES WILL PLAY A ROLE IN THE DECISIONS OF PEOPLE WHO RECEIVE WELFARE BENEFITS. AND, IN EACH CASE IN WHICH SOMEONE WHO COULD WORK, CHOOSES NOT TO; SCARCE FINANCIAL RESOURCES THAT COULD HAVE BEEN SPENT TO EDUCATE A CHILD, OR TREAT SOMEONE WHO IS SICK, OR INVEST IN NEW TECHNOLOGY AND GOOD JOBS, ARE WASTED INSTEAD.

NOT ONLY IS SUCH WASTE INTOLERABLE, ESPECIALLY IN AN INCREASINGLY COMPETITIVE WORLD ECONOMY, BUT THERE IS SOMETHING VERY WRONG WITH THE FACT THAT OUR GOVERNMENT IS, IN EFFECT, INDUCING ITS MOST VULNERABLE CITIZENS TO MAKE SELF-DESTRUCTIVE, DEMORALIZING DECISIONS.

WE MUST CRAFT WELFARE PROGRAMS THAT GIVE PEOPLE THE INCENTIVE TO CHOOSE WORK OVER WELFARE.

THE STATES ARE INNOVATORS. IN THIS, AS IN SO MANY OTHER PUBLIC POLICY AREAS, THE STATES ARE LEADING THE FEDERAL GOVERNMENT. SOME OF THESE INNOVATIONS INCLUDE: ENFORCING CHILD SUPPORT AND REMOVING SOME OF THE BENEFITS OF SINGLE PARENTING BY REQUIRING THE ESTABLISHMENT OF PATERNITY, ALLOWING RECIPIENTS TO ACCUMULATE A MODEST AMOUNT OF INCOME IN A SAVINGS ACCOUNT OR IN THE FORM OF AN ASSET, REQUIRING SCHOOL ATTENDANCE OF CHILDREN OF AFDC RECIPIENTS, PACKAGING FOOD STAMPS AND AFDC BENEFITS IN THE FORM OF CASH WHICH IS USED TO SUBSIDIZE PRIVATE SECTOR JOBS, AND DENYING ADDITIONAL BENEFITS FOR ADDITIONAL CHILDREN BORN 10 OR MORE MONTHS AFTER INITIAL ELIGIBILITY. THESE REFORMS SERVE TO REARRANGE THE INCENTIVES INHERENT IN THE WELFARE SYSTEM.

HOW DO THESE LESSONS IMPACT ON FEDERAL POLICY?

FIRST, OF ALL, YOU MUST HEAR THE MESSAGE THAT THE STATES DO CARE ABOUT THE POOR. FEDERAL POLICIES TOO OFTEN HAVE BEEN DEVELOPED TO MEET NEEDS THAT YOU BELIEVED WE WERE NEGLECTING. BY MAKING SUCH AN ASSUMPTION, THE FEDERAL GOVERNMENT OFTEN REACHES BEYOND ITS CONSTITUTIONALLY PRESCRIBED POWERS, ESTABLISHES A COUNTERPRODUCTIVE ADVERSARIAL RELATIONSHIP WITH THE STATES, MISSES OUT ON THE OPPORTUNITY TO BENEFIT FROM STATE PUBLIC POLICY INNOVATION AND COMPETITION, AND INEVITABLY ENDS UP MICROMANAGING THE PROCESS OF DELIVERING SERVICES TO THOSE WHO QUALIFY.

SOME HAVE SUGGESTED ESTABLISHING FEDERAL REQUIREMENTS WHICH MIMIC THE REFORMS WE ARE PUSHING IN VIRGINIA, ATTACHING SO-CALLED "CONSERVATIVE STRINGS" TO THE DISBURSEMENT OF FUNDS. BUT THIS STILL ASSUMES THAT THE STATES NEED TO BE TOLD WHAT TO DO BECAUSE WE ARE NOT SMART ENOUGH TO FIGURE IT OUT FOR OURSELVES, AND IT ALSO ASSUMES THAT WHAT WORKS IN MONTANA WILL WORK IN NEW JERSEY. BOTH ASSUMPTIONS ARE FALSE AND DANGEROUS. FOR EXAMPLE, THERE IS AN EXEMPTION IN THE TIME LIMIT IN GOVERNOR ALLEN'S PROPOSAL FOR THOSE WHO LIVE IN REGIONS IN WHICH THE UNEMPLOYMENT RATE IS MORE THAN 2 PERCENTAGE POINTS ABOVE THE STATE AVERAGE. BY INCLUDING THIS PROVISION WE RECOGNIZE THAT THERE ARE STRUCTURAL ECONOMIC DIFFERENCES BETWEEN REGIONS IN OUR STATE. CONSIDER THE MASSIVE DIFFERENCES THAT EXIST BETWEEN STATES.

SOME HAVE SUGGESTED MINIMIZING THE STRINGS AND SIMPLY DISBURSING MONEY IN BLOCK GRANTS. BUT, ALL ALLOCATION FORMULAS DISTORT THE PROCEDURES STATES MUST USE TO DETERMINE PRIORITIES. BY ALLOCATING FUNDS BASED ON EACH STATE'S POVERTY RATE, THE FEDERAL GOVERNMENT PERVERTS EACH STATE'S INCENTIVE TO REDUCE POVERTY.

MATCHING FUND FORMULAS ARE EVEN WORSE. THEY SET UP SITUATIONS IN WHICH STATES CAN MAKE MONEY BY SPENDING MONEY – WITHOUT REGARD TO WHETHER SUCH PROGRAMS ARE WORKING. THE DISTORTION THIS PLACES IN OUR BUDGET PROCESS DAMAGES OUR EFFORT TO DETERMINE OUR STATE'S PRIORITIES.

THE ULTIMATE GOAL SHOULD BE TO PHASE OUT THE FEDERAL ROLE IN DELIVERING WELFARE SERVICES. IN THE MEAN TIME, FEDERAL AID SHOULD TAKE THE FORM OF BLOCK GRANTS, DISTRIBUTED ACCORDING TO A FORMULA BASED ON POPULATION, BUT NOT BE TIED TO A STATE MATCH. AND STATES SHOULD BE GRANTED MAXIMUM DISCRETION TO DEVELOP THEIR OWN PROGRAMS. FOR ONCE, I RECOMMEND THAT FEDERAL LAWMAKERS ASSUME THEIR STATE COUNTERPARTS KNOW WHAT THEY ARE DOING.

THANK YOU, MR. CHAIRMAN FOR THIS OPPORTUNITY TO TESTIFY BEFORE YOUR COMMITTEE.

Chairman SHAW. Thank you, Senator.

Mr. Collins will inquire.

MR. COLLINS. Thank you, Mr. Chairman.

Ms. Rogers, you mentioned a Work First Program where, when an applicant comes in, you immediately begin to put in motion ways of trying to prevent that person or encourage that person not to go on the welfare rolls if at all possible.

I like that concept and am pleased to say that the State of Georgia is looking at that now. I think that is a very fine approach. I think it is an approach we need to take.

You also talked about the inner city, Milwaukee, where over 50 percent of those to whom you send initial JOBS appointment notices do not show up. What is the average number of interviews that the 50 percent that show up go through prior to finding employment or do you have records of that?

Ms. ROGERS. I don't have statistics to show average number of interviews relative to employment for any of our populations. That is not a statistic that we measure. One of the things that we do look at relative to how difficult it is in some instances to get people to respond and come in to participate in the program, we do find that on average, for those remaining from the initial interview, it takes four notices before they would come in to be served at all.

Mr. COLLINS. The point I was making by asking that question goes back to what the gentleman from New York talked about earlier, about some of the problems that exist in those who are on welfare who are a potential work force.

Mr. Mead said there are jobs available out there. Sometimes I wonder where those jobs are. But even those jobs that are out there, I think the gentleman from New York brought up a very good point—many of those people who seek those jobs, and this may be part of the reason why 50 percent don't show up for interviews, they are high school dropouts, they have been in some way involved with alcohol or they have drugs on their record or they may have been involved with crime.

When they go in and fill out an application and either one of those shows up on the application, on their work history or on the history of themselves, that tends to throw a roadblock up for possible employment in a number of jobs, especially a job that would equal the pay that would benefit them or have an incentive to come off a welfare roll to a work roll.

What are your comments on that? Do you think that has anything to do with the number who do not show up for interviews because of problems they have on existing histories?

Ms. ROGERS. That may be one factor, but we feel that a much larger factor is the fact that our sanction process is weak and hard to enforce and word gets out on the street that, odds are, nothing too terrible is going to happen if you don't show up for the programs.

Relative to your comments about the effect of some of those individual kinds of situations, an alcohol or drug problem, we find that it is very important that the activity plan that is put together for a particular individual be geared to his or her needs, which would also mean working on that aspect of past behavior that was negative in order that you can say to an employer, when a match has

been made and an interview is taking place, yes, I had this poor behavior in my background but I have taken and am continuing to take steps to correct it.

Mr. COLLINS. I was just out at a meeting with a task force that is seeking to try and find some solutions to the lack of truckdrivers. The American Trucking Association estimates they will need 300,000 drivers each year for the next 10 years, but if you take a potential driver and he puts down alcohol, drugs, or a prior criminal conviction on an application, then immediately that is discarded.

That is a real problem and those are a lot of people who would probably make a decent truckdriver but their application just will not support hiring. I am in the trucking business and I just went through a very nasty, difficult campaign based on the fact that we had had a driver who had had some previous problems. You know, it is just a situation.

We are dealing with a generation of people who have these problems, high school dropouts, they have been involved in crime, drugs, and alcohol—not all, but a large majority of the people we are trying to deal with. Those are some areas that I think—I think the best way to do that is at the State level with more State flexibility.

Thank you.

Mr. MCCRERY. Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman.

Mr. Hobbs, when you describe your plan in the private sector with the employers, the employer should be compensated for all minimum wage—you talked about I guess the unemployment compensations, the matching part of FICA, all of it, 100 percent.

Mr. HOBBS. That is how the Full Employment Program or Jobs Plus works in Oregon. The employers may pay more than the minimum wage to the person who they take into this training job, but that is what the State will put up drawn from a combination of AFDC, food stamp and UI funds put into a wage fund for that purpose.

Mr. FORD. And the employer promising maintaining that particular person or those persons into those slots after how long?

Mr. HOBBS. A slot lasts 6 to 9 months with a 3-month addition if it looks as though this is going to result in a real job. And the employer does not promise to hire those people, he promises to give the first consideration to those people in jobs when they get through the training period.

Mr. FORD. Now, we have about 70 percent of all first-time welfare recipients who come on go off within the first 12 to 15 months and go into the work force. The problem is that there is a large percentage of those who go back to welfare rolls, and some suggest it is because of the child care, health care, and other related variables that are there.

If we were addressing a program similar to yours on a national model, what would we do on the health care side of it, of the child care side from a national perspective? What do we do from a national perspective for child care and health care—I guess, under current law, you can have Medicaid benefits for up to 12 months.

Mr. HOBBS. First of all, in this program, the child care and health care continue.

Mr. FORD. What do you suggest for the national program; what type of health care benefits could we talk about?

Mr. HOBBS. Let me explain one thing about the program. When you are on this program, you are still eligible for AFDC if you have been eligible before. So the Medicaid continues while you are on the program and then for 1 year once you get an unsubsidized job under the JOBS transition.

Child care is made available to anybody who needs it. The child care issue is addressed principally by having participants go into child care training jobs themselves and, therefore, cutting the cost of the slots for child care by having the participants—

Mr. FORD. After the transition has taken place and they are now working for the employer, 12 months has gone by, they still qualify for some of the AFDC benefits?

Mr. HOBBS. After 12 months, they do not qualify for the AFDC benefits any longer.

Mr. FORD. What happens if the employer doesn't have health coverage?

Mr. HOBBS. Right now we are working on a plan which is not in this one yet to actually use the differential in Medicaid costs for a working family versus a nonworking family to establish a Medicaid transition beyond the 1-year period which would cost less per family through an HMO system, for instance, than would the regular Medicaid.

Mr. FORD. Would an employer or an employee pay that premium?

Mr. HOBBS. The employer—it depends on how it is set up. You can have either an employer partial payment of that or a government partial payment of that for a period of time. I agree, we need to stretch that out in time, but also we need to transition through a copay system for the employer and employee into this—

Mr. FORD. To invest that type of money in the first year and be faced with similar problems that we are faced with with the system today and people going off welfare into the work force, in this case, to the private sector, but returning soon after if some of these factors come in—

Mr. HOBBS. Let me give you one example. Even in this new program, one person who was one of the first people to be placed in it was placed at the \$4.75 an hour plus Medicaid, and within 1 month was at \$6 an hour working for the employer with employer coverage. I agree that not every employer has coverage, but there are many instances in which this is going happen.

We are trying to have a reduced cost Medicaid based on the experience of working families rather than the experience of nonworking families that can stretch off into the future. But there always will have to be a transition, as there is now from a pure welfare, pure Medicaid welfare environment to one in which the costs of that health care are picked up by the combination of an employer and participant in the job.

Mr. FORD. Thank you.

Mr. MCCRERY. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Panel, I am trying to define some responsibilities here as we mold a new welfare program. I would like your assistance on it. Specifically, I am interested in what strings in this area of discussion, job requirements or job training, what strings you believe the Federal Government ought to retain over States assuming we go the way of block grants.

Second, what incentives have you run into in your State's programs or in your experience that could be provided to private sector employers that would make a—that would make a welfare recipient more attractive to those employers?

Mr. Hobbs, could you start?

Mr. HOBBS. Yes. I hope that the strings that should be attached by the Federal Government amount to just one, that the Federal Government should receive and look at the State plan by which the State is going to carry out the purposes behind the various block grants that are issued to it.

Beyond that, I think as State Senator Martin said, you should start putting your trust in States. They are far ahead of the Federal Government on the whole and, in specific instances, light years ahead of the Federal Government in reforming welfare and replacing it with a work ethic.

The second part of the question was what again?

Ms. DUNN. What incentives through the Tax Code that we could deal with would you provide to private sector employers or have you seen applied that create an incentive to hire these people?

Mr. HOBBS. My belief, from talking to employer groups and also to staffing companies, is that the tax credit system is not an adequate one to do this job, it is not really an appropriate one to do this job; that if there are going to be subsidies from the States or Federal Government, and I feel they should be from the State governments through the Federal block grants, those should be direct subsidies to the employers for limited periods of time as they transition people from pure welfare into an unsubsidized work environment.

And during that transition, there should be careful attention paid to the training and to the mentoring by people who are in the workplace, but that that is the most effective way to handle the situation.

We have found, in talking to staffing companies, that if you were to send them right now a bunch of people from public assistance, they would probably be able to place a significant number of those immediately into unsubsidized employment. They have the subsidized employment backup that would allow them to place people in jobs that are going to get them resume strength, and if neither of those is going to work, then I think we should be looking at workfares so there is no pure welfare left for people who are able to work.

Ms. DUNN. Thank you.

Ms. Rogers.

Ms. ROGERS. Governor Thompson believes that there are four specific general principles that would be wise for the Federal Government to put in place as it looks at welfare reform. The first is that we have an end to indefinite cash assistance, that there be

some parameter within which there is a limit placed on the amount of time which a family can receive that assistance.

Second, we feel that for those who can work, only work should pay, another way of saying there should be a work component for everyone in exchange for their receiving public assistance.

Third, we feel that there should be a requirement upon the States to put in place within their programs with considerable flexibility some planned methodology for addressing the issue of illegitimacy and how we might be able to reduce it. Although I am not suggesting that we be specific in terms of the Federal direction, only that States be instructed to do something in this regard.

Some examples might be to require these minor moms to live at home or under supervised conditions. It is not healthy for child moms with babies to be living on their own. I don't think we do them a service when we throw a check at them and expect them to do that.

And then finally, we should be careful at the Federal level that it is States that are funded and not individuals so that there is not from the Federal level a mandate relative to individual entitlement. This would severely curtail the States' ability to have the flexibility they need to be creative in solving the broad-based issues and problems that we have.

Relative to incentives for employers, I think from my interfacing with employers over the years, the best that we can do is to send them potential employees who are ready to work, who understand what the requirements are within a job setting, and who understand what personal responsibility is relative to getting up and showing up on time, that would be the number one best thing that our programs could do.

Second, I concur with Mr. Hobbs when he talks about the only other kind of support being direct subsidies for a limited period of time and only used in that second tier of circumstances where individuals can't get a job on their own.

Ms. DUNN. Thank you.

Mr. Townsend.

Mr. TOWNSEND. I would like to comment on this block grant process. If you are going to continue to fund the program, I think you need some modifications with the Federal law that talks about what you do expect in return for that block grant.

Right now, you don't expect job placements, you don't expect them to get off of welfare. The only requirement that I know of is to participate in the program.

Two, if you have any time limits accompanying a block grant, you need a national tracking system. Otherwise you have 50 States each with a 2-year time limit and that issue would have to be dealt with.

Also, I am concerned about putting a block grant on the JOBS Program. It is severely underfunded as it is. We are unable to deal with all the clients, so if you block grant the welfare part, I would suggest that you not block grant the jobs part of the program.

We found in our county that the JOBS Program can be cost effective, it can produce a profit, but you need to focus on the up front sense of urgency job employment as soon as possible rather than let clients settle into a long-term welfare situation.

Ms. DUNN. Thank you. I would like to ask the other two panelists to finish, if I may, Mr. Chairman.

Mr. STANGLER. The answer to your second question, first. The evidence on tax credits to employers is underwhelming in nature. They have not worked. We use wage supplementation which is the transfer of the AFDC and food stamp benefits to the employer to be added to a wage base to get up to a wage of about \$7 an hour.

We have found that to be more successful. But, as I said in my remarks, what the employers have said to us is that those wrap-around services, the job coaching and mentoring, the other things that keep people coming to work every day, they really appreciate, even more so than the financial subsidies.

In terms of what strings, I think it is proper for the Federal Government to define the goals and outcomes and let the States decide how to achieve those national goals and outcomes.

Mr. MARTIN. As to what strings, simply make sure that the States have a plan in place with maybe a time limitation. As to what incentives to potential private sector employers, package the value of existing benefits as cash subsidies for hiring for a limited period of time.

Ms. DUNN. Thank you.

Mr. McCRERY. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Maybe we can start with Mr. Martin on this. In the previous panel, they talked about that if we do these block grants to the State, that they were afraid that work programs would be hurt in this, and yet it seems to me that some of the States that have gotten some of these waivers actually have more of these work programs going into effect.

Your comments on that.

Mr. MARTIN. I do not see it as a hindrance. I believe that it provides us some freedom.

Mr. ENSIGN. They thought if we gave States more flexibility, that some of the work programs that are out there now, some of the States that are less compassionate would go back to hurting the poor and not continuing some of these work programs.

Mr. MARTIN. I can only speak to the Commonwealth of Virginia, which is one of the most compassionate States in the country and we believe very strongly in some of these work programs. We would like to move people from the welfare rolls to the workplace and we believe that that aid toward self-reliance is very important. So we would, I believe, put our money toward the JOBS Programs.

Mr. ENSIGN. I would like to make a statement for anyone to respond to. Currently, by 1995, the Federal Government requires 20 percent of the recipients to be in some type of a work program. Does anybody know—I guess you are supposed to have a reduction in funding if you are not meeting those requirements—does anybody know States that are currently receiving less money or anybody that has been penalized by not meeting those standards? Because from what I understand, there is virtually no State that is meeting those standards.

Mr. STANGLER. Mr. Ensign, I would suggest the State of Missouri is meeting its requirements at the moment. I am not aware of any States that have been sanctioned for that. There are other sanc-

tions, but so far, we have kept up with the other requirements of the law.

Mr. ENSIGN. My comment is, if we are looking at certain guidelines that the Federal Government is going to do with these block grants, if we are not currently following through with the guidelines that were set in 1988; in other words, if the Federal Government isn't following through with what it set down in 1988, is the Federal Government going to follow through with the requirements we are going to set down in 1995?

Mr. MARTIN. I can't answer that, but I can encourage you not to put in any more requirements than you have to enforce.

Mr. HOBBS. We have to recognize that the JOBS Program and the Family Support Act were imperfect instruments to do what we now know needs to be done, and that is to put people to work. The 20-percent requirement, at least for the entire AFDC population, is only a requirement for participation, not for work.

The only work requirement of the Family Support Act was for the two-parent family which I believe comes up in 1995. That is a very small portion of the AFDC population and the States have gone far beyond Federal requirements not in just the participation element but in actually devising work programs which you have heard described today.

Mr. ENSIGN. Mr. Hobbs, I appreciated your comments earlier, and I think you have illustrated some of the points made in previous hearings, that Oregon is different than other places. And the reason that I support the State's flexibility is that you have to be able to design programs on the local level.

It just seems to make sense that we cannot design one program that is going to work for everybody out there. I don't think anybody on either side of the aisle feels that we have all the answers or maybe even close to some of the answers. We all want the same things, we all want a welfare program that is going to be best for our society. I appreciate all of you being here and offering your ideas.

I know both sides of the aisle want what we can do best not only for the people welfare is intended to help, but also for the rest of American society because we will all benefit from that.

Thank you, Mr. Chairman.

Mr. MCCRERY. Mr. Rangel will inquire.

Mr. RANGEL. Thank you, Mr. Chairman.

Senator, this is a well-balanced approach that you have presented to the Committee. This did not come from the national organization so this came from your commission from Virginia?

Mr. MARTIN. That is correct.

Mr. RANGEL. Who is actually executing the recommendations of the Governor?

Mr. MARTIN. At this point, part of it is an administrative process which is being carried out by Secretary James, Health and Human Resources Secretary. Legislative initiative is coming in the form of two bills which have been introduced as a matter of fact today.

Mr. RANGEL. I would like you to send me something on the administration of this program, because you went out of your way to suggest that one of the major things you rely on is education in addition to sanctions, and then you go on talking about gaining job

experience, training and transitional benefits, which seems like you are really allowing someone to feel more secure in getting a job.

[The information was not available at the time of printing.]

Mr. MARTIN. That is our hopes.

Mr. RANGEL. I gathered, Administrator Rogers, that your program is working but you really think the major emphasis on sanctions is what is making you more successful. If that is what works for you, then certainly I wouldn't suggest that you change it.

One of the suggestions that you gave is a time limit for cash assistance. That would not just be a time limit that would not have exceptions. I mean, if you were physically or mentally unable to work, States wouldn't just say 1 to 3 years, would they?

Ms. ROGERS. There would always be ability to clarify the exceptional circumstance, yes. May I clarify a comment relative to sanctions? Wisconsin is not focused on sanctions but primarily focused on moving people into the work force as fast as possible and as fast as they are able to get there so that they can begin on the employment ladder.

Mr. RANGEL. One of the Members asked you what would be the most important thing, and all the things that you mentioned which I took down didn't involve the type of support system that the Senator was talking about. I assumed that you just overlooked it and assume that you would be preparing the workers.

You say limit cash assistance, make certain the States are there, give the States flexibility, and I don't even think you wanted the Federal Government to put some type of a bottom line as to how far you could go with the sanctions.

Do you believe that there should be a safety net that we set up?

Ms. ROGERS. I think the States should be given the flexibility to design the safety nets that they feel important for the children in their State. The issue of sanction is more a matter of, if we are going to have requirements in programs, then there should be a clear consequence that is fairly processed for those people who do not comply.

Mr. RANGEL. Dealing with the issue of fairly processed, I would like to believe that I am giving the Governors all the flexibility they want, but I want to feel it is fair. There are certain things that many supporters of programs that mandate work don't agree on. One is that because someone is 18 years old, that in and of itself means they are not eligible for benefits.

Would you want the State to have that flexibility just in and of itself?

Ms. ROGERS. For a State to be able to say that because you are 18 you are not eligible for benefits?

Mr. RANGEL. Yes, 18 and having a baby, of course.

Ms. ROGERS. I don't believe we have addressed that.

Mr. RANGEL. I said you would not want us, as responsible Members of the Congress, to allow any of the 50 States to be able to say that we have decided—if you are 18 years old, that in and of itself, you will be denied benefits. Most of the people up here don't believe in it, and I am just saying you would not want us to allow that or even to suggest it, would you?

Ms. ROGERS. I believe what I have said is that I feel States should be given flexibility to set their eligibility standards.

Mr. RANGEL. So you would want them to be able—

Ms. ROGERS. I think every State should be able to set its own eligibility standards.

Mr. RANGEL. What did you do before you became involved in this welfare job program? What were you doing before you took over this job for the State?

Ms. ROGERS. I have done a variety of things including worked in the private sector, but I am, by education and training, a behaviorist, and have worked in the city of Chicago and in Madison—

Mr. RANGEL. I meant, when you were selected for this particular job, that is to get people off of welfare and into jobs, which we all want to do. Was there particular experience that you had in doing this work before and that is why you were appointed, to bring that special talent and experience to the State's program?

Ms. ROGERS. In education and in previous employment, my background is in related subject areas relative to the programs and to equivalent administrative experience.

Mr. RANGEL. OK. Well, thank you.

Mr. MCCRERY. Mr. Townsend, Mr. Hobbs described I think in a little more detail the Oregon plan with respect to the number of months that a person can stay on AFDC and have a subsidized job, but I didn't catch it.

Would you tell us how long a person in your county can have a subsidized job and still be receiving AFDC?

Mr. TOWNSEND. There are no time limits in the State of California right now. They can have paid employment and remain on welfare. California has a waiver allowing the one-third income disregard to go beyond the 4 months.

During the period of the study with MDRC, we did not have this advantage, and we believe that our job retention will increase because clients will not fall back on welfare. They will be able to improve their lives. Even with a lower paying job, they will learn their abilities and enhance their employability for even better paying jobs. So we want to keep them out there in employment as long as we can.

Mr. MCCRERY. Is there a time limit for the subsidy?

Mr. TOWNSEND. We do not subsidize. We believe in placing individuals in paid, unsubsidized employment.

Mr. MCCRERY. So you don't provide any subsidy to the employer?

Mr. TOWNSEND. Not really. There are some State tax credits, but they have not been that effective. What is really crucial is that we give each businessman who is our customer the right product, meaning our GAIN participant. We would not have repeated year after year good results if we did not give them a good product.

Mr. MCCRERY. If there is no time limit within which a person must get off AFDC, why should he ever get off AFDC? That is like an income supplement.

Mr. TOWNSEND. That is a concern and that is why our Governor Wilson has set up a GAIN advisory task force. We have now 27 recommendations which we hope will be going through the State legislature. Our State legislature has provided a 15-hour deferral so, right now, if some one of our clients has a 15-hour job not even at minimum hour wage, they can appeal and insist on not going

through the GAIN Program. We can't make somebody self-sufficient only working 15 hours. This is one crucial barrier we have which will hopefully go away.

Mr. MCCRERY. But with respect to the time limit, you are anticipating some sort of limitation on the amount of time that a recipient could continue to receive AFDC while he is working?

Mr. TOWNSEND. I believe our Governor has proposed a 2-year time limit.

Mr. HOBBS. Mr. Chairman, could I correct the record if I misspoke?

Mr. MCCRERY. Sure.

Mr. HOBBS. The Jobs Plus Program doesn't have any time limit for participation. Once a person goes into Jobs Plus, they stay there, they don't go back on benefits. The training assignment is 6 to 9 months. But if that one doesn't work out, they go into another training assignment.

Also, at any time during a training assignment either the employer or the participant can bail out of that particular assignment. The employer gets another participant; the participant gets another employer. The object is to have people not fall back into the pure welfare system.

Mr. MCCRERY. Under the Republican proposal, as you understand it, could you all have the kinds of programs that you currently have, given the flexibility in the Republican proposal?

Mr. MARTIN. My understanding of it, I would say, yes, but I have not read it thoroughly. My understanding of it.

Mr. TOWNSEND. It depends on what kinds of programs and rules would be set up by State as to whether we do that, but generally I would think that we could. One area, however, of concern is the very young mother who has children who maybe made a mistake, and if you prohibit paying any sort of aid to a teenage girl, that would change our process in California.

Mr. RANGEL. Parliamentary inquiry, Mr. Chairman. Exactly what Republican proposal are you referring to?

Mr. MCCRERY. I qualified that by saying as you understand it. That is all I am looking for.

Mr. RANGEL. I just hope that you will be a little kind to me when I have confusion in understanding exactly what proposal we are working from.

Mr. MCCRERY. We are all confused and are trying to tear our way out of that wet paper bag. Part of the confusion is the web of entanglement that the Federal Government has given the States to work within for the last 30 years. So it is kind of confusing.

Generally, though, you would be satisfied if we basically block granted the cash to the States and allowed you within certain parameters to create your own program similar to the one that you are already pursuing in your States?

And I understand Mr. Rangel's question about you wouldn't want specific requirements like the under 18 rule, although I would point out that is prospective only. You wouldn't have to take people off AFDC who are currently on who are below the age of 18.

Mr. FORD. Would the Chairman yield?

Also, the Personal Responsibility Act removes any requirement to provide education and training and Mr. Martin responded, and I

thought he mentioned earlier in his testimony, that education and training was a component of what you were doing in Virginia.

Mr. MARTIN. At the start, we believed that basic academics are very important and I addressed that first. Then I said during the benefits period job training is a very important part of it.

Mr. MCCRERY. We have two directions from which to come as the Federal Government. On the one hand we can direct the States what to include, in other words, what payments they must make, and from the other direction we can tell the States a category that they cannot pay. So you see we are both working here trying to figure out what the Federal Government should do from both directions, and I appreciate the testimony of the witnesses today trying to help us with that.

Mr. English will inquire.

Mr. ENGLISH. Thank you, Mr. Chairman. I have no questions of the panel.

Mr. MCCRERY. Mr. Levin.

Mr. LEVIN. Thank you. I am not sure there is an answer to your question about block granting in part perhaps because the time ran out, in part perhaps because it is not clear with what funding, for example. How about a block grant with a 5-year freeze, including on job training, job placement funds?

Mr. TOWNSEND. Again, I very much question putting a limitation on something that can eliminate your basic problem. If something is cost beneficial, wouldn't we want to invest more in it? There are things that can happen in a State and it depends on how you calculate the amount of the block grant and how that is established.

Every time I have seen a block grant from a local administration level, it is something that gets cut down year after year. So that can cause very definite financial hardships unless you embed criteria which takes into account the economic situation of the States, the percentage of individuals in poverty and growth of the general population in an individual State.

Mr. LEVIN. I just hope everybody hears that because the Riverside program has made some real progress. So I think we ought to take Mr. Townsend's perspective seriously in terms of the problems with a block grant.

Mr. Stangler, you said more or less the same thing. You are worried about a freeze on funds that relate to the JOBS aspects of the program—I think that is what you said.

Mr. TOWNSEND. That is true. In our county, just with the money that I manage, the AFDC part and the JOBS money, just our local money we save about 75 cents net profit on the dollar, so we get about \$1.75 back for every dollar we spend, not counting other governmental savings.

If I were running a bank and you give me \$1 and I give you back at the end of the year \$1.75, you would be standing in line to give me more money. So why wouldn't the Federal Government want to do that?

Mr. LEVIN. Let me ask a bit about Wisconsin. And I ask these questions sympathetically to every effort to link welfare and work. So my questions about the block grant comes from the vantage point, let's do what works. And one of you said earlier, work works.

But we have to understand what it takes to make it work. So let me ask you, Ms. Rogers, in terms of the percentage of people who are eligible for a JOBS Program in Wisconsin, how many are in? As I understand it, there are about 80,000 families—

Ms. ROGERS. 73,000 as of the most current count.

Mr. LEVIN. What percentage of those is in the JOBS Program?

Ms. ROGERS. Of the AFDC caseload, we have slightly in excess of 54 percent enrolled in the JOBS Program.

Mr. LEVIN. Fifty-four percent. But you said of those, 14,000 had an entered enrollment. What does that mean?

Ms. ROGERS. Entered employment.

Mr. LEVIN. So while 54 percent are in the JOBS Program, of that 54 percent, what percentage are in work settings?

Ms. ROGERS. Twenty-three percent.

Mr. LEVIN. So 23 percent of the 73,000?

Ms. ROGERS. Twenty-three percent of the JOBS enrollees. And of those who are enrolled in JOBS Programs, about 23 percent are working while participating in the program itself.

Mr. LEVIN. So 23 percent of the 69,000 are in an employment situation?

Ms. ROGERS. Twenty-three percent of the JOBS enrollees are working. There were 69,000 individuals enrolled in JOBS in 1993.

Mr. LEVIN. And of that 21 percent, 63 percent are working full time, 62 percent of the employment is being full time? So what percentage—try to boil it down, because earlier, both Dr. Mead and Dr. Gueron said, don't oversimplify what it takes to make these programs work, so I think we all need to be realistic. Mr. Townsend and all of you have been helpful.

What percentage of those who are within the AFDC caseload network, 73,000, are now working full time or have been placed full time through your JOBS Program?

Ms. ROGERS. Twenty-three percent of all of the people who are enrolled in the JOBS Program are working full time.

Mr. LEVIN. Just look at your written testimony. Maybe we will have to ask you to submit this for the record. It says in 1993, 69,000 individuals enrolled in JOBS, a monthly average. Over 14,000 of these enrollees, 21 percent, had entered employment that year, 63 percent being full time.

Ms. ROGERS. Sixty-three percent of the 21 percent were full time and the remainder were part time.

Mr. LEVIN. So 63 percent of the 21 percent, so that would bring it down to about 15—about 13 percent. Why don't you do this, if you would, because the Wisconsin program is considered one of the models.

If you would submit for the record, take the caseload in 1993, and how many of those 70,000 people or the total figure, the total group, how many of those ended up in a full-time job in 1993—will you do that for the record?

Ms. ROGERS. Yes, I can. In 1993, while in the JOBS Program, 14,477 people entered employment.

Mr. LEVIN. And how many of those were full time?

Ms. ROGERS. Sixty-three percent.

Mr. LEVIN. Of the 14,000?

Ms. ROGERS. Yes.

Mr. LEVIN. So that would be about 9,000 out of the total of 80,000.

Ms. ROGERS. Were both working in the JOBS Program and working full time.

[The following was subsequently received:]

There were 14,447 entered employments within the 54 percent of the total AFDC caseload enrolled in JOBS in 1993. This doesn't include the 46 percent of our 1993 caseload not enrolled in JOBS. Many of those caseloads not enrolled in JOBS either found employment on their own or were already working.

Mr. LEVIN. Thank you.

Mr. MCCRERY. Mrs. Kennelly.

Mrs. KENNELLY. Mr. Stangler, in 1988, I was on this same Committee and worked very closely with the APWA in bringing forth the Family Support Act. Ms. Rogers said she has all the money in her State for the JOBS Program. We wished it had worked out better.

Today you come before us and I hear you talk about goals. You want great flexibility for the States and you talk about goals and outcomes—somebody asked, what string do you want from the Federal Government to the State government, and you said goals and criteria so we can get more people to work.

My question to you is: Do you and does APWA feel that an entitlement is not necessary for AFDC? And possibly they would accept and you would accept the block grant approach. Is the entitlement idea no longer viable?

Mr. STANGLER. No. We have not taken any position on block grants or on ending entitlements. In our report last year, we did not propose ending any entitlements. We feel we need more detail on what the proposals are before we can take any positions.

I am concerned about recessionary pressures. I am concerned that even as unemployment goes down, my food stamp caseload continues to increase because of the mix of jobs that are out there in the service economy and the manufacturing economy. We are not prepared to make that leap.

I remember your leadership also in 1988 and I too wish it had worked out better, but there are improvements we can make. The Federal Government has the role to set what are the national goals and what are the outcomes, whether that is participation or work or minimum standards of subsistence, but that the flexibility comes to the States in how we achieve those goals.

Mrs. KENNELLY. I think we are all very interested and we know that the American people are insisting that we put people to work and get people off the rolls. However, I have to warn you that here you are today as a witness and this is moving.

We are going to markup—Mr. Chairman, is it February 6?—so I would hope the APWA gets a clear message to us on what they think. I have always thought they did extremely good work at home.

Mr. Townsend, I congratulate you for your work. Can I ask you on the earned income tax credit, as you see people who are successful and you are taking them from welfare to work and staying in the work world, have you seen any impact from the earned income tax credit? Was this something that was worthwhile?

It was in the budget proposal 2 years ago. I find in my own district, and this is something I have always championed, people don't quite get what happened there. Do you in your program think that helps keep people off welfare, having the earned income tax credit?

Mr. TOWNSEND. When I want to know something, I go to my staff. What the counselors are telling me is that a payment once a year doesn't do it. A client can collapse and fall back on welfare before it is time to file your income return. Not many know about the monthly process and it is a pay-for-work driven system. If you are going to make earned income tax credits work right, you should make it easier and on a monthly basis.

Mrs. KENNELLY. We tried to get one line on the IRS form because it was one point—we looked at 1 percent of the people eligible were claiming it. You are telling me still there is a problem. Are you saying your monthly—

Mr. TOWNSEND. More of an automatic monthly process. It doesn't have that much of an impact thus far, but we are trying to work in a monthly process. I have changed procedures to try to send it that way, but it still depends on the client filling out the piece of paper.

Mrs. KENNELLY. And asking the employer to withhold?

Mr. TOWNSEND. Yes. That blows the cover about their poverty situation—

Mrs. KENNELLY. By filling out that form, then the employer knows the straits that they are in?

Mr. TOWNSEND. It is a pretty good indication of AFDC status, although it could be poverty also.

Mrs. KENNELLY. You do think we should continue or you think it is a wash?

Mr. TOWNSEND. When you do something, I think you ought to evaluate it. The latest changes that have occurred, I think we need to see how that works out. There may be other changes.

Mrs. KENNELLY. With your successful record, would you watch it so I can call and ask you if you have any more suggestions; because this is something I have always looked at, is helping people stay off welfare, and it costs a lot of taxpayer dollars.

Ms. ROGERS. I don't think we have done much of a job of marketing the earned income tax credits. It is more valuable with recent legislation that makes it worth more. For an average AFDC family earning very near minimum wage, it is worth several thousand dollars.

Mrs. KENNELLY. That is my point.

Ms. ROGERS. I concur it is critical that they go through the application process so they can have the benefit of it monthly. It is not enough to wait until the end of the year.

Mrs. KENNELLY. Thank you very much. I thank the panel. They have been excellent.

Mr. MCCRERY. Mr. Rangel.

Mr. RANGEL. What was the process in getting a waiver for this successful program administered by the Riverside County Department?

Mr. TOWNSEND. I think this is a lesson for the Federal Government. When we adopted the GAIN Program, the State legislature deliberately encouraged each county to try something different, to

build a plan that met the individual needs of their county and then put \$12 million into research to find out what the advantages of the different approaches are. I think that was very wise on their part and we have at the local level appreciated that freedom and latitude to experiment.

Mr. RANGEL. Did you have any restrictions on what they could come up with? In other words, would the Governors just allow what you are requesting of this legislative body or would your State legislature allow the counties to receive the money directly and be flexible and creative and just do what they want?

Mr. TOWNSEND. They have given us flexibility thus far in how we run the GAIN Program. I haven't noticed a lot of flexibility in making rules different by individual counties in the administration of welfare. But that is because I think the Federal Government has a requirement we keep running into called statewideness, so there is a string on Federal money for AFDC that we cannot vary from one local government to another that the State plan must be statewide and have some things in common.

Mr. RANGEL. If we broke that umbilical cord from the Federal to the States, would the Governors be willing to do the same for the counties, do you think?

Mr. TOWNSEND. That is one burden we could put on them if given the opportunity.

Mr. RANGEL. Suppose we tied the flexibility that the Federal Government is giving to the States to the Governors who would then give it to the counties, would you support that?

Mr. TOWNSEND. I am concerned about leveraging poverty clients from one local jurisdiction, from one State jurisdiction to another. We could have a game of who is the most punitive in developing eligibility rules. I don't think that is what we entirely want. I would like to see welfare recipients become successful wherever they are in the community they are in currently.

Mr. RANGEL. Is there anything that you see the Federal role in besides just giving the block grant?

Mr. TOWNSEND. I think you must set what you want and perhaps entertain financial incentives to those who achieve what you want. If you want people off of welfare, say so. If you want welfare recipients earning and doing their best to support themselves, say that in statute, but thus far that has not occurred.

Mr. MCCREERY. Mr. Ford.

Mr. FORD. Mr. Townsend, in your experience, is it the welfare recipient that doesn't want to work or is it the inability to hold a job in these low-wage markets?

Mr. TOWNSEND. I don't think it is one way or another. We have welfare recipients, some of whom have worked hard and long, some have dabbled at employment, some have not been employed at all. I think that if I had to name a figure from talking with all my staff, and I do that, it is about 85 percent of our clients do want to be off welfare and they have this desire in varying degrees, but I would say they commonly would like to have some successful employment.

Mr. FORD. Eighty-five percent that want to be off of welfare?

Mr. TOWNSEND. Yes, that want to be off of welfare, that want to support themselves. We have a very small percentage, 10 to 15 per-

cent, who are professional, who are capable but would like to be supported on welfare.

Mr. FORD. A one-size-fits-all theory doesn't accommodate the different innovative things necessary to respond to the needs that are out there, right? A one-size-fits-all program doesn't necessarily work for the welfare population?

Mr. TOWNSEND. We have clients who are self-motivated and about half our clients, we get employed in the first 30 days. Others we have to work with. Some don't have the level of education. Our average for those without high school education is 5.5 at the grade level. To have them be successful on the employment side, we need to work them up to about a 9th grade level of education so they can understand the math and the job instructions accurately. So it isn't just one situation. We need to tailor our plan. We enter into a plan with each GAIN participant as to what they want and we discuss that and then we deliver services accordingly.

Mr. FORD. Denying benefits to children born to teenaged mothers, that is in this Personal Responsibility Act. What are your comments on that, Mr. Townsend?

Mr. TOWNSEND. I am going to answer it indirectly. One thing I am proud of as a U.S. citizen is, thus far, we have had a record of caring about children. That lesson is driven home when I go to other countries and I see children on the streets wrapped in rags, and find in America and have found thus far that that is not true. I would hope that we would not attack infants and small children because of the age and decisions of their mother.

Mr. FORD. Linking welfare to work is something we want to do but we still would like to protect the child; is that correct?

Mr. TOWNSEND. I would hope we would do that.

Mr. FORD. In other words, the Personal Responsibility Act would have States enact massive public work programs. Could you create this public workfare component with what you are doing with Riverside today?

Mr. TOWNSEND. I have found it to be a waste of time. When we set up the GAIN Program, I met and conferred with a lot of different labor organizations in our country. We talked with a lot of public employers to identify some sites where a client can work off their grant.

We only needed to place somewhere between 40 and 100 recipients into workfare sites. This year, we are looking at putting 9,000 individuals into unsubsidized, paid employment mostly in the private sector. We haven't found a limit for that yet even when their unemployment rate went up to 15.7 percent.

Mr. FORD. Thank you, Mr. Chairman.

Mr. MCCRERY. Does any other Member wish to inquire further?

Ladies and gentlemen of the panel, we appreciate your being with us today and sharing with us your experience. We look forward to using the information you have given us today to try to work out a plan for this country that makes sense and that does provide that crucial safety net for those who need it.

Thank you very much.

[Whereupon, at 3:15 p.m., the hearing was adjourned, to reconvene at 9 a.m., Friday, January 27, 1995.]

WELFARE REFORM—SUPPLEMENTAL SECURITY INCOME

FRIDAY, JANUARY 27, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 9:05 a.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. If the Members and the guests will take their seats, we will proceed with this morning's hearing which I have called to order.

Thank you very much, and good morning and welcome to all of you. As I look around this room this morning, I notice that some of you have made an extra effort to be here this morning. Your appearance here with us is deeply appreciated. I hope you get a lot out of today's hearing, as I am sure the Members will, too.

I met yesterday with Marcia Bristo who is the president of the National Council on Disabilities. I will tell our guests this morning the same thing I told Ms. Bristo yesterday. It is not our intention to diminish the benefits of anyone who has severe disabilities and is deserving of those benefits.

Millions of deserving Americans with disabilities and millions of deserving elderly Americans are helped by the Supplemental Security Income Program. But there is now overwhelming evidence that SSI is abused. For more than 1 year now, the Ways and Means Committee has been confronted with evidence that hundreds of thousands of people with questionable claims are receiving SSI cash benefits and in upward of 80 percent of those cases, Medicaid as well. For each person on SSI and Medicaid, taxpayers spend a minimum of \$10,000 per year, and many who receive those benefits are entitled to every bit of that expense.

Last year, the Commissioner of Social Security told us that few people ever leave SSI. So when we admit people to the rolls, they receive the benefits anywhere from 10, 20, 30 years or even more. When we admit a child, he or she could be on the rolls for upward of over 50 years, consuming more than half a million dollars' worth of benefits during that period.

We on the Ways and Means Committee are stewards of the Nation's tax dollars. It is our responsibility to make sure that good and worthy programs that actually help deserving people are not undermined by the few who would take advantage of their tax-paying fellow citizens by deceptively qualifying for programs for

which they are not entitled. Even more important, we are responsible for reviewing these programs and determining whether the various categories of people now receiving welfare benefits actually deserve them.

The purpose of today's hearing is to continue this review process before introducing legislation designed to amend the SSI Program. There are three issues about which Republicans are especially concerned and about which Democrats are especially concerned.

First, it is our view that noncitizens should not qualify for welfare benefits. That is an issue which is going to be hotly debated, I am sure, as this process goes forward. Our Nation offers immigrants an incredible opportunity: Come to the Nation with the most individual freedom of any Nation on Earth and join an economy that has produced a net increase of 54 million jobs since 1960. In return, we ask for only two things; first, obey our laws, and second, become a citizen before using our welfare system. This is a Republican policy. It is supported by the American people. It is clear, it is fair, and it is my intention to pass it.

The second group of SSI recipients that concerns us is alcoholics and addicts. The principle that is guiding Republican reform of SSI for addicts is straightforward. People who have no disabling condition except addiction to alcohol or illegal drugs should not be given a guaranteed annual cash benefit and guaranteed medical care by the Federal Government.

Again, our intent is clear and fair. We will end cash benefits for addicts. Some observers think it is wise to pay for treatment for addicts to help them recover and to curb the destruction they have caused and brought upon their families, themselves, and their communities. We are carefully considering this argument and look forward to hearing testimony about it.

The third group of SSI recipients we want to examine is children. Americans do not want to deny benefits to children who are truly disabled. But as we will hear this morning, it appears that at least some parents have taken advantage of the foggy SSI guidelines for children in order to receive cash benefits and medical coverage they do not deserve. Just this week, we read in the Baltimore "Sun" about a woman who collected nine SSI checks for herself, her common-law husband, and all seven of her children. Her take was \$46,716 in tax-free income per year.

That many people are exploiting this program, especially since the 1990 Supreme Court decision had the effect of loosening qualification guidelines, is suggested by the explosive growth of SSI. In 1989, there were 300,000 children on the program. By 1993, there were 740,000—a growth of 150 percent in just 4 years. What the next 4 years will bring depends in large part on the actions taken by this Committee in the next few weeks.

I want to commend my colleagues, Mr. McCrery and Mr. Kleczka, for the continuing leadership that they have shown in the reform of SSI children's benefits. Their efforts on this crucial issue exemplify the kind of thoughtful and bipartisan approach Congress should take on welfare reform. I hope others follow their example.

By contrast, I have noticed an unusual number of fraudulent and exaggerated claims about what the Republicans intend to do in reforming the SSI Program. Whenever Congress reviews programs

for disabled citizens, especially when the elderly and children are involved, the possibilities for exaggeration and political mischief are unlimited.

I hope the members of the press and the American public will attend to our words and actions, and not speculation and rumor. In our Committee, following the thoughtful bipartisan example set by Mr. McCrery and Mr. Kleczka, we will be able to achieve the delicate balance between the needs of our poor disabled citizens and the interests of the Federal taxpayers.

Before I recognize the minority, and Mr. Stark, I understand is going to be giving your opening remarks this morning, I would like to introduce our newest staffperson on the majority side, Jona Turner.

We welcome you to the Committee. Thank you for being with us.

Mr. Ford.

Mr. FORD. Thank you very much, Mr. Chairman. And we welcome the opportunity to review the Supplemental Security Income provisions in the three areas you stated in your opening statement.

This side of the aisle would join with you and the majority side of this Committee and ask that we move very cautiously in these areas and make sure that we study the facts and the evidence that would lead us to make whatever changes that would be necessary so we would not impact the lives of the elderly and the children in this country who are in need as we make quick decisions in moving on this welfare reform package.

And at this time, I would like to yield to my colleague from California, who will have the opening remarks, Pete Stark.

Mr. STARK. I thank the distinguished Ranking Member and the Chairman for recognizing me. I know that the Chair was looking back at some ancient history this morning and if he recalls in that 1976 picture, I think it was then that Bill Ketchum was Ranking Member and I chaired this Subcommittee. We wrote the reforms for eligibility limitations for aliens under a variety of welfare programs in this country, extending to 5 years the date for eligibility, and so forth, done in, I think, a fair and bipartisan manner. And I want to commend the Chair for starting off in that same manner.

I want to preface my remarks by suggesting that no one can countenance fraud or waste, but I do want to bring up some concerns. I hope in our anticipation of punishing people who abuse the system, that we will not harm those that I think we all agree must be protected.

There is the concern of legal and illegal aliens. I raise this question not in a pejorative sense, but there is some complication, if not confusion, as to which bill we might be dealing with. Are we dealing with H.R. 4 under the Contract? Will we be dealing under de novo legislation? And, if so, I would like to admonish my colleagues we have to be concerned for immigrants who are legally in this country and who have paid their taxes. They have served in the military and would qualify for a variety of benefits which I think we all agree would be fair. They may be impoverished seniors. They may be disabled adults. We should be concerned that we not unfairly withhold benefits which they have earned.

There is, under the plan as I understand it, perhaps close to 1 million people, 887,000 disabled children who would lose cash pay-

ments. I am curious to see how the various services that are needed for those children will be protected. Those of us who don't have disabilities or who will not admit to them publicly, realize that we are just temporarily among the quick and healthy and nimble.

And interestingly, disabilities have absolutely no prejudice. They do not recognize sex, age, race, social status, political affiliation. I hope we will keep not only the television extravaganza we are about to see, but the testimony of the last witness who is a disabled person, in mind as we go along.

I have some other concerns that are technical, and I would like to get them out here. H.R. 4 caps Federal funding to the SSI Program. Now, when you cap it, it is conceivable that funds could run out in the ninth month of a fiscal year. My concern is for the 3 million seniors, who are extremely poor, who require those SSI payments to exist. We must protect that stream of income for this very fragile group of the population.

There is some ambiguity, for example, in the elderly SSI beneficiaries who get automatic qualification for Medicaid which helps to pay their Medicare copayments. I hope that we can all agree that we must protect that interrelationship between these programs so that we do not cause harm to the people, the majority of the people, the fragile seniors and the very impoverished seniors to whom this program is principally directed. On the disability side, where much of the concern of today's hearing exists, there is no question that we should refocus our attention on eligibility and subsequent reexamination to determine that the need for disability payments continues.

So I hope that my colleagues will complete this hearing as we started, with a bipartisan demonstration of our first panel. The history of this Committee is to take into account the needs of people who rarely get the chance to be well represented before the entire body. These people have few or less wealthy advocates, and they are often the forgotten. I hope that we will take our responsibility seriously, and as the physicians say, our first responsibility is to do no harm.

Thank you, Mr. Chairman for indulging me.

Chairman SHAW. Thank you for a most thoughtful statement, and that historical perspective that you have given us. It was a 1976 photograph I was looking at. You were in it. Mr. Rangel and Mr. Ford was in there with a considerable amount of hair, that I found very, very interesting.

I would like to, at this point, make just a quick announcement about the panel that was scheduled to go last. I have changed the order. There is a youngster out there this morning that I think is going to have some trouble sitting through the length of the hearing that we would be having today, so the last panel will immediately follow the first panel.

I would like to now introduce the first panel.

Mr. Kleczka of Massachusetts and Mr. McCrery of—not Massachusetts. Give me some help.

Mr. KLECZKA. The dairy State.

Chairman SHAW. Wisconsin. I am sorry. I am not even close. I am sorry. Mr. Kleczka of Wisconsin, who is himself a citizen of a State that has been very progressive. Massachusetts has been pro-

gressive, too, in the area of welfare reform. And Mr. McCrery of Louisiana.

Gentlemen, if you would proceed as you see fit. The floor is yours.

STATEMENT OF HON. JIM McCRERY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mr. McCRERY. Thank you, Mr. Chairman.

And thank you, Mr. Stark, wherever you are. There he is on the phone. I appreciate your opening remarks and certainly, Mr. Kleczka and I plan to proceed in the spirit of both the remarks of our Chairman and Mr. Stark.

Before Mr. Kleczka and I offer some thoughts on this subject, we thought it would be appropriate to play for the Members of the Subcommittee a program on ABC's "Prime Time Live" that aired a few months ago on the subject of SSI disability for children. I think it will give you some idea of the scope of abuse in this program, as well as give you an idea of what our constituents have seen with respect to this program and why we are receiving phone calls and letters saying do something about this abuse.

So, Mr. Chairman, with your permission, we will run the "Prime Time Live" segment to begin this hearing.

[Showing videotape.]

Mr. McCRERY. Mr. Chairman, I will tell you that what you have just seen, a compilation of events that have taken place in the State of Arkansas, has been revealed to me through my investigation to be the same in my State of Louisiana and, in fact, in Louisiana, the statistics are a little worse. The number of children on SSI disability since 1990 in Louisiana has more than tripled.

So, I hope the Subcommittee can see from that presentation that there are problems in our SSI Disability Program for Children. I first became aware of the problems about 1 year ago when I was contacted by the area manager of disability determinations in my district, Wayne Parker, and he will be addressing this Subcommittee a little later. He came to my office and wanted to talk to me about the SSI Children's Program.

Not long after that, I met with several teachers around my district who had called me independent from Mr. Parker and independently among themselves. What I learned from all those meetings and from other research investigation, is that this program is the epitome of what American citizens are sick and tired of. A well-intended but badly designed and abused Federal welfare program. Governor Weld was not wrong when he pointed out to this Committee that the SSI Program is a prime example of Federal welfare mismanagement.

Before I describe the problems further, let me emphasize that I am not here today to propose that we abandon the many children and families who truly need disability assistance. In fact, most of the families being served by this program require some form of assistance to meet the extraordinary challenges of their daily lives. I understand and sympathize with the trials they face and I am confident that the proposal that Mr. Kleczka and I will talk about today will not jeopardize their care.

Frankly, the SSI Children's Program has grown out of control and well beyond helping truly needy children. The lethal combination of generous cash benefits, cash benefits that are far in excess of AFDC, loose eligibility criteria, and the lack of proper congressional oversight inherent in all welfare entitlement programs has resulted in explosive program growth and widespread abuse. Since eligibility criteria were liberalized, the SSI Children's Program has grown from serving approximately 300,000 children in 1989, to over 880,000 in 1994, almost tripling.

Mr. Chairman, as I said, in Louisiana, we have more than tripled the children on this program since 1989. The growing cost of SSI, and that is important, but it is not nearly as devastating as the impact this program is having on some of our children and on our schools. Because of this program, many children are being urged to neglect and, indeed, sabotage their education. I should emphasize that most of these children come from very poor families where their only chance for a successful future is through education.

Teachers are increasingly frustrated as children purposefully disrupt class in an attempt to appear emotionally or behaviorally impaired. In addition, otherwise healthy children are being placed on medications to treat mental illnesses that simply do not exist, while other children are not being treated for fear that SSI checks will stop arriving in the mailbox. We have got to do something about this.

I, along with my colleague, Mr. Kleczka, will soon introduce legislation aimed at stopping the abuse while preserving the beneficial components of SSI. The children's program must be redesigned so that all the truly disabled children with severe impairments are served.

I believe we can effect positive change by basing eligibility on objective medical criteria. Removing the individualized functional assessment of a child's ability to act in an age-appropriate manner is critical to our successful reforms. At the same time, we must eliminate the cash benefit, except in cases where the child would otherwise require institutional care in the absence of a parent or guardian.

In the place of direct cash assistance, we should send States a block grant to be used for the unmet needs of SSI children. Medicaid, the Administration on Developmental Disabilities Programs and the Children with Special Health Care Needs Block Grant Programs are good examples of State's ability to administer programs for children who truly need our help. Children on SSI would automatically continue to be qualified for those programs.

This is a sensitive subject, there is no doubt about it. Perhaps most of us would rather not address this program. But I don't believe it can be ignored any longer.

While some may say that I and Mr. Kleczka are antichild for changing the nature of this program, I can think of nothing more antichild than permitting the status quo to continue.

I am looking forward to hearing from other panelists today and Mr. Kleczka and I look forward to working with the Members of this Subcommittee.

[The prepared statement follows:]

**Testimony of the Honorable Jim McCrery
Before the Subcommittee on Human Resources
House Ways and Means Committee
January 27, 1995**

Mr. Chairman and my colleagues on the Committee,

Thank you for allowing me to speak to you this morning. I am here this morning to discuss what ought to be included in any discussion of welfare reform -- the Supplemental Security Income program for children with disabilities.

About a year ago, I was contacted by the area manager of Disability Determinations in my district, Mr. Wayne Parker, who will be addressing this committee a little later, concerning the SSI children's program. Not long after that, I met with several teachers concerning this same subject. What I learned from those meetings and from my own research and investigation into the SSI children's program is that this program is the epitome of what Americans are so very tired of-- a well-intended, but badly designed and abused federal welfare program. Governor Weld was not wrong when he pointed out to this committee that the SSI program is a prime example of federal welfare mismanagement.

Before I describe the problems surrounding this program, let me emphasize that I am not here today to propose we abandon the many children and families who need disability assistance. In fact, most of the families being served by this program require some form of assistance to meet the extraordinary challenges of their daily lives. I understand and sympathize with the trials they face and I am confident the proposal I will outline for you today will not jeopardize their care.

Frankly, the SSI children's program has grown out of control and well beyond helping truly needy children. The lethal combination of generous cash benefits, loose eligibility criteria, and the lack of proper congressional oversight inherent in all welfare entitlement programs has resulted in explosive program growth and widespread abuse. Since eligibility criteria were liberalized, the SSI children's program has grown from serving approximately 300,000 children in 1989 to over 880,000 in 1994. Mr. Chairman, that is a 300 percent increase over five years! In my state of Louisiana, the SSI children's population has grown from 12,000 in 1989 to 38,000 in 1994 -- a 316 percent increase. The total cost of this program has tripled since 1990 and is now about \$4.5 billion.

The growing costs of SSI, while important, are not nearly as devastating as its impact on our children and in our schoolrooms. Because of this program, many children are being urged to neglect and indeed sabotage their education. I should emphasize that most of these children come from very poor families where their only chance for a successful future is through a good education. Teachers

are increasingly frustrated as children purposely disrupt class in an attempt to appear to be emotionally or behaviorally impaired. In addition, otherwise healthy children are being placed on medications to treat mental illnesses that simply do not exist, while other children are not being treated for fear that SSI checks will stop arriving in the mailbox. What a tragedy.

We ought to do something about this. I will soon introduce legislation aimed at stopping the abuse while preserving the beneficial components of SSI. The children's program must be redesigned so that only the truly disabled children with severe impairments are served. I believe we can effect positive change by basing eligibility on objective medical criteria. Removing the subjective and controversial Individualized Functional Assessment of a child's ability to act in an "age appropriate" manner is critical.

At the same time, we must eliminate the cash benefit, except in cases where the child would otherwise require institutional care in the absence of a parent. In the place of direct cash assistance, we should send states a block grant to be used for the unmet needs of SSI children. Medicaid, the Individuals with Disabilities Education Act and the Children with Special Health Care Needs block grant program, are good examples of the States' ability to administer assistance to disabled children who truly need our help. Children on SSI would continue to automatically qualify for these programs.

This is a sensitive subject, no doubt -- one which perhaps most politicians would rather not address -- but it can no longer be ignored. While some may say I am "anti-child" for changing the nature of the program, I can think of nothing more anti-child than permitting the status quo to continue. I am looking forward to hearing from other panelists about this program and my ideas for reform. I look forward to working with Congressman Kleczka to fashion a bipartisan solution that accomplishes our shared goal of reforming this reckless program without jeopardizing the health and welfare of truly disabled children throughout our nation.

Thank you again for letting me speak before you today.

Chairman SHAW. The gentleman from Wisconsin.

STATEMENT OF HON. GERALD D. KLECZKA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Mr. KLECZKA. Mr. Chairman and Members, during the last few years, public attention has begun to focus on the enormous problems in the Supplemental Security Income Program. Over 15 months ago, I first came to the Subcommittee to mention reports I had heard about the failings of the SSI Children's Program. While public attention often focuses on allegations of fraud and abuse and, in fact, my original testimony did so last year, an extensive examination of the program has shown that the problems run much deeper.

SSI for children is a rudderless program. It has no clear congressional direction. Under the adult SSI Program, benefits are extended in order to supplement income that cannot be earned due to a disability. However, payments to children must serve another function because children are not expected to support themselves. The key problem is that the current SSI Program fails to state adequately what providing assistance to these children is really meant to achieve.

Lacking clear direction, the program often fails to serve a constructive purpose. It is impossible to talk about abusive payments when there is no clear statement how these payments should be used. The lack of clarity has led to what we have today, a program that is out of control. Therefore, providing direction to the program should be the focus of the SSI reform.

We, as Members of Congress, have to answer two questions: Who should qualify for this assistance, and what is the appropriate form and use of this assistance?

As the Chairman has said, and as Mr. McCrery has said, and I agree, that in answering these questions we must ensure that the final result is a system which meets the needs of all seriously disabled low-income children in a constructive manner. This must be the bottom line of any reform proposal.

We all know this is a complicated issue. I have been working on it for 1½ years, and in recent months have been working with Mr. McCrery in an effort to agree on a plan for reform. It is clear we agree on the purpose of reform, however, we currently have different approaches for achieving the same goal.

I am hoping that we will be able to work together in the days ahead to find a single bipartisan approach that will make SSI for children an effective, constructive program which helps children maximize their opportunities, where possible, to become self-supporting.

In my written testimony, Mr. Chairman, I highlight problems in the program and outline a proposal for reform. This proposal seeks to capitalize on existing resources to meet the disability-related needs of all low-income seriously disabled children. My plan would replace cash assistance, retain current Medicaid coverage, and institute a supplemental Medicaid plan designed to cover items and services that seriously disabled children desperately need.

An example of items that could be covered would be ramps, telecommunication devices, TDDs, special clothing, child care on week-

ends so the folks can go out, and things of that nature would be envisioned under the Medicaid Plus Plan.

The plan is designed to avoid creating a new bureaucracy and to leave substantial responsibility and flexibility to the States in administering this program.

This proposal also looks to redefine the definition of disability to ensure that seriously disabled children are the recipients of assistance. I believe that we must take a careful look at the individualized functional assessment process which was put in place by the Supreme Court *Zebley* decision. Experts I have spoken with have questioned the subjectivity of this process. In fact, GAO is expected to release a report soon which raises serious questions as to whether the IFA process is inherently flawed.

I believe we should require the Social Security Administration to review cases regularly to see if a recipient's condition has improved. This is particularly important in the case of children whose condition can change rapidly. I realize this comes with administrative costs, however, reviews generally pay for themselves by the benefits that are saved.

The proposal calls for the incorporation of Medicaid divestiture language in the SSI Program. I recently came across a case involving a child applicant. The family of the child received a \$12,000 inheritance from the child's paternal grandfather who had passed away. This inheritance would certainly have made the child financially ineligible for assistance. However, the family spent \$3,000 of the inheritance and gave \$9,000 to the maternal grandfather which is the majority of the inheritance, and therefore the child was awarded SSI benefits. This divestiture language from the Medicaid Program is designed to prevent this situation from occurring.

This proposal is aimed to achieve one bottom line: To serve the needs of all seriously disabled low-income children in a constructive manner. It is a blueprint of one way to achieve the goal, and I look forward to working with Mr. McCreery, with the Committee, with groups of interested citizens and advocates to design a program that will work.

It is easy to come and to criticize those who propose reform. But it is harder to come forward with reform proposals. And so the advocates that will follow us, I ask them to give us some idea how we can change the program, correct some of the worst abuses, while still providing for children who need it.

Mr. Chairman, I again look forward to working with the Committee. Hopefully, we can make this part of the welfare reform proposal which the Committee is working on now.

[The prepared statement follows:]

**Statement of Congressman Gerald D. Kleczka
Before the Human Resources Subcommittee
January 27, 1995**

Mr. Chairman, I would like to commend you for holding this hearing today and thank you for inviting me to testify. Over the last few years, public attention has begun to focus on the enormous problems in the Supplemental Security Income (SSI) program. Over 15 months ago, I first came before this Subcommittee to mention reports I had heard about the failings of the child SSI program. While public attention often focuses on allegations of fraud and abuse -- and, in fact, my original testimony from last year did so -- the extensive examination of the program has shown the problems run at a deeper level.

SSI for children is a rudderless program. It has no clear congressional direction. Benefits are extended to low-income disabled adults to supplement income that they cannot earn due to their disabilities. Payments to disabled children, however, must serve another function because children are not expected to support themselves. The key problem is that the current SSI program fails to adequately state what providing assistance to these children is meant to achieve. Lacking clear direction, the program often fails to serve a constructive purpose. It is impossible to talk about abuse of payments, therefore, when there is no clear statement of how those payments should be used. The lack of clarity has led to what we have today -- a program growing out of control.

Therefore, providing direction to this program should be the focus of child SSI reform. We should answer the two questions: (1) who should qualify for assistance?; and (2) what is the appropriate form and use for this assistance? In answering these questions we must ensure that the final result is a system which serves the needs of all seriously disabled low-income children in a constructive manner. This must be the bottom line of any reform proposal.

As you know, Mr. Chairman, this is a complicated issue. That is why we have been considering it for so long. My colleague, Mr. McCreery, and I have been engaged in discussions on this issue, and I have enjoyed working with him on this matter. It is clear that we agree on the basic purpose of reform. However, we currently have different approaches for achieving the same goal. I am hopeful that we will be able to work together in the days ahead to find a single bipartisan approach that will make SSI for children an effective, constructive program which helps children maximize their opportunities to become self-supporting. I would now like to take this opportunity to present some background information and outline my ideas about how to improve this program.

Background

SSI was created as part of the 1972 amendments to the Social Security Act (P.L. 92-603). It began providing assistance to low-income disabled, blind, and aged individuals in 1974. Since then, SSI has grown into a \$24 billion program serving more than 6 million people. In 1995, individual SSI recipients will be eligible for up to \$458 per month in federal assistance plus an optional state cash supplement and Medicaid coverage.

Inclusion of Children: When the program was developed in 1971, there was significant debate over whether children should be eligible. The House thought so, and the Ways and Means Committee wrote that disabled children "are deserving of special assistance in order to help them become self-supporting members of our society." On the other hand, the Senate disagreed, stating that the lone difference between disabled and non-disabled children's needs was in medical costs. Despite this difference of opinions, the House prevailed and the enacted bill allowed child eligibility for SSI. However, despite the House Ways and Means Committee's clear intention that the funds be used to help qualifying children become self-supporting, the statute contained no requirement that the assistance be used to do so.

Definition of Disability: For SSI purposes, an adult is deemed disabled:

"if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than twelve months."

Substantial gainful activity (SGA) is generally defined as \$500/month. A child can qualify for SSI:

"if he suffers from any medically determinable physical or mental impairment of comparable severity" to that of an adult.

Pre-1990: For the first 16 years of the program, children were considered disabled if their impairments met or equalled the severity criteria listed in SSA's medical standards (called a listing). Adults who did not qualify under this test could still be found eligible under a residual functional capacity test based on their ability to engage in substantial gainful activity. This second level of evaluation was not applied to children because they generally do not work to support themselves. Thus, in December of 1989, only 296,000 children were in the program.

The Zebley Decision and Post-1990: However, in February of 1990, the Supreme Court, in Sullivan v. Zebley, issued a ruling which would have far-reaching implications for the SSI program for children. In this ruling, the Court determined that the Social Security Administration's (SSA) regulations did not comply with the statute. The decision found that the evaluation for children violated the "comparable severity" clause of the law. Thus, the Court ordered SSA to adopt a process for children analogous to the adult procedures. SSA responded by adopting a second tier whereby children whose impairments do not meet the listing may still qualify through an individualized functional assessment (IFA), which compares the child's behavior to that of unimpaired children of the same age. Since the adoption of the IFA and a revised listing of childhood mental impairments (which was issued in December 1990), the number of children on SSI has almost tripled.

Rationale for Reform

SSI Now Provides Monthly Cash to Many Children with No Strings Attached:

What began in 1974 with payments to just 71,000 children has grown to include almost 900,000 children at a cost of over \$4.45 billion each year. Most alarmingly, almost two-thirds of this increase has come in the last five years, and the program continues to grow today.

Needs Direction from Congress: The HHS IG recently issued a report on this program. The IG found that the program lacked clear direction from Congress. Without a well-defined purpose, SSI provides cash to these children but does not require that the money be used constructively or for disability-related purposes. It is no wonder that so many problems have been reported, and that the public is demanding change. Specifically, the IG wrote that:

** SSI does not consider the added costs to a family created by an impairment in determining a child's eligibility.

** neither the statute nor the regulations include a requirement that payments be used solely for the special needs of children with disabilities.

** many of the children's needs are being addressed, at least in part, by other assistance programs (such as food stamps, AFDC, and a variety of special education services).

In concluding its report, the IG wrote:

"We believe that the intent of the SSI program for children with disabilities, and the manner in which some children are determined eligible by individualized functional assessments need to be revisited by Congress."

Moral Hazard: With its lack of direction, the current system can create an awful dilemma for parents of disabled children. Should a child receive the treatment which could lead to self-sufficiency, his or her SSI eligibility would be threatened and the family could lose its monthly cash benefits. Thus, a system exists which provides a disincentive for receiving treatment. This disincentive fails the recipient and the program.

Additionally, the existence of cash benefits can create an incentive for seeking classification as disabled. Along with this classification often comes a stigma which a child cannot easily overcome. Thus, if a child with a condition that can be expected to improve is classified as disabled, this can create a cycle of dependency and hamper further development.

Reports of Problems in the Program: My office and many other congressional offices have heard from a variety of sources (parents, teachers, social workers, school officials, Social Security workers, and administrative law judges) who have numerous concerns about the current program and accounts of problems. Reports such as these are too prevalent for a taxpayer-funded program:

** the parents of a child with oppositional disruptive disorder refuse to allow the child counseling due to fear that the child's condition might improve, and therefore the child would lose eligibility for benefits.

** the parents of a child with attention deficit disorder refrain from giving the child Ritalin so as not to allow the medication to "screw up his SSI."

** a 16-year-old child who had a childhood illness and had been on SSI for quite a few years came into a Social Security office to report income from a job she had gotten. When asked about her disability, she said that she had none and the SSI payments were simply money that her mother gave her.

Flaws in the Program: Reports abound of children with allegedly suspect disabilities qualifying for assistance. Behavior that could be addressed by parents or a school counselor can qualify a child for more than \$5000 a year in assistance (plus Medicaid in most states). In fact, GAO found that 13.3% of all child awards are for disabilities classified as behavior problems. Clearly, we should help families of low-income children with serious physical or mental disabilities. However, we should target this assistance to ensure that it used appropriately.

Few If Any Reviews: The current system provides cash payments to children with behavioral problems, and, once a child gets on the program, even if he or she has a condition which could improve, the child often remains on it without a review of disability until age 18.

Households Can Have Several Recipients: Currently, a number of members of a single household can receive maximum benefits. An SSA study found that there are at least 60 households in this country with 12 SSI recipients. At 1994 levels, such a household would receive a potential federal benefit of over \$64,000 per year (plus the possibility of an additional state supplement and Medicaid coverage depending on the state).

Attractive Benefits: Some suggest there are those who move from the Aid to Families with Dependent Children (AFDC) program to SSI in order to take advantage of SSI's more generous benefit amounts. The HHS IG studied one sample of children on SSI in 1992 and projected that 58% were receiving AFDC benefits at the time of their SSI applications.

To illustrate, look at the State of Wisconsin using January 1994 benefit levels. A Wisconsin family of three (one mother and two children) on AFDC would receive \$6,204 annually. However, if one child qualified for SSI and the other child and mother remained on AFDC, the family would receive \$11,652 annually, or an increase of \$5,448. And, if both children qualify for SSI and the mother remained on AFDC, that family would receive \$15,720 annually, or an increase of \$9,516.

Summary and Goals of Reform
Supplemental Needs Assistance For Disabled Children

Summary: The bottom line of reform should be to find a system which serves the needs of seriously disabled children in a constructive manner. I believe that we should consider replacing the current monthly cash payments which have few requirements with a system that targets services directly to the needs of qualifying children. In so doing, we should ensure that this assistance plays a role in improving the long term outlooks of disabled children who could one day be self-supporting. Finally, we should only provide assistance to seriously disabled children.

Therefore, my proposal for reform is focused on two central goals:

- (1) **targeting the necessary assistance to seriously disabled children; and,**
- (2) **amending existing coverage to provide additional medical services, durable goods, and other necessary items (rather than cash payments) to disabled children to maximize their opportunities to become self-supporting.**

The proposal achieves these two goals by building on existing resources. By supplementing Medicaid coverage, it constructively targets the necessary assistance to seriously disabled children.

Specifics

Medicaid Plus Replaces Cash Payment to Children: SSI payments are designed to replace income which a disabled, blind, or aged person cannot earn due to an impairment or age. Most children do not earn income to support themselves regardless of whether or not they are disabled. Therefore, for a child, there is generally no income to replace. Moreover, programs already exist to meet low-income children's needs which do not arise from their disability. Under this proposal, cash assistance would be replaced with expanded medical coverage. Needs of qualifying children which result from disability and are not covered by Medicaid would be met under the Medicaid Plus program.

The objective of this supplemental needs assistance is to target resources to qualifying disabled children so that their disability-related needs are met in a way that allows them to maximize the chances that they will one day achieve independence and engage in substantial gainful activity. The coverage for low-income disabled children would then concur with the Senate Finance Committee's observation in 1972, that the needs of disabled children versus those of non-disabled children, "are generally greater only in the area of health care expenses."

Medicaid Plus Services: For those recipients qualifying for Medicaid, a large portion of their medical needs are met through this coverage. Especially when one considers the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program, a wide range of services are included. Medicaid Plus would seek to provide those items which are not available under Medicaid coverage. Needs of the child which are disability-related would be covered. Examples could include home improvements such as ramps, respite care, and medically-necessary computer equipment used to help a disabled child with functioning in society. It would be a goal of this program to assist the families of seriously disabled children in providing for them without the need of institutionalization.

Operation of Medicaid Plus: Medicaid Plus would supplement a state's Medicaid services. The States would have substantial responsibility and flexibility in identifying the child's disability-related needs and meeting these needs. Federal funds would match all state Medicaid Plus expenditures at the Medicaid rates. SSI eligibility would continue to be determined by the state disability determination services (medical) and SSA (financial). Thus, Medicaid Plus assistance would leverage existing resources and NOT create a new bureaucracy.

SSI children choosing to utilize the supplemental Medicaid Plus coverage would have to undergo a screening under the EPSDT program. This screening would seek to identify as many needs of the child as necessary. Other necessary items would be provided for, as identified.

Items provided for under Medicaid Plus would be capped at \$2,500 dollars per year. Exceptions from an individual's cap would be made for reasonable and medically-necessary capital expenses (such as ramps or other home improvement and computer equipment). These capital purchases would only be made at acceptable frequencies.

Mandatory Redeterminations: Before the 103rd Congress, there was no required review of continuing disability for SSI recipients. The result was a program that, for all practical purposes, provided possible lifetime benefits regardless of improvement in a recipient's condition. In the last session, a mandatory review was instituted for child recipients at the age of 18. However, this is still not frequent enough to protect taxpayer funds.

This proposal includes a required redetermination for SSI children whose conditions might be expected to improve. This redetermination would occur at least every five years in an attempt to determine whether a disability continues. Children with qualifying disabilities for which improvement cannot be expected (such as those with Down's Syndrome) would be exempted from this redetermination requirement.

Definition of Disability: The financial requirements for the program would be the same as for the current SSI program, with Medicaid asset divestiture rules applying. However, the definition of disability would be altered to clarify that only seriously disabled children should be receiving this assistance. I would not oppose eliminating the IFA process. Many of the experts I have spoken with question the subjectivity of this process, and GAO is expected to release a report soon which raises serious questions about whether the IFA process can be improved more than marginally or if it is inherently flawed.

Mr. Chairman, this is not an easy issue. There are no quick solutions. That is why I look forward to the work of Mr. McCrery and this Subcommittee, as well as the comments of the others here today. My proposal is one way to approach this problem and I am hopeful that constructive discussion to follow will lead to the formulation of an answer which will meet the bottom line: serving the needs of all seriously disabled children in a constructive manner.

Chairman SHAW. Thank you very much, Jerry, and again my apologies for putting you in Massachusetts rather than Wisconsin.

Mr. KLECZKA. Some people in Wisconsin would like me to be from Massachusetts.

Chairman SHAW. Be careful. I am apologizing.

You and I have talked about the welfare system in Wisconsin. I certainly should have known better. And, Jerry, I want to thank you and Jim for taking the lead on this Committee in spotlighting some problems in a very important Federal financing fund, which has been abused, but must be preserved. The good parts must be preserved and it must be tightened up so the system cannot be gamed.

Do any of the Members on either side have any questions of this panel?

Mr. RANGEL. Mr. Chairman.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. I wanted to compliment the Chair and these witnesses for making it abundantly clear that they want to cut out the abuses and not the benefits for people who are eligible and who are qualified. I think that has been made clear. But I hope in the future as we move forward, that we can get rid of this mean-spirited language that makes it appear as though every program designed to give assistance to the poor, whether they are sick or whether they are kids, is going to become a Federal target under the new leadership.

They are not as compassionate as you are in making it clear that we have abuse and we have to save the taxpayers' dollars. Because even if you are sincere, when this is all over, you find out that those who lose the benefits are minorities and are children and are poor. Unless it is abundantly clear that they are not the targets, we could have very, very serious political problems.

I say this to compliment the Chair who has done this throughout the hearings, and certainly our colleagues on the Committee. But I am afraid when this bottom line is drawn, those who have capital and wealth will be the beneficiaries and those that are just trying to survive in this system on the city, State and Federal level are going to find that there is less available to them.

So thank you for your patience, and I thank the witnesses for their observations of a good program that may have a few bad people manipulating it.

Chairman SHAW. Mr. Camp.

Mr. CAMP. Mr. Chairman, I just want to say that I agree with my colleagues on the need for reform, and like you, I heard from teachers and school officials who care very much about the children they teach who called me and made me aware of the abuses within this system because they are often asked to be the witness in the IFA evaluation. And so that is how they know what is going on.

And I just want to say that I look forward to working with both of you. I hope we can come up with a bipartisan approach to reforming the system.

Thank you very much.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Like my colleagues, I very much welcome the testimony of both of our distinguished colleagues and commend them for their effort to get at the abuse in this program.

Mr. McCrery, let me just ask you or Mr. Kleczka, in terms of SSI for Children, do you have, based on your work, any guess or estimate as to the extent of the abuse?

And, Mr. McCrery, do you have any idea what the effect of your proposal would be? What percentage of those children now receiving benefits would be eliminated from the program?

Mr. MCCRERY. If, Mr. Levin, we do away with the IFA, the individualized functional assessment, and you take out of the universe children who have qualified for SSI under that subjective criteria, it is almost 30 percent of the universe. We suspect that some of those children could have qualified under the medical listings in the SSI Program.

So if you say that, maybe, 10, 15 percent of those could have qualified under the medical listings, I would say rough figures, 25 percent of the children may not be on the rolls if you do away with the IFA.

Mr. LEVIN. So you are saying that about 25 percent who are now on the rolls would be eliminated. Do we have any assessment as to the nature of the disabilities of those children, of the 25 percent who would be eliminated from the rolls? Because I think we are reading—or will hear elsewhere, that a number of those children who did not qualify under the medical listing have disabilities of some severity. Do we know what the nature of the disabilities are of the children—of this 30 percent?

Mr. KLECZKA. Mr. Levin, if I could respond to that.

The post-*Zebley* decision provided for the individualized functional assessment test. And it is a much broader measure than the medical listings prior to the Supreme Court. And so today we have such things as conduct disorders being made part of the qualifications for SSI payments. We also have a standard where if the child is not up to the norm or his or her actions are not up to the norm of a child the same age, that would qualify the child.

So what we see here is a very relaxed standard by the *Zebley* decision. However, I should point out that in 1990, about the same time as the Supreme Court decision, there was a change in the medical listings. And what I would think that we have to do before we finally draft the plan or submit it to the Committee, we have to also explore those listings. Part of the revised regulations on SSI include what we know now as ADHD which is a hyperactivity disorder. And I think there, again, like the conduct disorder or IFA, that has to be seriously looked at for many children who qualify under ADHD.

When I discussed this with my sister when I was back home last week, there were four of us in the family, myself, a brother and two sisters. And after I explained what that was all about, she indicated that back when we were growing up, we all would have qualified for that. However, the program was not around. So it has to be seriously looked at, Mr. Levin.

Mr. LEVIN. Because in the testimony that is coming from, I think, from Jane Ross, it says in 1990 SSA revised its medical standards for assessing mental impairments in children, adding

separate listings for such impairments as attention deficit hyperactivity disorder, autism and other pervasive developmental and personality disorders.

My time is up. I commend you for your efforts, and I hope that your efforts will lead to some constructive effort in Committee.

Mr. RANGEL. Would the Chairman yield for a moment?

I just wanted to find out under what heading did my colleague become eligible for SSI as a child?

Mr. KLECZKA. This colleague? Conduct disorder, I am sure, Mr. Rangel.

Mr. RANGEL. I am inclined to agree, I just wanted to check it out.

Mr. KLECZKA. In fact, it is continuing in my adult age.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

I appreciate your testimony this morning, and I am sure that as a child that the amount of time that I spent with my nose in the corner of a classroom, I would have had a disruptive type of behavioral disorder and would have qualified for this.

But, obviously, we are here to try to determine the best way to use the taxpayers' dollars. I think that there is no question that all of us believe that people, and especially children who are truly disabled, need to be provided extra assistance.

How can we, Mr. Kleczka, in a bipartisan fashion, come up with some legislation that can prevent the abuse without spending so much money trying to chase after the abuse? You know, for every dollar that you try to save, you spend \$2 trying to monitor the savings. Do you have some suggestions on that?

Mr. KLECZKA. Well, I think the first thing we have to do is redefine and tighten up the criteria. I know full well there will be some reexaminations of some of the children that would not be eligible under that criteria. But as Jim indicated, with a 30-percent growth due to a court decision called *Zebley*, which instituted the IFA, the individualized functional assessment, that has caused the most problems that we read about and hear about from our constituents. Once we look at that, that could be a big part of cleaning up some of the problems and providing some direction for this program.

Mr. ENSIGN. Before that decision, was the abuse nearly as bad or was it still bad before that decision, Mr. McCrery?

Mr. MCCRERY. Yes, Mr. Ensign, there was some abuse prior to the *Zebley* decision, and Mr. Kleczka referred to that earlier. There was some rewriting of the regulations just prior to the *Zebley* decision which expanded the medical impairments listing. And we do need to take a look at that as well. However, if you just do away with the IFA, you have solved the bulk of the problem. Mr. Kleczka said 30 percent. It is actually a 300-percent increase since the *Zebley* decision.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mr. KLECZKA. Mr. Chairman, one further point. Since 1980 to 1985 to 1990, there was, I would say, growth in the program, but it was moderate. From 1980, it was 229,000 children; 1985, 265,000 children; and in 1990 when the new listings came out and the *Zebley* decision, we were at 340,000; then in 1991, it grew to 439,000; 1993, 771,000; and in 1994, 893,000. So we have seen rapid, rapid growth since 1990.

Mr. MCCRERY. Mr. Chairman, I also want to recommend to the Committee, you have at your desk a reprint of articles from the Baltimore "Sun" that ran over the last week or so. This is a compilation of articles, not only on the children's program but the addicts, and so forth. But the article on the children's program is excellent.

John O'Donnell and Jim Harner did excellent research. And I recommend this very highly to the Members of the Committee to get a sense of the abuses in this program.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Let me ask my colleagues, how much of this in rewriting the regulations, as you mentioned earlier, can be placed—not blamed *per se*, on the SSA and its disability determination section. The administrative part of this and many of these applications, like on this conduct disorder my colleague talked about earlier, how much of this has the administration indicated are caused by the lack of resources and the lack of financial resources to address this problem, such that they have let so many of these cases go, that we have seen abuse in the SSI Program?

Mr. MCCRERY. Mr. Ford, on the next panel, there happens to be an area manager of disability determinations from the State of Louisiana. And each State, of course, has their own disability determinations. It is handled by the States. But Mr. Parker will be able to answer this question more fully.

But basically, the information I have received from disability determination workers is that their hands are pretty much tied. They have to qualify children if they meet these criteria. And they are not happy about it. But there is not much they can do because of current law.

Mr. FORD. Are the regulations written in such a way that this conduct disorder is on this checklist and it could qualify one of these children for the disability benefits?

Mr. MCCRERY. Yes, sir.

Mr. FORD. So, don't you see the SSA needing administrative help to address some of these problems?

I saw, in the last couple of years, many of the applications of these fake disabilities. Some of the claims have been filed, and many of these claims have been denied—only in the recent 15, 18 months. Why was this not a fact, maybe 4, 5, 6, 7 years ago after the 1989 Supreme Court case?

Mr. KLECZKA. If I understand the question, in my meetings with the Wisconsin SSA officers and also the determination board which is housed in Madison, Wisconsin, their workload is high, but nevertheless they are keeping up with it.

I know full well right after the re-review and the change of listings in 1990 and the Supreme Court decision, they were just flooded with reapplications, redeterminations, with some very large back payment checks. And I think all of that has now sort of settled down. They still do not have the resources, Mr. Ford, for any re-reviews and that is the sad part.

Mr. FORD. Any idea how many applications are pending now before the SSA?

Mr. KLECZKA. It is State by State. I have no idea on what the Wisconsin application backlog would be.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. OK, I believe if there are no other questions of this panel—Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman, and gentlemen, thank you for your testimony. We look forward to hearing it expanded in the panels we hear today.

I would like to make mention of the fact that the gentleman from New York referred earlier to lack of compassion among Republicans and leadership on this issue. But as Speaker Gingrich has said over and over again, our goal with SSI is to bring integrity back into this program and to find a way to protect the needy, but to stop the cheaters.

Thank you, Mr. Chairman.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Just quick, because we have a vote. I am not quite clear what happens to 209(b) States which have more restrictive Medicaid criteria than SSI. How does your proposal affect those States?

Mr. MCCRERY. At the present time, we don't have a provision affecting those States. As you know, they were opted out some time ago. And that continues to be a problem, even under the existing system. So it is possible that we could address that within the context of this reform, but so far, we have not come up with any proposal.

Mr. KLECZKA. Mr. Chairman, if I might before we go for the vote, Mrs. Kennelly, let me ask you a question, if that is proper. Are the SSI children receiving adequate medical care in your State and the 12 other 209(b) States?

Mrs. KENNELLY. We have an interesting situation. We are one of those States that SSA says only has one child receiving Medicaid and SSI.

Mr. KLECZKA. I think that is the criteria I will judge. If the 209(b) States are providing adequate medical services, let them continue. Any additional services that we provide in lieu of cash or if we do a block grant, I am assuming that States, take Connecticut, would participate in that, or if it is totally refunded, you would not have any fiscal responsibility.

Chairman SHAW. Thank you.

I would like to just highlight what Ms. Dunn said. I think sometimes we hear each other here in the Congress but we are not listening to each other. I don't see that there has been a lack of compassion expressed by anybody on this subject. Nor do I expect to hear that.

I would like to thank Jerry and Jim for being part of this panel. If Mr. Parker and Mr. Gardner and Ms. Higginbotham would come to the witness table.

We are going to recess.

I would like also to ask while we are recessing—it will be about 15 minutes while we pick up these votes, if the television sets, and I assume we are through with them, if they could be removed, it would be helpful to us.

Thank you.

Recess for 15 minutes.

[Recess.]

Chairman SHAW. We are this morning going to be disrupted I think quite a few times for votes, but we will proceed as expeditiously as we can under the circumstances. Recognizing that many of you are here at some sacrifice to your personal schedule and personal convenience, we will be as thoughtful as we possibly can.

On our next panel we have Wayne Parker, the area manager of the State of Louisiana Disability Determinations Service, in Shreveport, Louisiana, who will describe the abuses he has seen in the disability program involving children. He is joined by James Gardner, past president of the Association for Retarded Citizens, and himself the parent of a disabled child. Finally, Karen Higginbotham, parent of a disabled child, who is joining us today from Opelousas. I am corrected by the gentleman from Louisiana.

Welcome to all of you, and those of you who have submitted testimony, we have that, and it will be made a part of the record. If you care to summarize, you may.

I will begin with you, Mr. Parker.

STATEMENT OF WAYNE PARKER, AREA MANAGER, STATE OF LOUISIANA DISABILITY DETERMINATIONS SERVICE, SHREVEPORT, LOUISIANA

Mr. PARKER. Chairman Shaw, Members of the Subcommittee, I am Wayne Parker, the area manager of the Disability Determinations Office in Shreveport, Louisiana. However, the testimony I will give you today is not the official position of my agency, but that of a concerned citizen and the father of a child with multiple medical problems.

I have become aware of the enormous problems created by new guidelines since the *Zebley v. Sullivan* Supreme Court decision was made in 1990. Prior to this decision, SSI children's claims were adjudicated by determining if the child's medical impairment met or equaled the severity of the medical listings. Now they are also evaluated using an individualized functional assessment.

As a result of the new criteria, the educational community has been requested to provide information detailing how the child functions at school. This additional requirement has created enormous problems in the educational community and for the children whose claims are being adjudicated.

Let me share with you some of the problems that have been expressed to me by teachers, principals and special education personnel.

Teachers have been asked to spend a significant amount of their time each year completing forms for this program, instead of teaching students and preparing lesson plans.

Reports from teachers state that frequently average students become behavior problems and start performing poorly in school just prior to the time they receive an SSI form to complete.

Several teachers have reported overhearing their students discuss what you have to do to receive a crazy check.

One teacher reported that a child told her that his mother had promised him a Nintendo if he would fail and get expelled from school.

A first grade student from Riverside Elementary in Simmsport, Louisiana, asked her teacher if she was crazy. When the teacher asked her why she asked such a question, the little girl replied, "My Mama said I had to be crazy so she could get a check."

One fifth grade teacher in Avollyes Parish reported a parent who wanted her child moved away from another child because the child kept telling her child how stupid he was for completing his homework. The child said he was going to get an SSI check and was never going to work.

The principal of South Side Elementary in Lake Providence reported being called from his office to see a student who was rolling around in the hall yelling, "They are after me." When he arrived, he found nothing wrong with her, but one of the teachers said, "We'll be getting the forms on her pretty soon." They received the forms 5 days later.

Teachers, in some cases, have been threatened because the child they completed an SSI form on had been denied benefits.

Special education personnel have been forced to evaluate students on demand from parents even though teachers had not identified an educational or health concern.

Some parents have demanded that special education personnel lower test scores so their child would qualify for SSI.

Some parents have even demanded that their child be placed in a special education classroom when the child was performing well in school.

A preschool child from East Carroll Parish told a school psychologist that he saw balloons coming out of the walls. When questioned about the statement, he said, "Oh, I forgot, mamma said say blood was coming out of the wall."

This list could continue. However, the educational community is not alone in the problems seen with the SSI children's cases. Psychologists performing intelligence tests and mental status exams for disability determinations frequently report children who have been coached or have not performed to their maximum capacity.

Disability examiners have also identified additional problems in the development of evidence on a claim. They have seen grades that have been changed on report cards, names that have been changed on school records, school function forms that have been changed after the teacher has completed them, and names that have been changed on medical records.

What happens to those who attempt to obtain benefits through fraud and are caught in the process? Nothing. We are told there is nothing we can do. I am not aware of any attempt to prosecute anyone for attempting to fraudulently obtain benefits.

A recent GAO study found 67 percent of SSI child claims are approved because of mental impairment. The number of children's claims approved because of a mental impairment has quadrupled since the criteria were loosened. However, many disability examiners and medical consultants are concerned that there is not comparable severity in SSA guidelines between children with mental impairments and adults with physical impairments.

Since the *Zebley* decision was made, there has been a drastic increase in the number of SSI claims. In the Shreveport office, we have received more than twice the number of children's claims

than the combined total of Social Security disabled workers, disabled widows and children of disabled, retired, or deceased workers. Despite the large number of claims being approved for benefits, very few continuing disability reviews are being performed to determine any improvement in the condition of the children.

The increase in frivolous applications has resulted in increased administrative cost to the agency. There has been a significant increase in personnel cost and the number of consultative exams purchased by the agency. This cost is due not only because of the increased number of claims but also due to the number of claims filed with no current source of medical evidence to support the allegations.

Mr. Chairman, Members of the Subcommittee, thank you for this opportunity to appear before you today.

[The prepared statement follows.]

**Testimony of Wayne Parker,
Area Manager, Disability Determinations Service,
Shreveport, Louisiana**

**Subcommittee on Human Resources
House Ways and Means Committee
January 27, 1995**

Chairman Shaw, and Members of the Subcommittee:

I am Wayne Parker, the Area Manager of the Disability Determinations office in Shreveport, Louisiana. However, the testimony I will give today is not the official position of my agency, but that of a concerned citizen and the father of a child with multiple medical problems.

I have become aware of the enormous problems created by new guidelines since the Zebley vs. Sullivan Supreme Court decision was made in 1990. Prior to this decision, SSI children's claims were adjudicated by determining if the child's medical impairment met or equaled the severity of the medical listings. Now they are also evaluated using an individualized functional assessment. As a result of the new criteria, the educational community has been requested to provide information detailing how the child functions at school.

This additional requirement has created enormous problems in the educational community and for the children whose claims are being adjudicated. Let me share with you some of the problems that have been expressed to me by teachers, principals and special education personnel.

1. Teachers have been asked to spend a significant amount of their time each school year completing forms for this program, instead of teaching students or preparing lesson plans.
2. Reports from teachers state that frequently average students become behavior problems and start performing poorly in school just prior to the time they receive an SSI form to complete.
3. Several teachers have reported overhearing their students discuss what you have to do to receive a "crazy check".
4. One teacher reported that a child told her that his mother had promised him a Nintendo if he would fail and get expelled from school.
5. A first grade student from Riverside Elementary in Simmsport, Louisiana asked her teacher if she was crazy. When the teacher asked her why she asked such a question the little girl replied, "my mamma said I had to be crazy so she could get a check."
6. One fifth grade teacher in Avolles parish reported a parent who wanted her child moved away from another child because the child kept telling her child how stupid he was for completing his homework. The child said he was going to get an SSI check and was never going to work.
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8. Teachers, in some cases, have been threatened because the child they completed an SSI form on had been denied benefits.
9. Special education personnel have been forced to evaluate students on demand from parents even though teachers had not identified an educational or health concern.
10. Some parents have demanded that special education personnel lower test scores so their child would qualify for SSI.

11. Some parents have even demanded that their child be placed in a special education classroom when the child was performing well in school.

12. A preschool child from East Carroll parish told a school psychologist that he saw balloons coming out of the walls. When questioned about the statement he said, "Oh, I forgot mamma said say blood was coming out of the wall."

This list could continue. However, the educational community is not alone in the problems seen with the SSI children's cases. Psychologists performing intelligence tests and mental status exams for Disability Determinations frequently report children who have been coached or have not performed to their maximum capacity.

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Mr. Chairman, and Members of the Subcommittee, thank you for the opportunity to appear before you today.

Chairman SHAW. Thank you.
Mr. Gardner.

**STATEMENT OF JAMES B. GARDNER, MEMBER OF THE BOARD
AND PAST PRESIDENT, THE ARC, FORMERLY ASSOCIATION
FOR RETARDED CITIZENS OF THE UNITED STATES**

Mr. GARDNER. Ladies and gentlemen of the Committee, I appear before you today to tell you that according to all reliable available data and my own personal experience over the past two decades since my daughter was born, Supplemental Security Income is achieving just what it was intended for in the vast majority of cases. It is the one program which empowers the family, which is unique and diverse in each and every case, to meet the real needs of the child with mental retardation and other severe disabilities.

Although my daughter passed the maximum age of 18 more than 3 years ago without partaking prior to that time of the benefits under discussion here because we were not poor by Federal standards, I know that the cash subsidy, although only \$458 per month, in tandem with the medical coverage provided by Medicaid, has avoided the incredibly more costly and devastating consequences of a lifetime of institutionalization.

My personal experience, interaction with many families, and dealing with advocates, consumers and professionals over the years while serving as president of The Arc of Louisiana and The Arc of the United States, convinces me without a doubt that if the cash subsidy is eliminated in favor of a more restricted parceling out of a limited list of services without regard to the diverse needs of the American family and the SSI beneficiaries, the result will be a substantial increase in homelessness of poor families, as well as a sharp increase in costly out-of-home placements and inappropriate institutionalization.

The SSI cash subsidy was not intended for medical expenses, for children and adults, but rather for food, shelter, clothing and the many extra increased expenses occasioned by severe disability.

What about child care, transportation, nutritional supplements, assistive technology, increased cost for utilities, respite care, diapers, and even counseling for some or all family members in the family? People with mental retardation and other disabilities need all of these things and more.

The SSI cash subsidy may well enable a parent to stay home and take care of the child. It was intended to benefit the entire family, not just the child. By benefiting the family, it also benefits the child.

Every out-of-home placement envisioned by the public or private sector is vastly more expensive than the cash subsidy under discussion here when the child remains at home. Average annual institutionalization costs of \$77,434 are more than five times the expenditure for keeping the child at home and providing SSI and special education costs totaling \$15,500. This is a savings of \$62,000 per year per child.

Mental retardation is a lifelong disability. It does not come and go. A consistent body of medical and developmental history is almost always available to support the diagnosis, and this largest group constitutes 44 percent of the enrollment of children on SSI.

Mental retardation cannot be faked. Social Security studied more than 600 applications last year, and of the 13 where faking was suspected, only three were accepted in the program, but on other information than the test results which were disregarded in making the determination.

Approximately half the people who apply now are rejected nationwide to the program, and 62 percent are rejected in my home State of Louisiana, which is the highest rejection rate in the United States. No other studies or statistics have been developed or offered to date during these discussions in recent times.

A commission created last year to study the SSI Children's Disability Program is in place and ready to begin its work right now and report to you in November. Why not let the commission do its work?

The hundreds of thousands of families who are receiving the cash subsidy and doing the right thing by their children find themselves about to lose the cornerstone of their security because of alleged but yet unquantified abuse by a small minority of recipients who certain members of the media, public educators, and bureaucrats claim to have found ripping off the system.

If we assume they are correct, why not first examine the effectiveness of the Social Security Administration and the State agencies charged with processing and determining eligibility?

Why not examine and attempt to make more effective the monitoring of the expenditures of representative payees of children?

Why not reevaluate eligibility of all children every 2 to 5 years depending on the original diagnosis and the strength of documentation on the issue of the permanency of the disability?

Some conditions will never change with treatment, but some do change. As a litigator professional in the tort system, I know that psychiatry and psychology have procedures and skills to identify the malingerer from the genuine. Why not improve the utilization of that expertise and the eligibility and review process to address the problem rather than simply throwing out the baby with the bath water?

My professional education coupled with the support of my extended family allowed me to generate adequate resources to keep my daughter at home for the past 21 years. Had those financial and human resources not been available, the cost to the public of our out-of-home placement would have surpassed \$1 million by the time she reached the age of 18.

Let us not be too quick to replicate this cost across America by pulling the rug out from under poor families with children with mental retardation and other severe disabilities.

[The prepared statement follows:]

STATEMENT OF JAMES B. GARDNER ON BEHALF OF THE ARC
 COMMITTEE ON WAYS AND MEANS, SUBCOMMITTEE ON HUMAN RESOURCES
 JANUARY 27, 1995

INTRODUCTION

On behalf of The Arc, I want to thank the Ways and Means Subcommittee on Human Resources for this opportunity to testify regarding the Supplemental Security Income program. I am a member of the national Legal Advocacy and Human Rights Committee of The Arc, as well as a Past President of the national organization. I am the parent of a young woman with mental retardation who receives SSI benefits as an adult. As a parent, an active member of our local chapter of The Arc, and an attorney in Shreveport, Louisiana, I am very familiar with the day-to-day struggles of parents, families, and individuals with mental retardation and other serious disabilities.

The Arc is the largest voluntary organization in the United States devoted solely to the welfare of the more than seven million people who are mentally retarded and their families. Its national membership numbers over 120,000 people, more than half of whom are parents of children and adults with mental retardation, and includes people who are mentally retarded themselves. The Arc has approximately 1,200 state and local chapters throughout the country. Since its founding in 1950, The Arc has participated actively in the formulation of public policy with respect to the rights of, and services, supports, and benefits for, citizens with mental retardation, including public policy concerning the SSI and Social Security disability programs.

SSI AND PEOPLE WITH MENTAL RETARDATION

People with mental retardation who are SSI beneficiaries are dependent upon SSI and Medicaid for many of their basic needs such as food, shelter, clothing, medical care and long term supports and services. About 825,000 children (302,000) and adults (523,000) under age 65 with mental retardation receive SSI benefits. Children with mental retardation constitute 44 percent of the total number of children who receive cash assistance through the SSI program and constitute a majority of the 66 percent of children with mental impairments receiving SSI.

PROPOSALS FOR REFORMING THE CHILDREN'S SSI PROGRAM

While there is no specific proposal before the Subcommittee at this time, The Arc is extremely concerned about proposals which have come to the forefront of discussions. It is our understanding that a proposal may come forward to eliminate the federal cash benefit to children and, instead, to grant (or block grant) the money to the states to provide services, not cash, to the children whom the states choose to serve. We also understand that the proposal would potentially limit the definition of disability for children, specifically eliminating consideration of functional capacity when determining disability.

We believe that this proposal actually runs contrary to a key precept of this Congress: to reduce government involvement in the lives of its citizens. Rather, the proposal would disempower families/beneficiaries from making their own decisions regarding their own needs within the modest cash benefit amount and, instead, give the funds to the states to develop and provide new services within a specified menu. The proposal would actually reduce a family's flexibility in meeting the needs of the child with severe disability. It assumes that people with low incomes are incapable of making appropriate decisions regarding themselves and their children.

PROPOSALS IGNORE THE REAL NEEDS OF FAMILIES: CERTAIN NEEDS CANNOT BE MET BY A SERVICE PROGRAM

Many critics of the SSI children's program are ignoring the very real needs of children with mental retardation and other disabilities and their families and are proposing sweeping changes to the program which will harm many families.

The maximum federal benefit for an individual in 1995 is \$458 per month, less than \$5,500 per year. By its very nature, the SSI program provides only a very minimal income subsidy which does not even bring people to the federal poverty line. Families with children with severe disabilities who labor to provide for their children and to plan for their future are struggling on the edges of economic survival. Any type of emergency or unexpected expense could throw many of these families into an economic tailspin. They depend upon the cash which they receive to maintain the family's existence.

Despite the recent sensational news stories regarding the children's SSI program, the vast majority of eligible children benefit from the cash assistance program because it allows their families to meet their needs for food, clothing, shelter, and other basic necessities or goods. Families are able to tailor expenditures based upon the child's current needs and the unique circumstances of the family and are more able to respond to changing or unusual circumstances than typical service systems approaches. In addition, substituting more

services for cash will not address the children's and families' needs for income support to supply basic necessities such as food, clothing, and shelter. We believe that the current mix of SSI cash benefits and the services available through various educational, social services, and health/medical agencies is better suited to meeting the complex variety of a child's needs than an all-or-nothing approach: neither an all-cash approach nor an all-services approach will meet the wide variety of needs in a child's life. Both are required.

Many parents of SSI eligible children with disabilities report that their families would fall apart if the cash benefits were to be discontinued. They point out that they are able to keep their children at home, with the family, rather than in an institution, because of the assistance of the SSI cash. Many are fearful of what will happen to them and their children if cash benefits are halted. Many will be homeless.

If not from a humanitarian view of family and the value of a loving family to a growing child, then from a purely fiscal point of view, the Subcommittee should listen to the pleas of these families. The average cost of institutionalization in this country for people with mental retardation is over \$77,434 per year. The combination of the availability of special education services and SSI benefits for low-income families has significantly reduced the rate of institutionalization of children. In 1969, of the almost 200,000 people with mental retardation living in institutions, about 95,000 were children. Today, it is estimated that only 65,000 people with mental retardation are living in institutions and only 6,000 are under age 21. The significance of this social change should not be ignored; we should not help to reinstate the economic pressures which may ultimately force families to institutionalize their children with severe disabilities. The savings to government are significant, also: combining the average annual costs of special education (\$10,000 per student) with the maximum federal SSI benefit (less than \$5,500) results in annual costs of about \$15,500 per child -- a savings of \$62,000 per year per child versus the costs of institutionalization.

In preparation for this hearing, The Arc sent an informal survey out to families of children who receive SSI benefits regarding their expenditures on behalf of their children, their work situations, and the types of services that their children require, among other things. Our office has been swamped with phone calls and completed questionnaires. Due to time constraints, we were unable to compile the information in a way to do it justice prior to the hearing. However, we are compiling the information and will be happy to supply the statistics and work with Subcommittee Members and others regarding the issues of critical importance to these families.

STUDIES DO NOT BEAR OUT REPORTS OF WIDESPREAD ABUSE

Contrary to the conclusions drawn from sensational anecdotal stories in the media and elsewhere, data from three recent federal government studies and reports of the growth in the children's SSI program (General Accounting Office; Social Security Administration internal review; and Department of Health and Human Services Office of Inspector General) indicate that there is not widespread abuse of the system or attempts by parents or children to "fake" disability. The GAO reports that 70 percent of the children who are found eligible for SSI are found eligible on the basis of the medical standards of severity in the "listings". Yet the proposed reforms to the program are designed to broadly sweep away all of the good aspects of the program as well as those areas where improvements could be made.

It is important to comment here on one aspect of the OIG report which is particularly troubling to us. The report states that "If Congress intends the program to help children with disabilities become adults capable of engaging in substantial gainful activity, changes are needed to ensure that the children receive the assistance they need for them to meet this objective." (emphasis added) We have no quarrel with trying to ensure that children have the assistance they need to reach their goals. However, the first half of the statement sets up an unrealistic goal, in fact a "Catch-22", for these children with severe disabilities. Because the eligibility standard for children is supposed to be comparable to that of adults, it makes no sense to expect that all these children will be able to engage in SGA as adults since, by definition, their disabilities are comparable to those that would prevent an adult from engaging in SGA. The reality is that, while some children will eventually become capable of engaging in SGA, very many of them will only be able to become partially self-supporting and many will require life-long supports. The intended effect of providing support early in life, particularly in childhood, is to lessen the potential impact of disability over a lifetime, to prevent additional or secondary disabilities from developing, and to improve the overall potential of the individual. For many children with severe disabilities, a realistic goal would be to reduce the level of need for services over time and to improve the ability of the individual to be a contributing member of society and at least partially self-supporting; it would be unrealistic to expect them to engage in SGA.

THE COMMISSION ON CHILDHOOD DISABILITY SHOULD BE ALLOWED TO COMPLETE ITS WORK

In response to the media reports, the 103rd Congress established a Commission on the Evaluation of Disability in Children which is to report to Congress in November 1995. The Commission has been appointed and will begin meeting next week. The Commission should be allowed to carefully assess the complaints about the program and the overall use of the program by children with disabilities and their families. Congress should wait until the Commission has completed its work before it institutes major change.

OTHER, LESS DRASTIC, REFORMS ARE NEEDED

The Arc acknowledges that there are several areas within the SSI children's program which should be improved; both the implementation of the program and the public trust in the program would benefit. These areas include providing information to parents and others who serve as representative payees for children's benefits regarding their responsibilities, reporting requirements, and appropriate ways in which to spend the cash benefit on behalf of the child. In addition, the Social Security Administration should be conducting regular reviews regarding whether a child continues to be disabled ("continuing disability reviews"). SSA could intensify its efforts to ensure that the disability determination process is being properly implemented in all areas of the country, including increasing training and monitoring of the professionals involved in decision-making. SSA should promote available work incentive provisions more widely and work with the Departments of Labor and Education and other relevant federal agencies to improve the opportunities for children with severe disabilities to work to their highest potential. It may also be necessary to thoughtfully examine possible ways to handle benefits when there are multiple beneficiaries in a family. There are also other targeted ways to address the specific problems of the SSI children's program without wholesale elimination or reduction of the cash benefit upon which so many children and their families depend.

Congress must also recognize that the Social Security Administration will continue in its inability to thoroughly monitor the children's SSI program, and other programs within its responsibility, unless adequate resources are appropriated for administrative expenses.

The Arc is willing to work with the Congress and the Administration to identify and develop appropriate remedies for the problems that actually exist in the children's SSI program. However, The Arc will continue to oppose sweeping changes which are harmful to the vast majority of children and their families and which have no basis other than in sensational, anecdotal stories.

We believe that a thorough discussion of the problems that exist in the children's SSI program requires an understanding of the history and development of the various components which make up the process for determining childhood disability. For this reason, we submit for the record the following summary of events leading to the expansion in the number of childhood disability applications in recent years and the increase in SSI childhood beneficiaries.

THE HISTORY OF THE SSI CHILDREN'S PROGRAM SHOULD BE UNDERSTOOD

The Arc believes that it is important to view the developments stemming from the *Sullivan v. Zebley* case, the subsequent revised childhood disability criteria, and the revised childhood mental impairment regulations in historical context with an understanding of the problems which existed prior to these major developments. Essentially, it must be remembered that in *Zebley* the U.S. Supreme Court issued a landmark opinion on the basis of the finding that the Social Security Administration's (SSA) regulations regarding childhood disability criteria were inconsistent with the law.

Title XVI of the Social Security Act authorizes payment of Supplemental Security Income (SSI) benefits to children who have an impairments of "comparable severity" to one that would be considered disabling for an adult. Under the Social Security Act, an adult is considered disabled, and therefore eligible for SSI benefits if, in addition to meeting income and resource criteria, he or she has an impairment that prevents him or her from engaging in any substantial gainful activity (SGA). SSA has a five-part test for determining disability for adults. The third step allows a person to be considered disabled if medical evidence of the impairments matches or is equal to ("meets or equals") one of the listings of impairments [20 CFR 404, Subpart P, Appendix 1], which are presumed to be severe enough to preclude any gainful activity. If the adult does not qualify for SSI benefits at that step, steps four and five are designed to allow a vocational analysis to determine whether the adult could engage in his or her past work or any other work given his or her education and work experience.

Prior to the *Zebley* decision, the determination of disability for children ended at the listings of impairments step. To be determined disabled, a child had to show that his or her impairment matched or was equal to one of the listed adult or childhood impairments. If the child could not make such a showing, there was no step in the childhood disability determination process comparable to the vocational assessment for adults. The child was simply found to be not disabled for purposes of the SSI program.

The *Zebley* case was a class action suit on behalf of Brian Zebley, two other named plaintiffs, and all individuals "who are now, or who in the future will be entitled to an administrative determination . . . as to whether supplemental security income benefits are payable on account of a child who is disabled, or as to whether such benefits have been improperly denied, or improperly terminated, or should be resumed". In a 7-2 decision written by Justice Blackmun, the Supreme Court ruled that the childhood disability regulations were inconsistent with the statutory standard of "comparable severity." The Court found that failure to provide for an individualized functional analysis for children nullified Congressional intent to link the childhood disabilities criteria to the adult criteria. The Court went on to state:

The fact that vocational analysis is inapplicable to children does not mean that a functional analysis cannot be applied to them. An inquiry into the impact of an impairment on the normal daily activities of a child of the claimant's age--speaking, walking, washing, dressing and feeding oneself, going to

school, playing, etc.--is, in our view, no more amorphous or unmanageable than an inquiry into the impact of an adult's impairment on his ability to perform any other kind of substantial gainful work which exists in the national economy".

The Court also noted that childhood disability listings were not exhaustive and included only the more common impairments: "There are, as yet, no specific listings for many well-known childhood impairments, including spina bifida, Down's syndrome, muscular dystrophy, autism, AIDS, infant drug dependency and fetal alcohol syndrome."

The judicial resolution of this issue came after years of effort by many advocacy and other organizations in the courts, in Congress, and through SSA to address the failure of the regulations to deal correctly with childhood disability.

In 1990, SSA appointed a panel of experts in child development and childhood disability to help the agency develop criteria for determining disability based on an individualized functional assessment. The experts represented a wide range of areas: general pediatrics, developmental genetics, developmental pediatrics, infant development, behavioral pediatrics, pediatric psychology, pediatric neurology, child psychology, pediatric special education, home and community care, family and support systems, physical and occupational deficits, early childhood education, pediatric rehabilitation, learning disorders, chronic illness and somatics, and communication disorders.

New regulations for determining childhood disability on the basis of functional limitations were published by SSA and were immediately effective on February 11, 1991 as interim final regulations. Final regulations were published on September 9, 1993 with a sunset date of Sept. 9, 1997, when SSA will further review the implementation of the regulations and consider any necessary changes.

Under the regulations, provision is made to conduct an individualized functional assessment, which incorporates all relevant past and present medical and nonmedical evidence in a child's case records. Evidence from people who know the child and his or her functional limitations, in addition to the evidence provided by doctors and other health professionals, is strongly encouraged. Information about the child from parents, other family members, caregivers, educators, and practitioners in other disciplines should be collected. Where discrepancies exist between formal test results and the child's usual behavior and daily activities, SSA requires the documentation and resolution of discrepancies. The evaluation of a child's development or functioning from infancy through childhood to maturation into adulthood may include his or her cognitive/communicative, motor, social and personal/behavioral spheres of activity. The evaluation may further address responsiveness to stimuli (in children from birth to age one); personal/behavioral patterns (in children from one to 18); and concentration, persistence, and pace in completion of tasks (in children from three to 18). The evaluation also seeks to determine the extent to which the child can engage in sustained activities appropriate to his or her age.

In understanding childhood disability determination, it should also be noted that SSA took one other critical action in the early '90s. On December 12, 1990, new regulations or "listings" were published for determining disability for children based on mental disorders (or impairments) and a new listing for disabilities based on Down syndrome or other serious hereditary, congenital, or acquired disorders. This was a result of work initiated by SSA years before the *Zebley* decision. These regulations were effective immediately.

The childhood mental impairments listings were substantially revised and took into account the child's age. The listings improved the criteria for determining who is disabled based on mental impairments before the need for a full individualized functional assessment, while, in fact, including some new functional assessment criteria at the listings level. The listings cover the following: mental retardation; psychoactive substance dependence disorders; autistic and other pervasive developmental disorders; attention deficit hyperactivity disorders; developmental and emotional disorders of newborn and younger infants (birth to age one); organic mental disorders; schizophrenic delusional, and other psychotic disorders; mood disorders; anxiety disorders; somatoform, eating, and tic disorders; and personality disorders.

In the preamble to the new Down syndrome rules, SSA indicated that experience showed that virtually all children with Down syndrome (except Mosaic Down syndrome) would be found disabled when the effects of their impairments could be properly documented and evaluated. Therefore, the new rules allow children whose Down syndrome has been established by clinical and laboratory findings to be considered disabled from birth without waiting until such time as functional limitations could be proven.

Finally, the new listings for multiple body dysfunction due to hereditary, congenital, or acquired conditions assist in establishing disability from such conditions as phenylketonuria (PKU); fetal alcohol syndrome; mental retardation with known causes associated with impairments of other body systems; and other impairments.

MUCH NEEDED IMPROVEMENTS FOR CHILDREN

In a nutshell, the final rules for childhood disability determination in response to the *Zebley* decision, the childhood mental impairment regulations, and the regulations for Down syndrome and other serious

hereditary, congenital, or acquired disorders were the result of much careful deliberation over the course of nearly a decade and involved numerous experts on child development and disability. While there are some problems as discussed above, overall the new regulations are a tremendous improvement for children and long overdue. After 20 years, children are just now beginning to receive the consideration of their disabilities which should have occurred from the beginning of the program. With such a long delay in implementation of the original intent of the program, it is no wonder that the numbers of children becoming eligible for the program are increasing rapidly. The dramatic increase in the numbers of eligible children must be seen in historical context and must not be allowed to serve as the basis for inappropriate cutbacks.

CONCLUSION

As discussed above, where there are problems, solutions must be carefully and surgically crafted to ensure that they are not overreaching in effect. Frankly, we believe that many of the "problems" which have been reported are the result of misunderstandings of the SSI program, generally, and of the process for determining childhood disability, specifically. Where instances of abuse or exploitation are suspected, proper avenues for redress exist in the state child protective services systems and within the SSA representative payee system. Other improvements to the SSI program itself are discussed above and The Arc would be pleased to work with the Subcommittee regarding a package of amendments to improve the implementation of and the monitoring and enforcement of the program.

Again, The Arc appreciates the opportunity to comment on the above issues and looks forward to working with the Subcommittee to enact real, targeted improvements to the SSI program. If you have any questions on the above, please contact Marty Ford at The Arc Governmental Affairs Office, (202) 785-3388.

Chairman SHAW. Thank you.

Ms. Higginbotham, I understand you ran into some bad luck in the airport with regard to destruction of a wheelchair. We know that you and your daughter are here at great personal inconvenience, and it makes me very, very pleased that you took the time to come and be with us and bring your daughter with you.

If you would like to proceed, your full statement will be made a part of the record and you may proceed as you see fit.

**STATEMENT OF KAREN HIGGINBOTHAM, OPELOUSAS,
LOUISIANA**

Ms. HIGGINBOTHAM. Thank you.

Mr. Chairman and Members of the Committee, my name is Karen Higginbotham and I live in Opelousas, Louisiana, with my husband Danny and our children, Alison, who is 6, and Dustin, who is 5. Thank you for allowing me to speak to you today about SSI for children.

Alison, who is here with me today, has physical and mental disabilities caused by a rare seizure disorder called infantile spasms. Although Alison is 6 years old she functions like a child who is only 18 months old. She cannot do any of her personal needs. She cannot feed herself, hold a cup or take a bath. She cannot speak. She is incontinent and wears diapers. She must be supervised and attended to throughout the day. She has no concept of danger. She uses a wheelchair to go to school and to go any distance.

Doctors told us that Alison's prognosis was poor—so poor that they would not speculate about her future, but we were bound to prove them wrong. At the time we had no idea what was ahead for us or for Alison.

Alison has separate sessions for physical, occupational and speech therapy every week. The gasoline costs alone for these trips add up fast. When Alison was past the age when most children were potty trained, we were still buying diapers for her. We took her to a speech therapy program out of town because there was no local program. We had to pay the full \$800 tuition ourselves since Medicaid would not pay for a university program. The extra transportation costs were another \$250.

When Alison no longer fit in a baby crib, we adapted a twin bed for her which cost \$200. We also purchased special switch-operated toys so she could play like other children, and they can cost up to twice as much as traditional toys.

As Alison began to make some progress, we realized we had to make certain home modifications to help her develop even more. Since we were renting, we could not make the home modifications that would help Alison. So we bought a house even though it wiped out our savings and left us nothing for other family emergencies.

To help Alison learn to do things for herself, we installed door levers and modified the bathroom for her. We added a ramp to the house for Alison's wheelchair and rails for the back porch so she could play safely outside. Because Alison spends most of her time on the floor, we put carpet in her bedroom.

The driveway was only dirt so we needed to concrete it for Alison's wheelchair. Although putting gravel on the driveway would have been enough for us and Dustin, it didn't work for

Alison's needs. These improvements cost several thousands of dollars.

Alison must have shoes with good ankle supports. Her shoes cost \$50-\$60 each, not like the \$15 shoes that Dustin gets. Alison requires extra clothing because she is incontinent and I leave extra clothes at school and in the car for her frequent emergencies.

We want to get an adapted tricycle for her. It would cost about \$400 compared to the cost of Dustin's \$20 bike. Medicaid won't cover this because recreation is not considered medically necessary. But we would really like Alison to have a tricycle so she could feel more like other kids—and it would also strengthen her leg muscles.

Mr. Chairman, one of the most difficult expenses for Alison is a funeral plan and a burial plot. Most life insurance companies won't insure a child with disabilities. One company has insured her at a higher rate, but only for \$5,000. Although this will cover a funeral and burial if she dies now, it won't be enough later. We bought what we could because if we die before her, we don't want Dustin to have to pay for his sister's death.

I have described the costs we have for Alison, both on a daily basis and extra things connected with her disability. These are expenses that we don't have for Dustin. None of these expenses are covered by Medicaid.

Every month I send a letter listing monthly income with my husband's and my check stubs to the Social Security Administration. Once a year, Social Security sends us a report to fill out on how Alison's SSI check is spent. I log the expenses for our entire household. House payments, utilities, house insurance, food, maintenance and repair to our home is divided by four to account for Alison's share. Any expenses that are strictly for her are logged as such, as I use this information for Social Security's report.

SSI is a tremendous help for us to provide what Alison needs. In the past year, Alison's monthly SSI check has averaged \$394.47. The check varies from month to month because my husband gets paid every 2 weeks, so some months he gets two paychecks and other months he gets three. Even if Alison got the maximum amount of \$458 every month that would mean she would get \$5,496 a year. If Alison were institutionalized, our State and Federal Government would pay \$60,000 a year for her. What do you think taxpayers want to spend?

Mr. Chairman, if Alison were in an institution, all her needs would be provided at no cost to us, but we want to care for her.

Actually, she would not get everything she needs in an institution. She would not get the love and nurturing of her family. She would not have the opportunity to enjoy a family life like other children do. She would not be able to learn how to live in the community. She would not grow up where all children deserve to—in their own homes with their families.

We believe that families who want to raise their children with disabilities at home should have the right to do so. SSI allows us to make that choice.

If my husband and I died today, Dustin would go to a foster or adopted home. But Alison probably wouldn't be so lucky, and I bet she would end up in an institution. When some people talk about

family values and family unity, it seems like they only mean for "normal children" who don't have special needs.

Alison is the light of our lives. She has come further than doctors ever expected her to. When she was four she learned to crawl, pull to stand, and communicate with gestures. One month shy of her sixth birthday she began to walk unassisted in the house. She still needs her wheelchair when we go out and for any distance. We are elated by her progress and we are proving the doctors wrong.

Her eyes light up when her daddy comes home from work. She shrieks when grandma and grandpa come to visit. She loves to put on my shoes just like most girls. She loves yogurt and going bye-bye. She attends Sunday Mass and goes to religion classes. She fights with Dustin just like any sister would. She laughs, shows you where her hair is and loves to hear music before going to bed. Dustin adores her. If Alison were in an institution, my husband and I would be devastated, and so would Dustin because he would lose his favorite playmate and best friend.

Alison's disabilities are hard on all of us—emotionally, physically and financially. My husband has worked and paid taxes his entire adult life. I have a small part-time job. I miss working full time, but being at home means I can work with Alison on her therapies every day and take her to all the therapy and doctor appointments she needs. We get respite care and personal care assistance for Alison, which frees up some time for me to be with Dustin. He deserves to have a mother too.

Even if I did not have a child with disabilities, I would still want the SSI Program for eligible children with serious disabilities and their families. I think many people who do not have disabilities fail to realize that we are all just temporarily able bodied. Any child could have an accident or get sick and suddenly have a debilitating disability or illness. Disabilities have no prejudice of sex, age, race, social status or political affiliation.

Our family lives modestly and within our means. My husband works hard to support us and to meet our ordinary needs and I try to help. But we need some extra help to take care of Alison at home and we are made to feel guilty about getting it.

Mr. Chairman, in closing, I want to say that Alison is not a burden to us. We love her dearly. We want her to reach her fullest potential in life and to have some level of independence as she grows up. She would have never progressed like this in an institution. The SSI she gets allows us to give her our constant love and attention. We, her family, are the best decisionmakers about her needs.

Thank you.

Chairman SHAW. Thank you for your testimony.

Mr. McCrery will inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. And thank all of you for your testimony today.

Mr. Parker, you have heard comments today about the study that the Social Security Administration did to try to determine what level of fraud and abuse there was in the SSI Program for children. Are you familiar with that study?

Mr. PARKER. Yes, sir, I am.

Mr. MCCRERY. It appears to me that the testimony you have given here today and the news accounts that we have seen on

"Prime Time" and the Baltimore "Sun" don't exactly jibe with the Social Security Administration's assessment. What is your assessment of the abuse of this program?

Mr. PARKER. One thing, after reviewing that study, it did not include the results of children with mental retardation. It did include ADHD, but mental retardation is one of the most error prone, subject to malingering categories we see. Why that was not included in the study, I do not know.

One thing I do not know specifically how these samples were selected for that study, whether it was done based on an established diagnosis to determine if there was actually a mental impairment or whether it was done with an allegation of a mental impairment. It is not unusual for us to see cases with an allegation, but once we develop the evidence, there actually is no mental impairment. So if they established it with an established diagnosis, that is a good study.

The other thing I am not aware of is what percentage of the claims that actually was, to determine if that study was large enough to be statistically valid. I did circulate the results of that study to my staff and I could not find a single disability examiner that thought it was accurate.

Mr. MCCREERY. Thank you.

So your assessment of the level of abuse of this program differs from the statement that the Social Security Administration gave us?

Mr. PARKER. Very significantly.

Mr. MCCREERY. And, Mr. Parker, is it correct that you also have a severely impaired child?

Mr. PARKER. Yes, sir, I do. I have a son with hemophilia, severe hepatitis C, and a shunt that has malfunctioned three times in the last 4 years. My medical bills every year for the last several years have been over \$100,000, and I will reach the cap at three-quarters of a million dollars on my primary insurance within the next few months.

Mr. MCCREERY. So you have some experience dealing with disabled children.

Mr. PARKER. Yes, sir, I do.

Mr. MCCREERY. Thank you.

Mr. Gardner and Ms. Higginbotham, do you agree that there is abuse in this program?

Mr. GARDNER. Oh, I certainly believe that there is probably abuse in this program. I think any time you have any program, you are going to have some abuse.

What I have not seen is any statistical quantification of the abuse. I know in the Chairman's opening remarks, he mentioned 100,000 people. But I have not seen any data about that.

One of the things that has just come out that was very interesting that I was studying last night, on January 18, the Social Security Administration put out a copy of a memorandum to the various Commissioners—I guess the outlying people that are administering the program—on this subject of the abuse and the crazy checks and all that sort of thing.

And I was reading that memorandum, and I noticed that last June, on June 20, a guideline was sent to all the Social Security

offices about reporting any of that type of activity. And between June 20 and December 8, 460-something cases of suspected abuse were sent to Social Security for review, and it said when they reviewed those, that in only 32 of those cases of suspected abuse was Social Security granted.

That letter pointed out that the statistics of the applications is 115,000 per quarter. And if we are looking at roughly two quarters, we are talking about 466 cases being referred to be reviewed again out of, say, 200,000 cases, which is one-quarter of 1 percent.

So while I feel certain there is probably abuse there, these media reports we have, I don't know any families that have a whole bunch of children on SSI. So I certainly don't think that is typical of the program.

So I think there is abuse there, but I don't think it has been quantified. And I think it needs to be quantified. And it can certainly be addressed on how to deal with it in the eligibility determination process, I think, and in reviewing the followup monitoring and review.

Mr. MCCRERY. Thank you for that response. I would like to follow up later and perhaps get your ideas on how we prevent this kind of abuse.

The fact is that there are a great many families with multiple children on SSI that we have been able to locate and the news media has been able to locate. Why Social Security cannot do this, I don't know, but it exists, it is out there, and the job of this Subcommittee is to find a way to stop it.

Chairman SHAW. The time of the gentleman has expired.

Mr. Ford will inquire.

Mr. FORD. Thank you, Mr. Chairman. And let me thank the witnesses, and Alison's mother. We are very delighted to have you here. I am sorry I missed the first part of your statement to the Committee.

With Alison, do you have the Medicaid benefits—I may have missed that part of it—with your daughter? Do you have Medicaid? Does Alison have Medicaid?

Ms. HIGGINBOTHAM. Yes, sir, she does.

Mr. FORD. She has Medicaid?

Ms. HIGGINBOTHAM. Yes, sir.

Mr. FORD. You mentioned in your statement that the cash benefit certainly was a support system for you and your husband in taking care of and raising Alison. What if the entitlement was removed with the Supplemental Security Income, that it was placed into a block grant that we would appropriate funds to the States, and the cash benefit was removed along with the Medicaid benefits, and some of the things you talked about in your opening statement would be provided up to a certain amount annually? Say those items that you would be buying for Alison would be provided by the government, and no cash benefits monthly from the Supplemental Security Income? Would that impact, affect you and your husband in raising Alison?

Ms. HIGGINBOTHAM. First I need to ask you a question. I am not exactly sure what a block grant is and what it would do.

Mr. FORD. A block grant would just shift the responsibility to the State so that it would no longer be an entitlement program re-

ceived under the Social Security Administration, which you receive the Supplemental Security Income monthly check of whatever the monthly amount would be.

Ms. HIGGINBOTHAM. Would this block grant be only for medical expenses?

Mr. FORD. It probably would be only for medical expenses, and some of the items that you have talked about earlier that Alison would need during the course of a year, those special things that you need to balance in order to give her the comfort she might need.

Ms. HIGGINBOTHAM. I see that there could be a lot of red tape involved and it could delay her getting some of these items she needs. As it is with Medicaid, you have to wait a long time, you have to wait for approval, and you also have to wait for a provider to order it. Sometimes if you need something right now, it is going to take—you may not get it for 3 to 6 months.

So I see it as—if that would happen, it would be a great delay of equipment and/or services. And since a lot of the things that we provide for her, if it is considered medically necessary by the normal standards, I could see that it could be a lot of problems.

Mr. FORD. How long did it take you once you applied to the Social Security Administration's office, from the date of the application with Social Security, how long did it take you to go through the process for the disability benefits for Alison?

Ms. HIGGINBOTHAM. I applied several times. I applied when Alison was just an infant and we were deemed ineligible because of income standards. I applied again when my husband had lost his job and we were still denied because of income standards. And I applied again when I had lost a job, and that is when we were able to get it.

The last time we applied was in February 1992, and she was—she started receiving benefits in April of that year. Her medical criteria was already established. So it didn't take very long.

Mr. FORD. And you were denied once, twice, three times? Going through the regular process, the original application and to the Disability Determination Section, and all of the medical records I guess being supported in the application, I guess the reconsideration process, the disability determination process.

Do you remember exactly how many times you were denied? I am trying to see—

Ms. HIGGINBOTHAM. I believe it was twice. I believe it was on or about October 1988, the year she was born, and again around April 1989, and again when I reapplied in February 1992.

She was always eligible medically.

Mr. FORD. She was always eligible medically.

Ms. HIGGINBOTHAM. Right. Her problems started at birth.

Mr. FORD. You were means tested, you and your husband?

Ms. HIGGINBOTHAM. Yes, sir.

Mr. FORD. Mr. Parker, have you witnessed in your office many of these disability claims being denied, or do you know of any application that might have come to your office that should have been denied, that SSA or the Disability Determination Section approved these claims, and you felt very strongly that these individuals would not, should not have been qualified for SSI benefits?

Mr. PARKER. We have seen an enormous number of attempts to defraud the system, and all of the cases we approved, we met Social Security Administration guidelines.

There is a good bit of concern that there is not comparable severity on requirements for an older American with a physical impairment.

Mr. FORD. You think the claims you approved met the requirements under the statute?

Mr. PARKER. We did everything we could to screen those cases using their guidelines.

Mr. FORD. I see my time has expired. But the abuse part of the SSI Program, you have not really seen a lot of that come through your office, are you saying?

Mr. PARKER. Oh, yes, we have seen an enormous amount.

Mr. FORD. But those applications in many cases and instances have been rejected; is that correct?

Mr. PARKER. Yes, sir.

Mr. FORD. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Collins will inquire.

Mr. COLLINS. Thank you, Mr. Chairman.

Ms. Higginbotham, to help clear up a little bit about what is an entitlement versus a block grant, an entitlement is when you fit a certain criteria then you are entitled to funds through that program. A block grant would still be based on eligibility.

If you are eligible for the program based on a situation such as Alison's, then you would still be eligible for benefits under that program. The difference in entitlements is that it is funded by the Federal Government based on dollars needed. The block grant too would be based on dollars needed, but it would be appropriated year after year, not just an automatic funding, if that helps in any sort of way.

This, as one of my colleagues mentioned, is a very politically sensitive area. But it is also a very sensitive area, especially with Members who have very, very deep compassion for situations such as mental retardation through disability. My wife and I have been very fortunate with our children, but I have brothers who have not been as blessed as I have, and due to some of the things that have occurred in our family over the last 40 years, Mr. Gardner, my mother was the founder of the Association for Retarded Citizens in Butts County, Georgia, many, many years ago.

But, you know, in this body, we must look at the program. We must look at SSI from the standpoint that we do have a lot of people in this country who are in need, true need. But we do have a lot of people who are abusing the system in some way. And that is where we need to determine exactly how or what the best avenue is for determining eligibility.

Mental retardation to me stands out because it is a chronic disability. Mental retardation just doesn't happen 1 day and is gone the next. You can go back and check the history and you can check it again next year or the year after. The mental retardation will still be there.

Mr. Parker, you deal with the subject on a constant basis, at the office and at home. What would be your recommendations as to how we address eligibility?

Mr. PARKER. One of the keys I see is to retain the Medicaid eligibility for children with severe disabilities, because one of my major concerns is that the person in my situation that has \$100,000 in medical bills but, you know, makes \$10 too much to qualify for SSI, has absolutely nothing.

So they do not have the Medicaid eligibility. I think the idea of a block grant could be productive because one of the things, when we see children with ADHD, I think the educational community would be more beneficial in working with those children than giving that cash to those parents.

Mr. COLLINS. In the area of Medicaid, when a child reaches 18 and becomes an adult, then they are eligible as an adult; is that not true?

Mr. PARKER. That is correct.

Mr. COLLINS. What is the difference between the day before they turned 18 and the day they turn 18? The costs are the same. The problems are the same. Especially in the area of mental retardation.

And we appreciate each of you being here, and Alison is a pretty little girl.

Ms. HIGGINBOTHAM. Thank you.

Mr. COLLINS. Thanks for coming.

Chairman SHAW. Mrs. Kennelly.

Mrs. KENNELLY. Yes, Mr. Chairman, and Mr. Chairman, I would like to thank you for having this hearing, and Mr. McCrery for the work he has done. And I think this hearing is highlighting the fact that we have a very, very difficult charge in front of us.

Thank you, Ms. Higginbotham, for coming with Alison, for your suggestion to us that we absolutely should do something to help what you are doing, trying to keep your child at home and making ends meet. You are doing everything possible to have Alison's life have quality to it.

Yet, on the other hand, we saw the television presentation of the people who abuse the system. There is abuse in the system. So you highlight where we have to help people, and the other witnesses that have come here to support you and to back you up highlight that.

So I think this whole hearing, Mr. Chairman, brings out that we have got a very, very important task of separating the truly needy for SSI and those who abuse the system. I think this is what this process is all about. And we have to be very, very careful in the process of getting the abusers, we don't hurt those who rightfully qualify for SSI.

So I thank you for the hearing and I thank you for coming.

Mr. Parker, I have to say to you, you are trying to do your best, I know that, but the people in the agency are going to have to help us do better so we can separate the wheat from the chaff so that people don't get hurt. I can't tell you how to do your job. Something has gone askew, and this is something that I am scared to death we are going to hurt those who need it like Alison.

Ms. HIGGINBOTHAM. May I ask a question? From what I understand from your explanation of the block grants, and since children who get SSI also get Medicaid, in my understanding of it, it would serve the same purpose that Medicaid does, which is already in

place. To my understanding, and I may be wrong, you would be setting up something that is already in place.

Mrs. KENNELLY. Yes, but there is a concern here, and some of us are concerned that if you do a block grant, sending this back to the State, in the process you cut back on the amount of moneys being spent to needy disabled persons. The State has less. You get less. Alison gets less.

What we don't want to do is say, OK, this is such a sticky, difficult problem, we are going to send it back to the States. In the process people like you get hurt.

So it is a technical situation, something we are going to have to wrestle with.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mrs. Kennelly.

Mr. English.

Mr. ENGLISH. Thank you, Mr. Chairman.

I welcome the panelists and I appreciate their being here to address an issue which will require some of the wisdom of Solomon to sort through both the need to provide assistance for people with disabilities like Alison and also to try to address the problem of fraud.

And I think we all recognize this is an enormous responsibility, and this may be the most difficult thing we do in this Subcommittee this year.

Mr. Parker, it is my understanding that Social Security sent all disability examiners a special notice to follow Social Security procedures for reporting suspected cases of fraud, and that is especially in cases in which a child tells a teacher or some other professional that he was instructed by his parents to act up in class. This is one of those areas where supposedly there has been a certain amount of fraud.

Do you believe that this effort has been successful in limiting the abuse of the SSI Children's Program?

Mr. PARKER. No, sir. We have had some of those in the regional Social Security Office in Dallas. But I am not sure that does anything to deter the children from happening.

The major concern that I have is for the educational community, that what the parents are doing to these children in order to attempt to obtain benefits, they are destroying, you know, the will of the child to get a good education by encouraging them to fail. These are kids that could be doing well.

They could become teachers themselves or doctors or lawyers. But they are not getting that encouragement at home. They are going the wrong way.

One of the things I think we need to do is have the educational community involved in establishing the process.

Mr. ENGLISH. Thank you. My wife is a member of the educational community in our area, and certainly there has been a lot of anecdotal concerns about precisely these kinds of situations.

Mr. Parker, also, many of the program's advocates refer to cited cases of abuse as being anecdotal. And I wanted to get your reaction to that. And I was wondering, do you consider the number of cases of suspected fraud that you have seen in your office to be unusual?

Mr. PARKER. No, sir, I don't. I don't think it is unusual, because I am a member of the legislative committee that serves the South-west region for the National Association of Disability Examiners, and we have discussed this with a number of members across the country, and I think it is quite prevalent throughout the country.

Mr. ENGLISH. Thank you.

Thank you again, for all of the members of the panel, for giving your time to help bring us up to speed on this very difficult issue.

Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin will inquire.

Mr. LEVIN. Thank you very much, and again, welcome.

Mr. Gardner, you expressed the need so vividly, as well as Ms. Higginbotham. So let me, if I can, in a nonadversarial way, because I don't think this is a matter of partisanship here in terms of how we root out the problem.

So let me discuss with you, Mr. Parker, I am interested in hearing your ideas of how we root out the problem without uprooting those in need.

You are the area manager. You are in charge of the determination process for the Shreveport area, right?

Mr. PARKER. Yes.

Mr. LEVIN. Are people now receiving benefits through your office who should not be?

Mr. PARKER. That is a pretty broad interpretation there. If you are saying are people—we do everything possible to screen those cases, following administration guidelines to make sure that they are not. Based on the evidence that we are able to obtain, we feel that we do a good job in screening the cases.

Mr. LEVIN. Do you think in terms of preventing fraud and abuse, that you are doing an effective job within your area?

Mr. PARKER. We are doing everything we can with the resources we have.

Mr. LEVIN. Well, how effective a job do you think you are doing?

Mr. PARKER. That is really pretty difficult to say. I think it is fairly effective. One of the concerns, I reiterate, is things that are happening to children as a result of trying to get benefits, is one of the major concerns that I had expressed to Mr. McCrery.

Mr. LEVIN. So your concern has been more what is happening to kids who try to apply, not the fraud that your office is unable to detect?

Mr. PARKER. I think that is correct.

Mr. LEVIN. So let me then ask you about the IFA, and Mr. McCrery's approach, which is one way to do it, and is offered in good faith in response to a problem.

He is suggesting that that category essentially be eliminated, that no one would be eligible to receive benefits through an individualized functional assessment. I think he said, Mr. McCrery, that that would eliminate about 30 percent of those now receiving SSI.

Mr. MCCRERY. I estimated 25 percent.

Mr. LEVIN. Twenty-five percent. And of that, I think nationally 40 percent or so are listed or considered mentally handicapped.

The experience within your office, would you favor eliminating receipt of benefits through IFAs?

Mr. PARKER. I think it would bring the criteria more in line with the adult criteria. By doing that, we would—you would eliminate children with less severe medical impairments than those that never equal the severity of the medical listings.

Mr. LEVIN. So you would favor doing that?

Mr. PARKER. Yes, sir.

Mr. LEVIN. You don't think that any of the children today receiving benefits through IFA should be receiving them?

Mr. PARKER. Well, I think, you know, part of this is a judgment call with the intent of the program, because in the adult criteria, we are trying to, you know, identify people that would not be able to work because of the reason of a physical or mental impairment. With children, it is more by whether they are able to perform age-related functions, which is not necessarily related to the ability to work.

Mr. LEVIN. Just—my time is up—so as I understand it, you don't think that any of the children who are now receiving benefits under individualized functional assessments should be receiving those benefits?

Mr. PARKER. Well, I am saying it depends on the intent of, you know, what your intent with this program is.

Mr. LEVIN. Well, in your judgment, is it your own personal, as well as your experience administering this program, you see the documents, you may even see some of the children, you think they should be eliminated from assistance or not?

Mr. PARKER. I am saying that I believe that those children would be the children with less severe impairments than those that met or equaled the listings.

Mr. LEVIN. But you are not sure whether or not they should be receiving benefits, whether they are in need or not?

Mr. PARKER. Well, I am saying we realize those children have some medical impairments but they are not as severe as those that meet or equal the criteria of the medical listings.

Mr. LEVIN. Thank you.

Chairman SHAW. Thank you.

Mr. ENSIGN will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Ms. Higginbotham, I appreciate your moving testimony. It was one of the most moving testimonies I have heard in this last 4 weeks that I have been here.

I had some experience with a place called the Variety School for the Handicapped in Las Vegas. One of my campaign workers, her son attends there, and the stories that I heard from some of the parents there and in going and visiting, had to deal with the American Disabilities Act and what it was doing to force certain local Federal programs and Federal criteria on local programs. And the parents were crying out that they need help from the Federal Government.

But at the same time, I experienced that a lot of them were very resentful. They had cases like yours, where sometimes the funding was not quite adequate, when they saw other people in the system that were abusing it, they thought that money could be going to those who truly were in need. And I wanted to get your feedback, if you have had experience with other people that have been abus-

ing the system or other people that you know that are on SSI that have had experience in this, and how you feel about it?

Ms. HIGGINBOTHAM. I have gotten to know many people in my area, and I have gotten to know some people through correspondence throughout the United States. The people that I have gotten to know throughout the United States, naturally I don't know them personally, but in my area, we have started support groups and done various things.

The people that I know, personally, I don't know them to be abusing it. Most of the people that I know have children with severe disabilities. And they may have some that have physical disabilities and not mental or vice versa. The people that I know, I don't know of anyone that is.

Mr. ENSIGN. So you haven't observed any of the abuses like I saw on the television.

Ms. HIGGINBOTHAM. No, sir.

Mr. ENSIGN. I think it is a legitimate point. I watch things like "Prime Time" and some of the shows on television. And sometimes they can pick out one or two cases across the country in programs that are good programs, and they may show an abuse, when the whole rest of the program is actually a pretty good program. We do have to look at programs like that with a very cautious eye.

But just personal anecdotal stories that I have been told, as well as what Mr. Parker and several of the other members of the panel have been told, there does seem to be quite a bit of abuse out there. Not in cases like yours. But it is the people who don't deserve to be on the program. And what we have to be careful of when we are dealing with and being stewards of the Federal dollars, we have to make sure that the money is getting to the people who truly deserve it.

And I thought the comment about having Solomon's wisdom was a very appropriate comment, because this is such a difficult matter. How do we not take money away from families that are deserving, such as you, but take it away from those that are abusing the system so that we have more money for new families or the ability to increase aid for families like you. And I think it points out how difficult of a situation we are facing up here.

Thank you, Mr. Chairman.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman.

I would like to continue Mr. Ensign's questioning and the questioning of a couple of the other folks up here on the abuse issue.

With Mr. Gardner and Mr. Parker, I am wondering if you have seen rampant abuse. If you have examples in your mind, firsthand, and if you do, what we can be doing to address that.

Mr. GARDNER. I have not had one of the cases like the Baltimore "Sun" or the mediapiece that you saw on "Prime Time." I have not seen that kind of case in my area, except what you have seen in the newspaper.

The Caddo Bossier Association sent out surveys to a number of families and got about 70 or 80 of them back, survey being what they spent the money on. And we found that they were spent on a variety of things which were not just medical needs, which is appropriate.

There was a whole list of generalized categories and the medically oriented categories, and when we cataloged it, we found that the top items they were spending it on was their rent or mortgage, food, utilities, clothing and transportation, and diapers ran a close sixth, because disposable diapers are a very expensive item when you buy them in bulk. And that is just surveys that were done in the past couple of weeks.

So I don't doubt that the abuse is out there. And I think that it will always be out there. But I, really in the depth of my soul, do not believe that it is to the extent that these anecdotal stories say it is.

I have concerns any time you decide that you are just going to take, like the individualized functional assessment, if you are just going to take that out of the program, any time you do an all-or-nothing slice with people with disabilities, a big bunch of people sitting on the border fall over the cliff and get hurt and disappear. And I think you can't make a total objective—all the data in the field, the research going on right down the street at NIH, says that you cannot make a totally objective determination to disability. That functional assessment was developed by experts after the *Zebley* decision. If you do away with that, that, in effect, says if someone takes an IQ test and the cutoff is 70 and you make a 71, you are out. Now that is supposedly the cutoff for mild to borderline mental retardation. If you cut that out, those people disappear over the cliff.

I know that when you put the word "mild" mental retardation and you say that to someone who is not knowledgeable in the field, that says to them they don't have much of a problem. The label "mental retardation," even if it is mild, says that if we do a real good job, we might get that person living independently with a little supervision and into a minimum wage job. That I call a severe disability, if that is as far as we are going to get that person in life, even though we have labeled him mild mental retardation.

So I would be reluctant—not that all of this can't be worked on to build in protections, but just to say we are going to take one piece that is causing the problem and throw it out the window, people are going to get hurt when you do that. We are going to have to be very careful in approaching that issue.

Ms. DUNN. I agree with you. Certainly, we are looking for a very delicate balance here and that is—

Mr. GARDNER. Could I respond to block grants?

Ms. DUNN. Hold it, because I would like to get Mr. Parker's response to my first question and then you are welcome to respond.

Mr. PARKER. I am sorry, I didn't hear you.

Ms. DUNN. On the question of abuse, whether you have seen it firsthand, and how we can do a better job of monitoring it so that we can get the money to the people that really need it?

Mr. PARKER. I think it is a widespread problem. The only means I see to eliminate it is to actually change the criteria that does not reward the parent for encouraging their children to do poorly in school. I think there needs to be a penalty some place for those who do, because in this system where you attempt to profit from the system, there is no penalty. If you attempt to rob a bank and are

caught in the process, there is a penalty. If you attempt to fraudulently obtain benefits, there is no penalty whatsoever.

The National Association of Disability Examiners has recommended eliminating unrestricted cash payments. I don't think they are making that recommendation lightly. That was only done after quite a bit of discussion across the country.

Ms. DUNN. Thank you.

Mr. Gardner.

Mr. GARDNER. Of course, I am absolutely opposed to the elimination of cash payments totally. I think you will produce homelessness on the streets, and you will push children through institutions. I have lived with those decisions, with crisis in my life, over the past 21 years. I have lived with the temptation to institutionalize a child and get total care. Total care.

The ARC for a decade tried to get Congress to revise the bias toward institutional care through Senator Chafee's legislation. We came up here every year and begged, and begged and begged to take that \$77,000 a year you are spending and reallocate it back to the community and serve more people.

Sure, complex and severe people were going to require more. But when you start talking block grant, that tells us what happened in the early eighties. The disability community is terrified of block grant.

It means drastically reduced money, drastically reduced programs, and long waiting lists and mismanagement by States. That is the message we get. That happened to respite in the eighties in Louisiana.

The only way respite got a reprieve, and that is the number one program in America that helps keep kids out of institutions is respite for families from that 24-hour-a-day situation. And when we got to where people with severe disabilities subject to institutionalization could then apply under the waiver program to get these additional services, respite was in there and it loosened it up.

Now, in Louisiana there is a 2-year waiting list, if you put your child on the list today, to get waived services. And even more ridiculous, they have an emergency list, like if a parent would die that is taking care of a child, they have a waiting list for the emergency list in Louisiana. Have you ever heard of a waiting list for an emergency placement?

So when you say block grant, you mean less money going to a State, capped programs, and a history of mismanagement by States.

Chairman SHAW. Mr. Rangel will inquire.

Mr. RANGEL. Mr. Parker, I feel embarrassed that people who God created in all their diversity have to come before the Congress to justify the little help we are giving. And the reason we are doing it is because people like Sam Donaldson can find wrongdoers and then play the exposé over, and over, and over again about these abusers. Then the majority who receive benefits are good people who have to come and say, not me.

Mr. Donaldson did the same thing to Members of this Ways and Means Committee on one Easter Sunday morning after they worked so hard. They went to the beach, and Sam Donaldson found a video, and all over the country Congressmen and Ways and

Means Members appeared as though they were using taxpayer money, and people got defeated.

I am going to yield to Harold Ford, because I want to take advantage of his knowledge of this subject so that we can cut out the cancerous abusers of this program and allow the recipients that deserve it to receive it with dignity.

Mr. Ford.

Mr. FORD. Thank you, Mr. Rangel, and Mr. Chairman, I am going to be very brief, but just a few questions to Mr. Parker.

Naturally, we want to try to protect all of those disabled children who have severe disabilities. I mean, it is clear that all of us on this Committee want to make sure that protection is in place. But we hear so many of those stories that Mr. Rangel has talked about and even with the television, like the "Prime Time" special that we watched before this Committee today. We would like to rid this program of those who are in fact abusing the program.

But we surely don't want to impose a hardship upon those who are not in fact abusing and are in need of the Supplemental Security Income Program. I want to think that all of us as Democrats and Republicans alike would want to make sure that happens.

And in trying to get to the bottom of some of the problems that we see in the program, and we go back not to this administration, but even to the Reagan and Bush administrations, to see over the years an increase in the number of SSI claims. And, it goes right back to the fact whether or not the Social Security Administration, with the administrative caseloads—and in your office, you have increased your caseload in large numbers and you have brought on new employees to respond to the caseloads. You indicated earlier that you have not really seen any cases come through where the recipient has been approved to receive SSI benefits that you felt or thought that there was some abuse within the program itself.

Are there certain areas in this country where we can find more abuse than we can see maybe in the Louisiana area, when we see stories like we have seen today with Sam Donaldson and Chris Wallace?

Mr. PARKER. Other than the Louisiana area?

Mr. FORD. Yes.

Mr. PARKER. I tell you what, you may want to talk to Gordon Middleton who is a professional relations officer in the Georgia DDS. I understand there is a large GAO investigation going on there—Dr. David Morton III, formerly the chief medical consultant on the Arkansas DDA, who will be sending a substantial amount of evidence to the GAO on problems that they have had in Arkansas.

And within—

Mr. FORD. Are these people affiliated with the SSA office—agency?

Mr. PARKER. Dr. David Morton was formerly, he is no longer the chief medical consultant of the Arkansas DDS, the Disability Determination Section, and Gordon Middleton is with the DDS in the State of Georgia; Carol Moore, with the Tennessee DDS who is the legislative chairman for NADE.

Mr. FORD. Are you familiar with the SSA's officer, Dr. Thompson who reviewed 600 of these disability cases and only found a small

proportion of those applications in their investigation that might have been fraud or abuse in these applications?

Mr. PARKER. Yes, sir, I am familiar with that.

Mr. FORD. Can you tell us a little bit about that? Did you conduct any of those reviews in your area in the Department of SSA?

Mr. PARKER. I do know how the sample was collected for that. I do not know whether that was done with those with the allegation of a mental impairment or those with the established diagnosis of a mental impairment.

Mr. FORD. Do you find any of these applications that are coming in that these children are being coached outside of members of their families, maybe through school districts, or through kids being placed in certain programs within the school that would automatically qualify these children that we are talking about, not the retardation kids, but kids who sought these SSI benefits after the Supreme Court rules in 1989?

Mr. PARKER. I am sorry, did you say being coached outside the family?

Mr. FORD. Outside the family members, yes.

Mr. PARKER. We have not.

Mr. FORD. You have not found that to be true in your office?

Mr. PARKER. No, sir.

Chairman SHAW. Mr. Camp.

Mr. CAMP. I have no questions, Mr. Chairman.

I will yield my time to Mr. McCrery.

Mr. MCCREERY. Thank you, Mr. Camp.

I want to make it clear from my standpoint as one of the two people that have spearheaded the effort to do something about the abuse in this program, that it is not my intention to deprive families with truly severely disabled children benefits that they are currently receiving under the SSI Program.

Mr. Parker and his group who have seen these applications and heard of the abuse have recommended that we do away with cash payments. That we continue Medicaid. That we continue other Federal programs for disabled children, such as the Children with Special Health Care Needs Program, the Administration on Developmental Disabilities Programs, Individuals with Disabilities Education Act, of course, the various programs under Medicaid. The Early Childhood Intervention Program, which is also under the IDEA.

There are a number of Federal programs in existence to assist families with seriously disabled children. We are not going to harm those. We are going to leave those in place.

In addition, we are going to continue to allow children to qualify under SSI, which gives them automatic qualification for Medicaid. My view is that we ought to continue cash payments to families of children who are so severely disabled that they require constant attention, that might be institutionalized were it not for the cash assistance. I think that makes sense.

So I am not here to take away anything that Alison is getting. I want to make sure she continues to get what she is getting. But at the same time, as a Member of Congress, as a representative of all the people in my district and a representative of all the people in the country, I have got to weigh the needs of everybody in this

country against the needs of a special few, deserving few, in many cases, in most cases, but still we must balance that.

We, all of us, I suspect, would like to give everything to everybody, anybody who needed anything. And that has been tried in some other economic systems. It turned out it didn't work too well.

So, we have a problem here. We have got to try to take care, to assist, I should say, those who truly deserve help. But at the same time, we must be responsible in creating and running those programs.

And I understand, Mr. Gardner, that you represent The ARC, and I understand they are a special interest group and they are bound and determined to get everything they can get for the people that they serve.

I don't have any problem with that. We are bombarded with special interests in this Congress every day and we have to try to take the information you give us, plug it in, assimilate it all and come out with a balanced approach and a balanced program.

So this is a terribly difficult problem. I appreciate all of you coming and sharing with us your views.

Mr. Parker, I appreciate your honesty in coming forward and pointing out the abuses.

I just want to point out a couple of things about the IFA.

Mr. Gardner, as you probably know, the IFA was originally designed not for children. It was for adults. And the *Zebley* decision was all about the black-letter law, and how, since the SSI Program for Children did not have a functional assessment that we did have for adults to determine if they were able to work, and only if they were not able to work, then the SSI, which was designed to replace wages, replace income that people couldn't get, only because of that and the black-letter law, which said that you had to treat children the same as adults, basically, did IFA come into existence for children. But it doesn't really have the same applicability in children that it does to adults.

And in my view, the black-letter law should never have been written the way it was, or the *Zebley* decision would never have existed.

I disagree with you. I think we must, as a start, do away with the IFA. We must reexamine the mental impairments listing, and perhaps make some adjustments to account for those cases that do deserve help and are getting it now under the IFA. But to continue the current system, I think would be irresponsible on our part. Even the most compassionate, I think, have to say that we have got to make some adjustments so that we can balance the interests of everybody in this country.

Chairman SHAW. Mr. Kleczka.

Mr. KLECZKA. Thank you, Mr. Chairman.

Let me ask Mr. Parker a couple of questions.

I think it has been inferred by some of the questions that if you folks back in the communities would tighten up how you adjudicate these cases, we would have less fraud and abuse contained therein.

Is it not so, Mr. Parker, that the current law and the current regulation are written such that you in your approval don't have much latitude?

Mr. PARKER. We follow, you know, letter and verse, the Social Security Administration guidelines. We have no flexibility on the decisional criteria in the DDSs.

Mr. KLECZKA. And if you interpret the laws a little too tightly, is it not true, that currently, administrative law judges reverse the determinations?

Mr. PARKER. I tell you what, the administrative law judges actually are not bound by all of the same criteria.

Mr. KLECZKA. So they use a different set of standards versus yours?

Mr. PARKER. That is right.

Mr. KLECZKA. Are they more liberal or tighter restrictions?

Mr. PARKER. More liberal.

Mr. KLECZKA. In your capacity working for SSA, if Alison came into you and her parents came into you seeking eligibility, what would your decision be, knowing what we know about Alison today?

Mr. PARKER. There would absolutely be an allowance, as I believe she indicated, she was medically eligible from the first.

Mr. KLECZKA. That is the point I wanted to make, Mr. Chairman. Although we have seen descriptions of abuse in the video today and there has been some criticism of these being real abstract cases, that is what the American public thinks is happening in the program. I don't necessarily believe that to be the case.

Every colleague of mine I speak to from around this country has come forward with identical cases. I in my office have dozens and dozens of teachers and psychologists coming forward. So if I were to view this without any constituent input, I would say, by golly, how do they find that stuff? They must have somebody out searching for that abuse, and they found that needle in the haystack, but that is not the case.

The reverse of that is our hearing today, where Alison comes with her mother and then the public sees a truly deserving case. In the context of Congress talking about doing something to this program, they should know full well that it is not the Alisons we are talking about.

But the problem with a hearing like this, is we can't get the abusers to come. They are hard to identify. And if we knew their names, they would say no to the Chairman anyway.

But in the Chairman's comments, and Mr. McCrery's comments and my comments, I think every comment of the Committee, we are not trying to hurt the Alisons. We are going to continue helping that type of a child. Because I think the most conservative person in this country would say, yes, I will pay an extra dollar in taxes to help that person out.

But I just hope we don't leave the Committee hearing today thinking Congress is looking at doing something dastardly to that type of an individual. That is not the case.

Even in Mr. McCrery's proposal, Karen, it would continue your cash payments like it is today, so there is no disruption whatsoever.

My program is somewhat different. If I understand your situation, when Alison was born, you applied and immediately received Medicaid; is that not correct?

Ms. HIGGINBOTHAM. No, sir.

Mr. KLECZKA. At what point did you receive Medicaid, the health coverage only?

Ms. HIGGINBOTHAM. We received Medicaid for Alison in November 1991. And that was through Louisiana's community home-based waiver services. At the time, I was working and the waiver services do not look at the parent's income or resource, only the child. I lost my job a few months later, and I applied for SSI for the third time. And because I was not working, since that—

Mr. KLECZKA. The two previous times you applied, your income and your husband's income was in excess of the level set by law, so you didn't qualify, but the third time, you did. Your income was such that you qualified for the program; is that correct?

Ms. HIGGINBOTHAM. Correct. The first time that we applied, I was working, my husband was working. The second time we applied, my husband had lost his job. He was drawing \$67 a week unemployment.

I was pregnant with my youngest child. And I had to stop working—I had to stop working full time, I worked half time. And I was drawing, roughly, \$100 a week. And we still could not get SSI for her because we had a little bit of money in the savings.

The first time our income was too high and our savings. The second time—we applied four times. I am sorry, the first time our income was too high, the second time my husband had lost his job. My husband was drawing \$67 a week. I was working full time.

I had some complications with my pregnancy and had to work half time and that is when he was still drawing \$67 a week. I was drawing, roughly, \$100 a week. But we had \$5,000 in savings. And when Alison was born, we had a lot more than that. But it took it all. And we were deemed ineligible because of the savings, not because of the income.

Mr. KLECZKA. OK. And you get reduced benefits if your income rises. Programs like this are based on income. But in closing, what I would like to indicate is that the program changes we are talking about today, and hopefully will come to some agreement on, are not designed to hurt whatsoever your daughter or children in a similar situation.

Thank you.

Chairman SHAW. Thank you.

Karen, you obviously are a special parent, you and your husband both are special parents. You have been given a special child you love very much and you want to keep in your home.

I can tell you that the Federal Government is in no way going to deprive you of that wonderful obligation that you have undertaken. We will not forget you. We will not forget Alison.

Ms. HIGGINBOTHAM. It would be hard to forget her.

Chairman SHAW. For this Committee, for the Congress to turn its head on some of the irresponsible gaming of the system that is going on, and we agree, there is consensus on both sides of the aisle on this, for us to turn our head the other way and allow that to continue, would destroy the program.

But I don't want to leave you here thinking that or worrying that we are going to forget you. We will not forget you and we will not forget all of the Alisons of the world.

Thank you very much. You have given very powerful testimony, the three of you on this panel. We very much appreciate your coming and being with us today.

Thank you very much.

Now, we will go to the second panel, which will be the third panel, which includes Carolyn Weaver, who is the resident scholar and director of Social Security and Pension Studies of the American Enterprise Institute in Washington, DC. She will be joined by Jane Ross of the General Accounting Office.

They will provide us with an overview of the current SSI Program, including the issues we will discuss in detail with the panels that are yet to follow.

We will wait just one moment for the room to clear.

Dr. Weaver and Ms. Ross, we have your written testimony, which will be made part of the record. Please feel free to proceed as you wish.

STATEMENT OF CAROLYN L. WEAVER, PH.D., RESIDENT SCHOLAR AND DIRECTOR, SOCIAL SECURITY AND PENSION STUDIES, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC

Ms. WEAVER. Thank you, Mr. Chairman.

I am not quite as perky as usual. We have been here for a couple of hours now. I will do my best to give you a quick summary of the testimony, assuming that you will be able to read those pieces that are of particular interest.

My name is Carolyn Weaver, and I am a resident scholar and director of Social Security and Pension Studies at the American Enterprise Institute. I am also a member of the new Social Security Advisory Board.

Chairman SHAW. Could you suspend for just 1 moment?

I would ask that those having conversations, if they could go outside, then that would make it easier for us to proceed. Just suspend for 1 moment. I want to make sure that we have your testimony.

Dr. Weaver, please proceed.

Ms. WEAVER. I just wanted to relate that I am a member of the new Social Security Advisory Board, but I am here today to speak as a public policy researcher at AEI.

I would like to begin by commending you all on holding this hearing and on paying attention to a very important public program. SSI has gone without serious congressional scrutiny during much of its 23-year history. I think it is fair to say, were it not for your activities, this single largest cash welfare program in the Federal budget would still not be addressed in the various welfare reform policies now being discussed.

The absence of serious congressional consideration is obvious from some of the overall patterns of growth and the changes that have taken place in the program, especially in the last decade. SSI is growing very rapidly, and the population being served by the program has changed a great deal.

Having said that, I wish to reiterate what each of you has said, which is that SSI has been a vital lifeline for some of the Nation's most needy people. That is, poor disabled people and poor elderly

people. The trick here is to eliminate inappropriate benefits while finding a better way to deliver the benefits to those people who are truly needy.

With that said, in order to keep my testimony brief, I would ask that you just flip over to the charts that are at the end of the paper, and I will move quickly through them. I will then conclude with some of my thoughts on SSI benefits for children with disabilities.

Referring to figure 2 first, you can see that there has been very rapid growth of the SSI benefit rolls in the last decade. SSI now costs more than AFDC, the heart of the welfare reform debate, and it is growing much more rapidly. It is the disability components of SSI that is growing most rapidly.

As figure 2 shows, the number of disabled people on the rolls doubled between 1974 and 1990, and has gone up by 1 million in the last 3 years alone. The program served mainly elderly people when it was begun, and this remains the popular view of the program, that it is a safety net mainly for elderly people. Over half of the people initially on SSI were elderly people. Typically they were people without other income or who had accumulated pensions.

Today, the overwhelming majority of people on SSI are people with disabilities. About 5 million people on the rolls, or three-quarters of the total, are people with disabilities.

You will notice the relative decline in the number of aged people on SSI, and then the recent stability. Part of what is going on can be seen by flipping back to figure 1. I am sure you have seen some of this data in earlier testimony or in work that the Subcommittee has been doing. It shows the rapid growth of aliens on the SSI rolls, particularly among the elderly.

Unlike in other public assistance programs, we have seen continued progress with the aged population on SSI. The number of citizens on SSI has actually fallen by 400,000 since 1982. That has not been reflected in the overall numbers because of the rapid growth in aliens receiving SSI.

You can see that between 1982 and 1993, the proportion of aged aliens receiving SSI rose from 5.9 to 28 percent. I would make just two observations about this: First, the rapid increase in aliens has completely offset the gains in the citizen population of aged SSI recipients, that is, the decline in numbers that historically accomplished the expansion of Social Security. Second, aliens receive much higher benefits on average than citizens do.

Could you explain the lights to me?

Mr. CAMP. You can continue until the red light comes on.

Ms. WEAVER. And when will that be?

Mr. CAMP. Not long.

Ms. WEAVER. Let me proceed more quickly through these charts.

In chart 3, you can see that the primary diagnosis group among disabled adults, as well as among children, is mental disorders, which includes schizophrenia, depression, and anxiety. This is the wave of the future in the SSI Disability Program.

This is a new development. One concern here is that young people with mental disabilities, the fastest growing subgroup, have very poor prospects of returning to work.

Figure 4 shows the number of kids on SSI and the rapid growth we have been talking about. And you know about the rapid growth of addicts and alcoholics.

If I could make two policy observations. First, I think that the drug addicts and alcoholics provision enacted last year is seriously flawed. Not only will it be a bureaucratic nightmare for SSA, but also I can't imagine that the benefits in terms of rehabilitations or net savings to society will be anything but uncertain at best.

It is a highly complex program, with very uncertain benefits. In addition, addicts and alcoholics will continue to be granted benefits under the program. I commend the Subcommittee for rethinking this provision.

As far as kids on disability, this is a provision that must be reexamined. A poor family with a child on SSI receives possibly double or triple what a poor family on AFDC receives. I think you have to hone in on the issue of what are the extra expenses of raising a particular disabled child and are they met or unmet by other government sources?

Therefore, I find ideas like moving toward a voucher system or toward using Medicaid to cover those added unmet expenses quite attractive. Neither one of these proposals would preclude broader more sweeping changes like block granting some or all of the program. I think it is important to keep in mind, as you were discussing earlier, that in trimming benefits for kids with disabilities, Medicaid is available to any child who is qualified for AFDC. And there are other Federal programs as well that should be considered in evaluating the needs of those families.

Thank you.

[The prepared statement and attachments follow:]

SSI: THE OTHER PIECE OF THE WELFARE CRISIS

Carolyn L. Weaver, Ph.D.
The American Enterprise Institute
Washington, D.C.

Hearing on Changing Eligibility Standards for Supplemental Security Income
Testimony before House Ways and Means Subcommittee on Human Resources
January 27, 1995

Mr. Chairman. My name is Carolyn Weaver and I am a Resident Scholar and Director of Social Security and Pension Studies at the American Enterprise Institute. I am also a member of the Quadrennial Social Security Advisory Council and the new Social Security Advisory Board. I have served on two public advisory councils dealing with federal disability policy. It is in my capacity as an economist and a public policy researcher that I speak to you today.

I'd like to begin by commending you on holding this hearing and preparing to tackle some of the problems that plague SSI. Were it not for the tireless efforts of House Republicans over the last year or so, SSI would not even be on the table for discussion. Under the pretense of "ending welfare as we know it," welfare reform would have proceeded without consideration of the single largest, and fastest growing, cash welfare program in the federal budget. SSI would have remained on the shelf, where it has been for most of its 23-year history, largely immune to the scrutiny received by other federal welfare programs.

The absence of serious scrutiny by Congress shows. The program is growing like gang-busters and serving a population that is very different than when it was created. It cries out for reform to address both specific problem areas, such as those you will be considering today, as well as more deep-seeded problems in the underlying premises of the program.

Having said that, I hasten to add that SSI has been a vital lifeline for some of America's most vulnerable citizens--the elderly and the disabled poor. It provides a nationwide, minimum income guarantee (\$5,496 annually for individuals and \$8,244 for couples in 1995) that is cost-of-living adjusted each year and financed almost entirely by the federal government. The challenge is to find ways to eliminate inappropriate benefits and to improve the way benefits are delivered to the truly needy.

Program Growth:

SSI is more costly and growing much more rapidly than AFDC (Aid to Families with Dependent Children), the focus of the welfare reform debate. In 1993, the most recent year for which data are available, an estimated 6 million people received SSI, up nearly one-half since 1980 and one-quarter just since 1990. Federal spending stood at \$23 billion, double its level (in real dollars) in 1980. Federal spending on AFDC, by contrast, was \$16 billion in 1993, up 23 percent in real terms since 1980. According to the President's budget last year, the SSI benefit rolls will grow so rapidly in the next few years that, by the end of the decade, the cost of the program (including federal and state spending) will exceed the cost of AFDC, Food Stamps, subsidized housing, the greatly expanded Earned Income Tax Credit, and all other major public assistance programs except Medicaid.

Since SSI is a ticket to Medicaid (and can be a ticket to Food Stamps as well), the rapid growth of SSI does not bode well for the nation's giant health-care program for the poor either. The reason is the relatively high cost of health care for the aged and disabled, particularly long-term care. According to data compiled by the House Ways and Means Committee, in 1992, Medicaid spending averaged \$2,936 per capita--but was \$7,700 for the elderly and \$7,612 for people with disabilities as compared to \$1,752 for AFDC adults and \$959 for AFDC kids. The bulk (approximately 70 percent) of Medicaid spending is for the aged and disabled, not AFDC mothers and children as often assumed.

Changing Mix of Elderly and Disabled Recipients

Many people view SSI, erroneously, as a program serving mainly as a safety net for the elderly poor. While this once was true, it no longer is. SSI has been transformed over the years into a program serving mainly working-aged adults (and increasingly children) with disabilities.

When SSI was created in the early 1970s--federalizing the old-age assistance, aid to

the disabled, and aid to the blind programs around the country--most SSI recipients were, in fact, elderly. Typically, they were elderly people who were not eligible for social security or whose pensions left them in poverty. Over the years, as the elderly have gained eligibility for higher social security benefits and their general economic well-being has improved, the number of elderly people on the rolls has generally fallen. Whereas 2.3 million elderly people were on SSI in 1974, the program's first year in operation, the number fell to a low of 1.4 million in 1988 and has grown slowly since then.

Growth Areas--Aliens: Underlying the slowdown in the improvement in the SSI-elderly rolls is the great expansion in the number of aliens on SSI, which accompanied the huge influx of legal immigrants during the 1980s and early 1990s. As shown in Chart 1, immigrants comprised 28.2% of the elderly on SSI in 1993, up from 5.9% as recently as 1982. The rapid growth in the number of aliens first moderated and then reversed the decline in the overall number of elderly SSI recipients. Indeed, were it not for the surge of aliens on the rolls, the number of elderly people on the rolls would have fallen quite significantly--by about 400,000--since 1982.

Because elderly immigrants generally have less countable income, especially social security, than other elderly recipients, they tend to receive higher--on average, much higher--payments (\$393 monthly compared with \$176 monthly in December 1993, according to the Office of Supplemental Security Income). The changing mix of elderly recipients thus puts upward pressure on costs despite the relative stability in overall caseload.

Disabled Recipients: Alongside the long-term decline in the number of elderly people on SSI, there has been an explosion in the number of disabled people on the rolls--doubling between 1974 and 1990, from 1.7 million to 3.4 million, and increasing by over one million in the past three years alone to about 5 million. Today, as shown in Figure 2, three out of four SSI recipients are people with disabilities.

The typical person receiving SSI-disability is in his or her thirties, has a high school education or less, and, in contrast to the familiar image of someone in a wheelchair with a physical disability or someone who is blind, has been granted benefits on the basis of a mental disorder--schizophrenia, chronic depression, or anxiety, for example. While some of these conditions are obviously severe and generally disabling in the labor market, others are not and, in any event, are notoriously difficult to evaluate with precision. As shown in Figure 3, fully one-third of adults on SSI-disability have a mental disorder--in addition to the one-fourth who have mental retardation. Young people with mental disorders are the fastest growing segment of the adult SSI population. The prospects that these people will ever return to work (or go to work) are very poor.

Kids with Disabilities: Thanks to a 1990 court order and new regulations that loosened eligibility for children, together with other regulatory changes in 1990, children with disabilities are the fastest growing segment of the SSI population today. Stretching SSI in ways never contemplated in 1974, 225,000 children with disabilities (mainly mental disorders, including the much-discussed attention deficit disorder, and mental retardation) were added to the rolls in 1993, triple the number in 1989. As shown in Figure 4, the number of children on the rolls now approaches one million, or close to one out of five people on the SSI-disability rolls.

According to the GAO, there have been "huge increases in the number of children awarded benefits because of mental retardation and other mental disorders"--accounting for more than two-thirds of the growth of awards between 1988 and 1992. In the more recent period, 1991-1993, "behavioral problems," which include personality disorders, attention deficit hyperactivity disorder, autism and other developmental disorders, accounted for one-fifth of all mental impairment awards to children.

Addicts and Alcoholics: As highlighted by the popular press, even alcoholics and drug addicts have found their way onto SSI in growing numbers. According to the Social Security Administration, the number of people on the rolls with substance abuse as their primary disorder (in other words, without some other qualifying disability, such as cancer or heart disease), nearly quadrupled in the 3-1/2 year period October 1990 to April 1994, rising from 23,000 to 86,000. The General Accounting Office reports that between the two disability programs administered by the Social Security Administration--SSI-disability and Disability Insurance (which, like social security retirement, pays benefits to covered workers based on their average earnings while working, not based on financial need)--250,000 drug

addicts and alcoholics are receiving monthly benefits at an annual cost of \$1.4 billion, with over one-half of these addicts added to the rolls in the past five years. No doubt, many more people are on the rolls with addictions that contribute to their disabilities, such as people with severe organ damage or mental illness, or with addictions that are secondary to their primary disorders.

The legislation passed last fall took a step toward limiting payments to substance abusers. Under the law, SSI payments for people disabled by reason of drug abuse or alcoholism will be suspended during periods of failure to comply with a treatment program. In addition, benefits will be terminated after 36 months (excluding any periods during which payments are suspended for failure to comply with treatment). SSA is responsible for referring recipients to appropriate treatment programs and monitoring their compliance.

Unfortunately, this provision will be a bureaucratic nightmare for SSA--in terms of identifying, notifying, tracking, and monitoring recipients, evaluating the suitability of treatment facilities, and periodically testing for substance abuse, and in terms of the appeals that will inevitably result; worse, its effects on rehabilitation, benefit terminations, and budget savings will be uncertain at best. For one thing, SSA is not authorized or funded to provide treatment and it can not require people to pay for it. The most SSA can do is make referrals. Benefits cannot be suspended, moreover, unless treatment is actually available. For another thing, Medicaid will be continued during periods of suspension and after termination from the benefit rolls. Finally, the 36-month time limit applies only to those who would not be found disabled except for drug addiction or alcoholism, not to the (presumably much larger) group of people for whom substance abuse contributes to their disability. People will continue to be granted benefits based on substance abuse disorders.

This provision clearly needs rethinking and I commend the Subcommittee for its efforts in this regard.

Rethinking SSI for Kids: Between the rapid growth of the benefit rolls and news reports of kids being coached on how to behave "inappropriately" so as to qualify for SSI, the payment of SSI to children has become the focus of some controversy. There are two main concerns: first, are the kids seriously disabled within the meaning of the law, and second, are the payments needed? Poor families with kids on SSI receive much more support than other poor families.

In this latter regard, kids are eligible for \$458 monthly (in 1995), the same as an elderly person or disabled adult living in their own home. Set to ensure that, together with Food Stamps, the elderly and disabled poor have a near-poverty level of income, SSI payments are much higher than AFDC payments, resulting in large disparities in income support for poor families depending on the disability status of their children. In a typical state, a poor mother with two children, one on AFDC and one on SSI, receives *twice* as much public assistance as a poor mother with two children on AFDC. Were the latter mother able to have one of her children certified as disabled and qualified for SSI, she would, based on 1994 benefit amounts, forgo \$72 monthly in AFDC in exchange for \$446 monthly in SSI, raising her family's income from \$366 to \$740 monthly; were the other child to qualify for SSI as well, family income would rise to \$1,104 monthly, fully triple that of the AFDC family. (In contrast to AFDC, SSI awards each additional child the same full benefit, with no reduction in marginal benefits, and there is no limitation on family benefits.) The states administering these programs are hardly indifferent to this shift in support since they must bear about 45 percent of the cost of AFDC but none of the cost of SSI (states have the option to supplement the federal SSI payment and only some choose to).

With welfare reform a top priority, it is only appropriate to question the premises of this program--all the more because it was an afterthought in the original SSI legislation. In the massive social security and Medicare bill moving through Congress in 1972, which contained the proposal for SSI, there was not even a mention of children's benefits. Disability was defined in terms of complete inability to work and SSI payments were intended to replace lost income. The idea of payments for children (who did not work and had no earnings, but nevertheless had disabilities somehow construed to be of "comparable severity") apparently was conceived by a senior welfare official in the Nixon Administration who, although the record is not clear on this point, managed to get a 26-word amendment inserted into the final bill without objection or debate. The program so created was of little note for the better part of two decades, during which time cash assistance was made available to a group of no more than 200,000-300,000 children annually.

All of this changed in 1990. In that year, in Sullivan v. Zebley, the Supreme Court ordered SSA to relax the criterion used for assessing disability in children and to review the

cases of hundreds of thousands of children denied benefits since 1981. To implement this decision, SSA issued regulations creating a new test of eligibility based on a child's ability or inability to behave in an "age-appropriate manner," a test that must be used when benefits would be denied on the basis of the severity of the physical or mental impairment alone. This was intended to make disability benefits available to children on terms more comparable with adults, who, if found not disabled based on the severity of their impairments alone, have vocational factors (i.e., age, education, and work experience) considered in combination with their "functional capacity" to perform work-related activities. These new regulations came on line at just about the same time as new regulations for assessing mental disorders, which, among other things, expanded the group of qualifying disorders to include attention deficit disorder, and elevated the importance (relative to medical evidence by physicians) of testimonials by friends, teachers, and family members in the evaluation of disabilities.

The GAO reports that 30% of the children coming on the SSI rolls since the Zebley decision was implemented were awarded benefits based on the new "age-appropriate behavior" test, meaning that they would not have been found eligible under the criterion in place until that time; 70% were awarded benefits on the basis of the severity of their mental or physical impairments (overwhelmingly mental, as evaluated under the new mental impairment regulations).

The surge in the number of children on SSI-disability has brought this program into the open and, at least in the minds of some, raised the question of why we even have it, given that it appears to duplicate the purpose of AFDC, which is to help meet basic living expenses (such as food, clothing, and housing), albeit at a much higher benefit level, and Medicaid is available in either event. Proponents argue that the reason for the program is that disabled children are much more expensive to raise than other children. Surely this is true, on average. But it begs two questions--how much more expensive and how much of the expense is actually born by the families? Surely the cost of raising a disabled child varies enormously depending, among other things, on the type and severity of the disability (consider a child with, say, cystic fibrosis or a spinal cord injury or who is deaf and blind, as compared to one who is deaf or mildly retarded, but not profoundly so and without other complications). No doubt some children have enormous expenses--certainly larger than \$458 monthly--and no doubt some have none at all. What's relevant is not the size of these expenses but the extent to which they are unmet by other sources. Medicaid is surely critical in this regard, but, as documented in a study just released by the National Academy on Social Insurance, there are a number of other programs serving particular needs and particular groups, including the Children with Special Health Care Needs program, now part of the Maternal and Child Health Block Grant, the Education for All Handicapped Children Act, and the Part H Early Intervention program.

Within the context of the current system, a good case can be made for converting the SSI payment for children--an unrestricted cash transfer that is unrelated to their special needs and may or may not be used to meet them--into a voucher that can be used only on the added costs of raising a child with a disability that are not met by other programs. Alternatively, expenses that are necessary but uncovered might be provided under the Medicaid program at Federal expense. Either way, the idea would be to eliminate payments to families with no claim to them other than the presence of a disabled child while meeting the legitimate needs of families with extraordinary expenses associated with their disabled child. Neither change would preclude more major reforms of SSI, such as providing block grants to the states in lieu of some or all of the current program.

Addressing this aspect of SSI is important in its own right, but even more so in the context of welfare reform more generally. An unreformed SSI program could well become an escape hatch--albeit an expensive and poorly targeted one--for families who lose eligibility under AFDC.

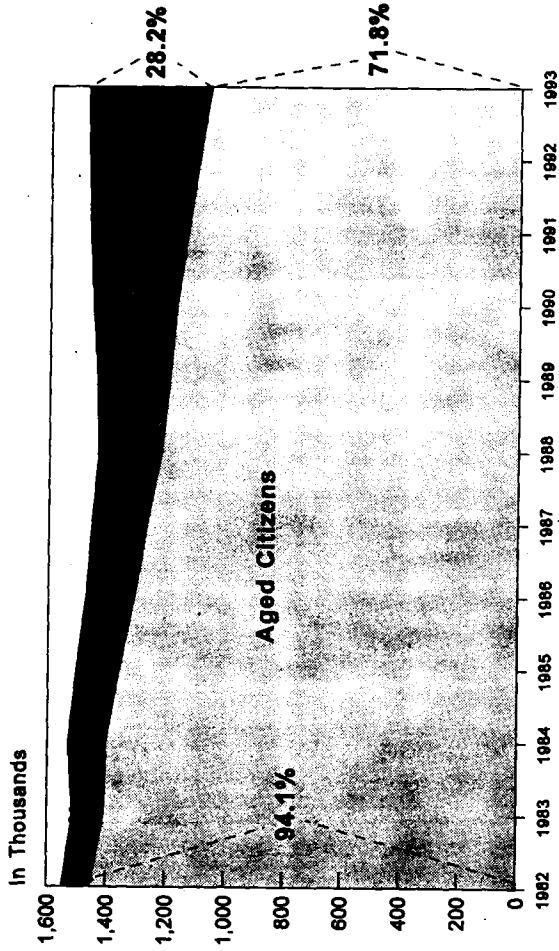
Broader Issues: While SSI does not present the problems in the forefront of the welfare reform debate--teen pregnancy, out-of-wedlock births, and the cycle of dependency--it nevertheless presents problems that demand public attention. Some of these problems you are preparing to deal with right away, as I can see from legislative proposals that are circulating and the other witnesses testifying today. Others will require more time--as well as the cooperation of other subcommittees. (The definition of disability in the law, and the regulations governing how to decide who is disabled, for example, track those used in the much larger social security disability insurance program.) Most importantly, for people with disabilities, SSI discourages work and, in providing cash support with basically "no strings attached," tends to perpetuate the very conditions that preclude work and promote

dependency. In addition, there are problems of eligibility determination that dwarf those in other public assistance programs. Whether in assessing an adult's ability to engage in "substantial gainful activity" or a child's ability to engage in "age-appropriate activities of daily living," the government's decisions about who is disabled and to what extent are costly, complex, inherently subjective, and frequently disputed.

Considering the social security disability programs more broadly, serious questions remain as to whether these sprawling government programs--premised on the complete inability to work--are congruous with modern views of the potential and the abilities of people with disabilities. Despite dramatic improvements in science and medicine, in technology and information, and in the educational opportunities of young people with disabilities, which have improved the quality of life of people with disabilities as well as the job opportunities open to them, the number of people on the disability rolls has never been higher. In 1993, some 9.7 million people, including family members under the DI program, received checks from the Social Security Administration based on a disability totalling \$56 billion. Most disability recipients are prime-age men and women; most will never leave the benefit rolls. The "once disabled always disabled" paradigm of social policy in the 1950s and 1960s remains deeply embedded in current government policy.

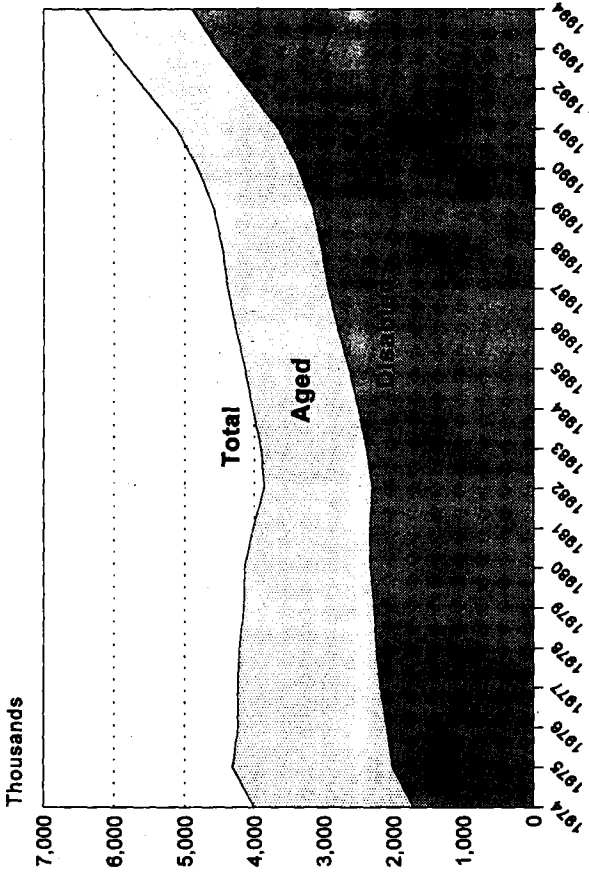
These are not easy problems to solve, certainly not on a piecemeal basis, but they nevertheless demand public attention.

Figure 1
Aged Persons Receiving SSI and
Declining Share of Citizen Recipients



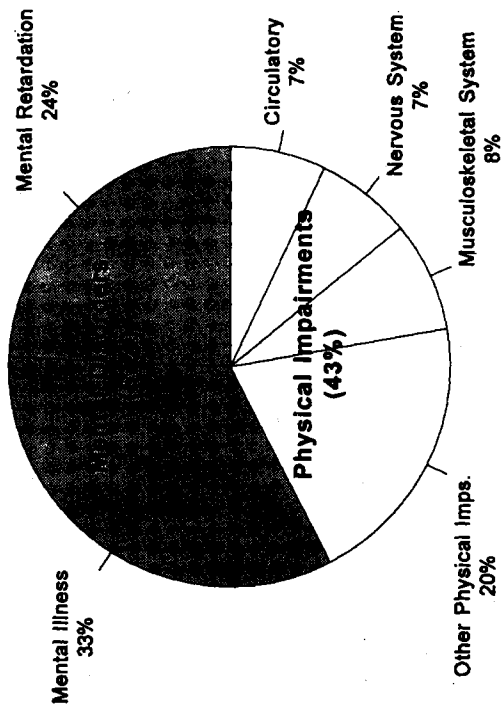
Source: Charles Scott and Elise Ponce, "Aliens Who Receive SSI Payments," Office of Supplemental Security Income, March 1994

Figure 2
People Receiving SSI



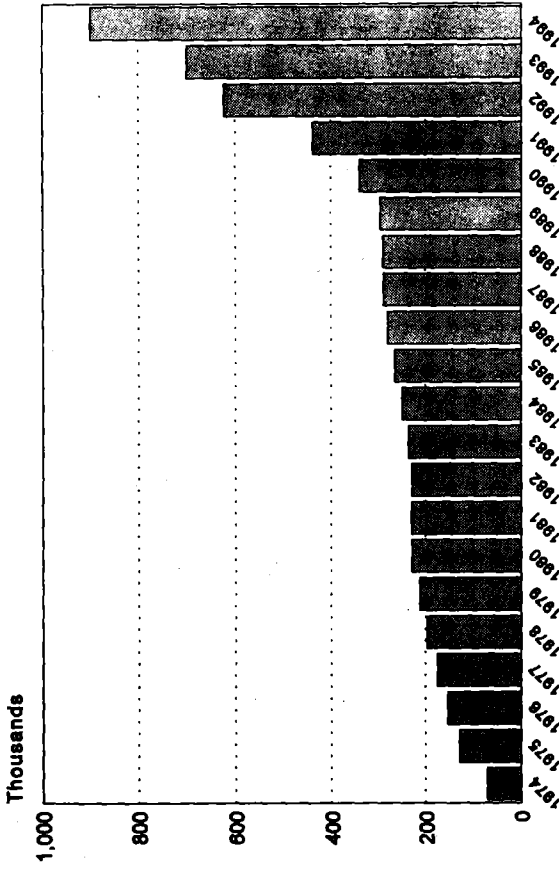
Note: Estimates for 1994.
Source: 1994 Greenbook, p. 248, and Memo from M. Staren, SSA, to C. Weaver, Feb. 14, 1994.

Figure 3
Adults on SSI-Disability Rolls
by Leading Cause of Disability, Dec. 1993



Source: Social Security Bulletin, Annual Statistical Supplement, 1994, p. 300.

Figure 4
Children Receiving SSI



Note: Calendar years 1975-1992; fiscal years 1993-1994. Estimate for 1994.
Source: D. Koltz, G. Kollman, and J. Meisner, "Status of Disability Programs of the SSA, 1994," CRS Report for Cong. (June 6, 1994), p. 33, and Memo from M. Staren, SSA, to C. Weaver, Feb. 14, 1994.

Chairman SHAW. Thank you, Dr. Weaver.
Ms. Ross.

STATEMENT OF JANE L. ROSS, DIRECTOR, INCOME SECURITY ISSUES, HEALTH, EDUCATION, AND HUMAN SERVICES DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Ms. ROSS. Thank you, Mr. Chairman.

I am happy to be here this morning to discuss the work that we have done on the growth of the SSI Program and the changes in the characteristics of the SSI recipients. Since 1986, benefit payments have more than doubled. And benefits for the disabled have accounted for almost 100 percent of this increase.

This morning, I want to talk about three groups that we have talked about already—these are the fastest growing parts of the SSI population. My remarks are based on GAO's recent work on disabled children, immigrants and substance abusers.

Figure 2 in my testimony shows the dramatic growth in these groups, as well as rough projections through the year 2000.

Let me turn to children first. Before 1989, the growth of child beneficiaries had been relatively low. But over the past 5 years, the number of children receiving SSI benefits has tripled from almost 300,000 to almost 900,000 today. If this recent rate of growth continues, about double that number, or about 1.9 million children could be receiving SSI benefits by the year 2000.

There may, in fact, be some upper limit on this. There is some research that suggests there may be a maximum of 1.4 or 1.5 million disabled children. Most of the growth is likely due to concerted outreach efforts by SSA and major changes in the eligibility criteria for children.

Let me say something in particular about the eligibility criteria and how they have changed. Eligibility changes have affected both growth and composition of the SSI children's cases.

In 1990, as you have heard, the medical impairment regulations were changed adding separate listings for such impairments as attention deficit hyperactivity disorder, autism and other pervasive developmental disorders, and personality and mood disorders. Two months later, it also added the new individualized functional assessment process, as directed by the Supreme Court.

These two changes in regulations are a major cause of the growth in the children's part of the program.

Turning to immigrants, between 1982 and 1993, the number of legal immigrants receiving SSI increased an average of about 16.5 percent a year. In 1993, an estimated 683,000 legal immigrants received SSI benefits.

There has been especially rapid growth among the SSI aged in terms of their legal immigrants; 28 percent of aged SSI are now immigrants. If this historical rate of growth of legal immigrants on SSI continues, this number could reach 2 million by the year 2000. Several factors may help to explain the growth of immigrants on SSI but no studies have yet established the relative importance of various explanations.

First, the number of immigrants admitted annually to legal residence in the United States has been increasing over the past decade, so it makes some sense the numbers on a particular program

might increase. A little more troubling is the large increase in percent of SSI aged.

Second, it may be that these aged immigrants are coming, having been sponsored by members of their family. These family members agreed to support their relatives for 3 years, however, at the end of the 3-year requirement, these elderly immigrants may apply for SSI. Recently, that was just changed from 3 to 5 years.

But administrative data indicate that about 25 percent of immigrants receiving aged SSI applied for benefits within 1 year of the expiration of their 3-year sponsorship period, so that is something to be looked at. In addition, several courts have ruled that the support requirements for these legal sponsors are not binding, even during the 3 years that the sponsorship is supposed to last.

Third, the growth of immigrants in the disabled program may be due in part to fraud. Several news reports have provided the accounts of legal immigrants being coached by middlemen on how to feign mental illness in order to qualify for SSI benefits. While State and Federal investigations have identified some cases of fraud, the extent of this kind of fraud is unknown.

Moving finally to the drug addicts and alcoholics, under SSI, there is a special program for drug addicts and alcoholics commonly called DA&A. You can receive benefits under this part of SSI if you meet two conditions: Specifically, you have to agree to undergo and comply with treatment, if treatment is available; and to have a third party or a representative manage the monthly benefit payments.

There were about 100,000 DA&A recipients on the SSI rolls in 1994. This SSI caseload grew nearly 700 percent since 1988.

We had previously done work and reported that many possible explanations exist for these increases, including again, increased outreach and cutbacks in State general assistance programs as well. But the extent of these and other factors is actually unknown. This alarming growth and the allegations of program abuse prompted the Congress last year to pass some reform legislation to strengthen the controls of payments to addicts.

Even with those in place, however, SSA projects a significant growth of about 53 percent of that part of the rolls between now and the year 2000.

In looking at the overall growth in SSI beneficiaries in recent years, several fundamental program concerns have been raised. For example, there are questions about the appropriateness of recent expansions in eligibility.

Concern has also been expressed about whether SSI cash payments are the most effective way to meet a beneficiary's needs. Still others have surfaced that suggest that eligibility expansions and the cash payments that SSA provides leave the program vulnerable to fraud and abuse.

In conclusion, we believe addressing these fundamental program concerns should help improve the effectiveness of public expenditures and begin to restore public confidence in the integrity of the SSI Program.

Congress has taken action already to address problems in the DA&A Program and is considering alternatives for disabled children and immigrants. These issues deserve more deliberation and we would be very happy to work with you.

This concludes my statement, and I would be happy to answer any questions you may have.

[The prepared statement and attachments follow:]

**TESTIMONY OF JANE L. ROSS, DIRECTOR
INCOME SECURITY ISSUES
UNITED STATES GENERAL ACCOUNTING OFFICE**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our work on growth of the Supplemental Security Income (SSI) rolls and changes in the characteristics of SSI recipients. Last year, the Social Security Administration (SSA) paid nearly \$22 billion in federal benefit payments to about 6.3 million aged, blind and disabled SSI recipients. Since 1986, benefit payments have increased by \$13.5 billion, more than doubling. Benefits for the disabled accounted for almost 100 percent of this increase.

As figure 1 shows, before the mid-1980s, the number of all SSI recipients was relatively flat, and decreasing for the aged. Since 1986, the number of disabled SSI recipients under age 65 has increased an average of over 8 percent annually, adding nearly 2 million younger recipients to the rolls, while the number of aged and blind recipients has remained level.

The trend toward younger beneficiaries receiving SSI, coupled with low exit rates from the program, means that costs will continue to burgeon in the near term. Without a slowing in the growth of this younger population, SSI will become even more costly in the long term.

Since 1991, three groups have accounted for nearly 90 percent of SSI's caseload growth. For each group--disabled children, legal immigrants, and adults with mental impairments--the rate of growth significantly outpaced the growth rate for all other SSI recipients. Of the 2 million mentally disabled adults, roughly 100,000, or 5 percent, are disabled principally by drug addiction or alcoholism.

My remarks today are based on GAO's recent work on disabled children, immigrants, and substance abusers. Figure 2 shows the dramatic growth in these groups as well as rough projections through the year 2000. More specifically, I will focus on trends in caseloads for each of these populations and explain what we know about the reasons for past and expected growth in these populations. Then I will close with some observations about fundamental program concerns that growth in these populations raises.

BACKGROUND

SSI provides a minimum income to needy aged, blind, and disabled persons. Congress established SSI in 1972 to replace federal grants to state-administered programs serving these populations. The grants varied substantially by state in benefit levels and eligibility requirements. The Congress intended SSI to supplement the Social Security insurance programs for those who had not earned a minimal Social Security benefit; Social Security benefits are also available to the blind and disabled as well as the aged. SSI benefits are paid from federal general revenues and are provided to people whose income and resources are below certain levels. They are different from Social Security benefits, which are paid from the Social Security trust funds to workers based on their payroll taxes.¹

To be eligible for SSI, individuals must be 65 years old, blind, or disabled. To be considered disabled, individuals must be unable to engage in any substantial gainful activity because of a physical or mental impairment expected to result in death or last at least 12 months. Individuals cannot have income greater than the maximum benefit level or own resources worth more than \$2,000 (\$3,000 for a couple), subject to certain exclusions, such as a home. Individuals must also be U.S. citizens or legal immigrants.

¹Social Security: Disability Rolls Keep Growing. While Explanations Remain Elusive (GAO/HEHS-94-34, Feb. 8 1994.)

Figure 1: Number of SSI Recipients by Eligibility Group

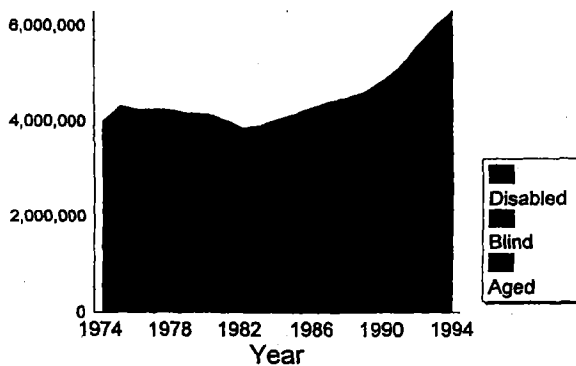
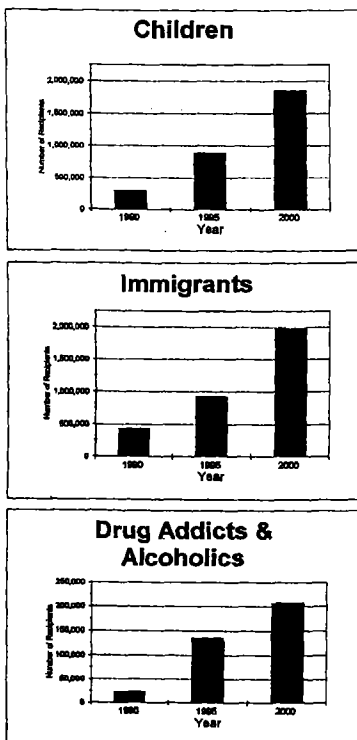


Figure 2: Projected Increase in SSI Caseload For Three Fast-Growing Populations



In 1994, the maximum federal SSI monthly benefit was \$446 per month for an individual and \$669 for a couple with both spouses eligible; these benefit rates are adjusted automatically for cost-of-living increases. This monthly benefit is reduced depending upon recipients' incomes, living arrangements, and other sources of support, including Social Security benefits. Since SSI provides income support as a last resort, SSI recipients must file for any other benefits for which they may be eligible, such as Social Security or workers' compensation. In 1993, 40 percent of SSI recipients also received Social Security benefits, down from almost 60 percent in 1986. This decrease reflects the fact that recent beneficiaries have very limited work history before going on SSI.

In addition to federal SSI benefits, states may choose to provide supplemental benefits. The District of Columbia and all but seven states provide these optional supplements. These state supplements vary, reflecting differences in regional living costs as well as in living arrangements. Most SSI recipients are also eligible for Medicaid and Food Stamps.

CHILDREN

Before 1989, the growth in child beneficiaries had been relatively low. Over the last 5 years the number of children receiving SSI benefits has tripled, from almost 300,000 to almost 900,000 today.² Over the same time, children have become a larger portion of the SSI rolls--up from 6.5 percent to 14.2 percent. Benefit payments to children have increased as well--from \$1.2 billion to \$4.5 billion between 1989 and 1994.

The number of child beneficiaries is continuing to grow at a rapid rate. The number of children receiving SSI increased 15.8 percent from 1993 to 1994, and if this rate of growth continues, 1.86 million children will be receiving SSI benefits by the year 2000. (See fig. 3.)

Most of the growth is likely due to concerted outreach efforts by SSA and major changes in eligibility criteria for children. Increases in the number of poor families and rising numbers of disabled children also contribute. In addition, some believe that fraud and abuse--parents coaching their children to fake mental impairments--could account for some of the increase.

In 1989, the Congress required SSA to establish an ongoing outreach program targeted to poor blind and disabled children. The settlement pursuant to the February 1990 Supreme Court decision in Sullivan v. Zeblev also required SSA to launch a national media outreach campaign, which was supplemented by a national children's SSI campaign conducted by child advocates. Since the outreach efforts began, the number of applications for children's benefits has grown more than fivefold.

Eligibility changes have affected both growth and composition of the childhood SSI cases. In December 1990, SSA revised its medical standards for assessing mental impairments in children, adding separate listings for such impairments as attention deficit hyperactivity disorder, autism, and other pervasive developmental, personality, and mood disorders. Two months later, it also added the new individualized functional assessment process required by SSI statutory standards as interpreted by the Supreme Court, substantially expanding eligibility for children who did not meet SSA's strict medical criteria. As a result, the number of children qualifying on the basis of the revised medical standards for mental impairments tripled, from 1,900 a month before the change to 6,000 in 1994. In addition, the new functional assessment process has added about 219,000 children to the rolls through September 1994.

²Social Security: Rapid Rise in Children on SSI Disability Rolls Follows New Regulations (GAO/HEHS-94-225, Sept. 9 1994.)

accounting for one-third of all awards since it went into effect in 1991.

Children with mental impairments figure prominently in this growth. Increases in awards to children with mental impairments--based on the medical standards and the new assessment criteria--account for three-fourths of the overall increase in awards since the eligibility changes went into effect. In 1994, children with mental impairments received over 70 percent of all awards, including over 85 percent of awards based on the new functional assessment criteria.

IMMIGRANTS

Between 1982 and 1993, the number of legal immigrants receiving SSI increased an average of 16.5 percent a year. During this time period, the portion of immigrant recipients grew from about 3 percent of all SSI recipients to over 11 percent. In 1993, an estimated 683,000 legal immigrants received SSI benefits at a cost of about \$3.3 billion, based on our ongoing study of immigrants' benefits. Slightly more than 60 percent of these immigrants received aged benefits and the remainder received disabled benefits.

The numbers of legal immigrants in the SSI aged program and the SSI disabled program have increased dramatically. In 1982, 6 percent of all SSI aged recipients were immigrants; by 1993, 28 percent were immigrants. Immigrants constitute a much smaller percentage of SSI disabled recipients--about 6 percent in 1993, having increased from less than 2 percent in 1982. If the historical growth rate in the number of legal immigrants on SSI continues, this number could reach nearly 2 million by the year 2000.³ (See fig. 4.)

Several factors may help explain the growth of immigrants on SSI, but no studies have yet established whether, and to what extent, these actually account for the growth. First, the number of immigrants admitted annually for legal residence in the U.S. has gradually increased in the last decade. For example, 880,000 were admitted in 1993, compared with 570,000 in 1985.⁴ In addition, the legalization of nearly 3 million former illegal immigrants under the Immigration Reform and Control Act of 1986 may have expanded the population of immigrants eligible for SSI.

Second, the large increase in the percent of SSI aged recipients who are immigrants may be due in part to the admission of elderly immigrants for permanent residence who join family members already residing in the U.S. Some legal immigrants are admitted into the country under the financial sponsorship of a U.S. resident. Sponsors sign an affidavit of support, in which they state they will provide financial assistance to the immigrant for 3 years. However, several courts have ruled that these affidavits of support are not legally binding.

Before 1994, the "deeming" provisions of the SSI program held that in determining eligibility for SSI, a portion of the sponsor's

³This projection makes no adjustment for limitations of administrative data from SSI that may overstate the number of legal immigrants receiving benefits. SSI data may not have a recipient's current immigration status if an immigrant's status changed and the agency was not notified. For example, lawful permanent residents can become citizens after five years of residing in the U.S. and meeting other criteria. Immigration data that track legal immigrants over time suggest that at least 20 percent eventually become citizens.

⁴These figures do not include former illegal immigrants who were legalized under the Immigration Reform and Control Act of 1986.

Figure 3: Growth in SSI Children, Projected to the Year 2000

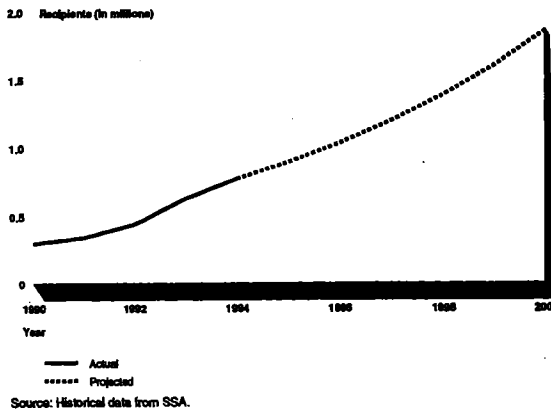
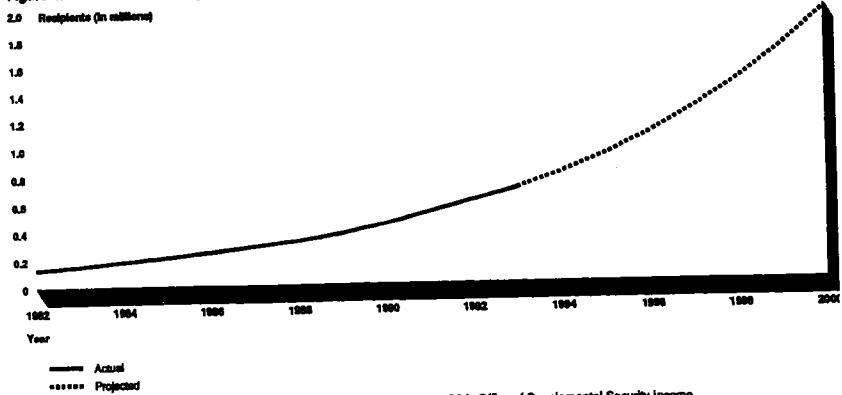


Figure 4: Growth in SSI Immigrants, Projected to the Year 2000



income was deemed to be available to the immigrant for 3 years. Administrative data indicate that about 25 percent of lawful permanent residents receiving SSI applied for benefits within a year of the expiration of their 3-year sponsorship periods. Some of these may have been elderly immigrants who, not having resided in the U.S. long enough, did not qualify for Social Security retirement benefits. The deeming period for SSI was temporarily extended from 3 to 5 years starting in January 1994 through September 1996.

Third, the growth of immigrants in the disabled program may be due in part to fraud. Several news reports have provided accounts of legal immigrants being coached by middlemen on how to feign mental illness to qualify for SSI benefits. While state and federal investigations have identified some cases of fraud by immigrants in the SSI program, the extent of the problem is unclear.

DRUG ADDICTS AND ALCOHOLICS

Under a special SSI program commonly referred to as the DA&A (drug addicts and alcoholics) program, certain recipients (all called "addicts" here) can receive SSI benefits only if two conditions are met. Specifically, they must (1) undergo and comply with treatment, when available, and (2) have a third party or representative payee manage their monthly benefit payments. GAO work has documented past problems with the representative payee system.⁵ The DA&A program is restricted to those addicts whose addiction is material to the determination of their disability; that is, if it were not for their addiction, they would not qualify for benefits.

About 101,000 DA&A recipients on the SSI rolls in 1994 received an estimated \$382 million in annual federal SSI benefits. The SSI caseload grew nearly 700 percent for the DA&A program from only about 13,000 cases in 1988. We previously reported that many possible explanations exist for these increases, including increased SSI outreach and cutbacks in state general assistance programs that have resulted in more SSI applications. However, the extent to which these and other factors contribute to the increase is unknown.

This alarming growth and allegations of program abuse prompted the Congress to pass major reform legislation to strengthen controls of payments to addicts. These reforms were included in the Social Security Independence and Program Improvements Act of 1994 enacted on August 15, 1994.

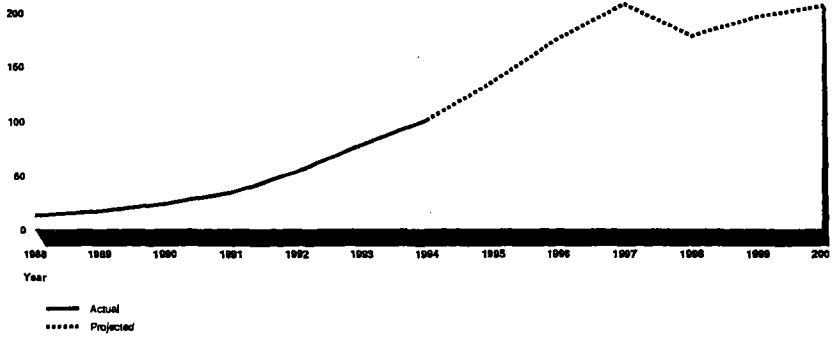
For 1995 through the year 2000, the program is expected to continue to grow to over 200,000 DA&A cases, or about 53 percent, a much slower rate than that experienced in the 1988-1994 period (see fig. 5). This growth incorporates the programmatic changes made by the new legislation and represents the number of cases that will require treatment monitoring. SSA projects that for the SSI caseload the average rate for the 1995-1997 period will be about 27 percent; in 1998, a reduction in the growth rate of about 14 percent is projected; and the rate of growth for 1999 and 2000 is projected at only 10 and 6 percent, respectively.

According to SSA, much of the future growth is based on expanding referral and monitoring agencies to cover all states. These agencies--under contract with SSA--work with SSA field offices to monitor addict compliance with the treatment requirement. Past experience has demonstrated a relationship between the presence of one of these agencies and increased participation in the DA&A program. In 1993, SSA only had contracts

⁵Social Security: Major Changes Needed for Disability Benefits for Addicts (GAO/HEHS-94-128, May 13, 1994.)

Figure 5: Growth in the SSI DA&A Population, Projected to the Year 2000

250 Recipients (in thousands)



Source: SSA, Office of Disability

covering 18 states, but has increased that coverage currently to 45 states and the District of Columbia. The reduction in growth that is projected for 1998 is attributed to the new legislation that generally requires that, effective on March 1, 1995, SSI benefit payments to addicts in the DA&A program be terminated after 3 years.

The legislation also mandates a number of other actions designed to strengthen controls over benefit payments to addicts. These actions include expanding the DA&A program requirements to cover Disability Insurance (DI) beneficiaries and mandating an SSA study of the feasibility, cost, and equity of requiring representative payees for all DI and SSI addicts, irrespective of whether their addiction is material to the determination of disability. The study is due no later than December 31, 1995.

FUNDAMENTAL PROGRAM CONCERNS

In looking at the overall growth in SSI beneficiaries in recent years, several fundamental program concerns have been raised. For example, there are questions about the appropriateness of recent expansions in eligibility. Concerns have also been expressed about whether SSI cash payments are an effective way to meet beneficiaries' needs. Still other concerns have surfaced that suggest that eligibility expansions and the cash payments that SSI provides leave the program vulnerable to fraud and abuse.

Regarding children, questions have been raised about the underlying rationale for providing benefits to disabled children through this program, which was designed primarily to replace income for adults whose disabilities precluded work. In addition, concerns have surfaced about the effectiveness of meeting the needs of disabled children and their families through cash payments rather than services directed to treatment of their specific disabilities. Some also ask how the program could better meet the needs of disabled children to reduce their dependence on SSI as they become adults.

In the case of immigrants on SSI, immigration policy regarding sponsorship requirements and the length of time immigrants must reside in the U.S. before becoming eligible for benefits should be reviewed. The idea that one can sponsor a person for a short time, then pass that sponsorship obligation on to SSI raises concerns about the design of SSI rules. As a result, there have been proposals to change the eligibility criteria for recent immigrants as a means to stem the influx in immigrants on SSI.

For the DA&A program, some question whether stronger efforts should be made to rehabilitate drug addicts and alcoholics. In addition, some suggest that financing substance abuse treatment programs would be more effective than providing cash payments to addicts. Recent changes in the law continue cash payments through qualified representative payees, which should assure better accountability, while better meeting the needs of addicted beneficiaries.

In conclusion, we believe addressing these fundamental program concerns should help improve the effectiveness of public expenditures and restore public confidence in the integrity of the program. The Congress has already taken action to address problems in the DA&A program, and is considering alternatives for disabled children and immigrants. These issues deserve more deliberation, and we would be happy to work on them with you.

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This concludes my written statement. I will be happy to answer any questions you may have.

Chairman SHAW. Thank you, Ms. Ross.

Mr. Camp will inquire.

Mr. CAMP. Thank you.

Dr. Weaver, you mentioned that legal aliens receive higher benefits—and I am not sure I caught the entire comment—higher than what group?

Ms. WEAVER. Than U.S. citizens on SSI. The reason is that the elderly citizen on SSI is very likely to have at least some Social Security or some small private pension, some other form of income that then offsets a portion of their SSI. The alien is much less likely to have these other sources of income. Since SSI is a minimum income guarantee, if you have some Social Security income, we offset for it. If you have nothing, then there is no offset.

The GAO reports that aliens on SSI receive benefits that are at least about twice as high as citizen recipients, meaning that even if there were a fairly stable elderly caseload, it would become relatively more and more expensive.

Mr. CAMP. And do I understand that your view as to why the number of aged citizens has been declining is that just the same thing, Social Security and they have other sources of—

Ms. WEAVER. I think it is basically that. You look at the long-term historical trend since 1974, and it has been a long-term downward line, despite what has been happening in many other public assistance programs. Much as people anticipated in 1935, as Social Security has expanded and people have gained eligibility for larger benefits over time, and private pensions have developed as well, the elderly relied less on public assistance.

Mr. CAMP. Now we have had—you mentioned in your testimony the growth in SSI benefits to children as a result of the *Zebley* decision and the regulations that followed that had the age-appropriate manner tests. And I have been hearing from many people, also from teachers and school officials who are the ones who verify this information.

Can you tell us how children with disabilities got added to the SSI Program in the first place? And wasn't it originally designed to replace the income of people who were disabled without resources to provide for themselves?

Ms. WEAVER. The word I and others have used to describe how kids get added to the SSI Program is that it was an afterthought in 1972. The SSI legislation was going through as part of a massive Social Security and Medicare bill, which was very distracting in and of itself. SSI was designed to take over and federalize the various State programs of aid to the blind, aid to the disabled, and old age assistance that had been created in the thirties. These had been Federal-State programs since 1935.

SSI was created to replace lost income for an elderly person or a disabled adult. There were criterion established for the disabled person, that is, that he or she be completely unable to work. So the popular wisdom goes, some senior official managed to get a brief amendment inserted into the final legislation, without debate, that expanded SSI to include children. Since kids didn't work and didn't have wages to lose, the legislative language spoke in terms of disabilities of comparable severity to those of adults.

Under that language, SSA throughout the years had been using a test that basically looked at the medical severity of a child's mental or physical impairment, without these additional functional assessments that we are now talking about and that the Supreme Court helped bring about.

Mr. CAMP. Do I understand, in looking at your testimony, that a child might have been denied benefits based on the nature of the disability but because the behavior of his is age-inappropriate, may qualify for benefits?

Ms. WEAVER. It is a new test that applies to children who would otherwise be found ineligible under the medical criterion.

Mr. CAMP. Now, the test for adults is one that requires some other factor in connection with the disability, and could you explain that a little bit?

Ms. WEAVER. Again, you begin by looking at the medical severity of the individual's mental or physical condition. Then you proceed, assuming that it is a severe impairment but not one that meets the listings, to assess vocational factors, such as age, education, and work experience, and something called residual functional capacity. These additional steps in the process were not done for kids, because these tests, the argument would be, related to work ability and to work skills. The evaluation process for children stopped at that determination of medical severity.

Mr. CAMP. One of the concerns I have heard also is that the cash payment then goes to the parent and there is no accounting or requirement that the funds be spent for medical needs or purposes; is that correct?

Ms. WEAVER. I think that is a fair way to characterize it, that in practice SSI is an unrestricted payment to children of up to \$458 a month. That is the same payment Congress has deemed appropriate for an elderly individual living alone or a disabled adult living alone in their own home. The family would receive that on behalf of the child. And it may or may not be related to any special needs of that child, and it may or may not be spent for the benefit of that child.

Mr. CAMP. No requirement that it be used for prescription drugs or medicine—

Ms. WEAVER. I would be surprised if the statute didn't include some language that it be for the benefit of the child, but I would defer to Jane Ross from GAO. Do you know? As a practical matter, I am absolutely certain it is an unconstrained check to families.

Mr. CAMP. Thank you, doctor.

I have no further questions.

Chairman SHAW. Ms. Kennelly will inquire.

Mrs. KENNELLY. Thank you.

Ms. Weaver, you suggested we send SSI possibly back to the States in the form of block grants. Governor Engler of Michigan testified before us during these hearings; and this man, this Governor, was a champion of block grants: Send it to him, and he could do it. Yet, interestingly enough, he said to us, don't send me SSI. I just don't want SSI.

So does this make you think that States are ready to embrace SSI as they might welfare and—

Ms. WEAVER. I really wouldn't put my remarks about block grants under the category of a recommendation. What I was saying is that SSI and disability insurance, the two Social Security Programs, are in need of major reform. So when I come here and discuss something like modifying kids' benefits, I want to make sure it is understood that I am talking about program changes within the context of the current system.

I wouldn't want to rule out something much more significant, whether it be block granting, whether it be moving toward an earned income tax credit, whether it be moving in many other directions. I was really leaving open that issue.

Mrs. KENNELLY. Let me just take another—I thought I heard you say that if the cash payment is eliminated, there is Medicaid and other Federal programs that these children can go to.

Ms. WEAVER. I have not proposed eliminating it. I have proposed converting it to something that allows for some accountability where what a child actually has in extra costs is met by the Federal Government. So that would be, say, a voucher for unmet expenses, those added expenses that come about for certain children. We can come up with examples of children who are profoundly disabled—cystic fibrosis or whatever—that have large expenses. Likewise, you have got the other end of the range of severe impairments, maybe a case of mental retardation without other complications that is not severe or a child who is deaf or blind as opposed to deaf and blind.

The added cost of these children varies very dramatically, yet they are all eligible for the same flat payment. The idea is to target resources on the kids that need them. If children have minor additional expenses that are not met by some other organization, give them a minor amount of money either through the use of their voucher or through reimbursements or provision of service by Medicaid.

Mrs. KENNELLY. Well, you heard Alison's mother testify, and you have given great time to study this situation. And my understanding of other Federal programs is they are limited. Different States have different things that just don't happen, they don't get involved in.

And can you see us—if you were sitting here and you were wrestling with this problem, having seen Alison, having seen those people over there, yet knowing there is abuse going on, tell me how you would do it, doctor.

Ms. WEAVER. I wouldn't suggest for a moment that it would be an easy problem. But I think—

Mrs. KENNELLY. No, I am serious. You are an expert witness, and we appreciate you coming.

Ms. WEAVER. I would be very inclined in tight budget times to focus on medically necessary expenses for severely disabled children as the first cut. So consider tricycles—I am a mother of two young boys. I can't think of anything nicer than a tricycle for my younger boy.

On the other hand, I don't know whether that is necessarily one of the expenses that would be allowable under an alternative plan. I am not saying it wouldn't be, but I do think that it is the kind of expense you need to consider carefully and decide whether or not

it is worth the extra cost. It might be that physical modifications of equipment required for some children may well be an appropriate expense. That may be one of the big categories that would not be covered by other programs.

What you run into with physical modifications is that you might end up, for some children, spending more than the current amount. On the other hand, you would be spending much less for a number of children. I am afraid we don't know what the distribution of those kids is in terms of who has what kind of expenses to be met.

Mrs. KENNELLY. Let me put it another way. We know that there is a certain percentage, 40 something, that is retardation. We know another almost I guess 40 percent is physical disability. Then we have this smaller area that is I think where some of the abuse takes place, where it is not so provable, whether it is mental retardation, which can be proved, and physical retardation.

So maybe we should look at that particular area first and then go on?

Ms. WEAVER. What is so difficult about both of the Social Security Disability Programs is that, within any category you pick, you are going to have a full range of severities within the term "severe." You are going to have people who must live in institutions—they are so severely mentally impaired, for example—and you will have people functioning in the outside world—they can work in a sheltered workshop-type environment, for example. Both are qualified for the programs.

That is what makes it so difficult. And it is what keeps bothering me by the word abuse. I understand your desire to go after abuse, but this is a program where there are so many gray areas, so much room for subjectivity in decisionmaking, so much residual capacity to work, even among people with the most profound disabilities, with the right assistive technologies, with the right computer technology and the like.

In your own thinking I would urge you to get away from the notion that is built into these systems that disability is black or white; that it is very severe or it is not; that it either completely precludes work, play or school or it doesn't. It doesn't tend to work that way.

Disabilities exist on a continuum all the way to complete health. Few of us have complete health without some physical or mental limitations ourselves.

Having said this, yes, there must be categories that you can begin with if you are looking for slicing up the pie, where you get to these profoundly physically or mentally disabled children.

Mrs. KENNELLY. And shelter them immediately and then go on? Thank you, doctor.

Mr. CAMP [presiding]. Mr. McCrery may inquire.

Mr. MCCRERY. Thank you, Mr. Chairman.

Thank both of you for coming today and sharing with us your research on these matters.

Ms. Ross, you stated that if there were no changes in the SSI Program for Children, there would be explosive growth in this program over the next few years. Would you restate the figure that you gave us of the number of children that would be enrolled in this program by the year 2000?

Ms. ROSS. Yes. I said that the number might double if the rate of growth stayed the same as it is now, which is about 15 or 16 percent a year. So the number might be as high as 1.8 million children.

Mr. MCCREERY. Do you have any idea what the cost of the program would be at that level?

Ms. ROSS. I don't, right offhand.

Mr. MCCREERY. The cost of the program now is about \$4.5 billion. So I guess—

Ms. ROSS. It would at least—

Mr. MCCREERY. At least double, not counting inflation.

Ms. ROSS. Right.

Mr. MCCREERY. So in 1994 dollars or 1995 dollars, it would be close to \$10 million.

Again, Ms. Ross, let's talk about the IFA for just a moment. Is it your view that the individualized functional assessment that has been used as a result of the *Zebley* decision has resulted in some children receiving SSI benefits who should not be eligible for SSI benefits?

Ms. ROSS. I think I would phrase it differently. Our concern is that the individualized functional assessment is so subjective that there really isn't any assurance of how reliable the process is or how consistent the decisions are. I have seen a study that the Social Security Administration has done which showed a set of people who had had approvals and then they were approved by the next level and the next one found an error. Our view of that in the work we have done is that it is not that there was an error among the first two groups of people but that it is so subjective that it is not possible to gain consistently with this current process in which you look at several domains and try and judge the level of severity to determine whether a child qualifies for disability.

Mr. MCCREERY. Dr. Weaver, do you think the IFA is an appropriate standard to use for assessing the needs of children to be on SSI?

Ms. WEAVER. I wish it were an easier question to answer. Any time you get into these kinds of subjective tests you are just setting yourself up for lots and lots of problems.

For example, there has always been concern about getting rid of the test used for adults because it might actually help SSA screen people out when decisions are being made more conservatively.

I am not sure that this test works quite the same way. Presumably it would tend to screen out some, but at this point it is being used very successfully to screen kids in, particularly kids with mental impairments.

Mr. MCCREERY. Don't you find that probably over half of the kids coming in under the new functional assessment, again, are the kids with the mental disorders and the behavioral disorders?

Ms. ROSS. Yes.

Ms. WEAVER. I have a feeling that it is a serious problem, but I am equally concerned about the mental impairment regulations generally and the whole way evidence is being handled in the mental impairment area where you have friends, teachers, classmates, family members, local post office officials testifying on the condition

of an individual. We have lost that third-party impartial evidence required to make an objective determination.

So I think it is more complicated. But I am unaware of any data to be able to give you a good, solid answer on that.

Mr. MCCRERY. I appreciate the complexity of the problem and the difficulty in dealing with it. But you both testified basically that we should not allow this program to go on as it is. And what I am asking you for is some concrete ways to change the program. And you are failing to give me any—

I mean, I will just ask you plainly: Should we not do away with the IFA and look at the mental impairments listing as a better way to screen qualified children for SSI disability?

Ms. WEAVER. I feel better when I know precisely what kind of kids are coming on and not coming on. But it would not trouble me at all to go back to the system that prevailed from 1972 to 1990. We apparently lived with that just fine with 200,000 or 300,000 kids coming on a year. We seem to have lots of concerns now with nearly 1 million kids on the rolls.

I think there is a confounding problem, though. Other things are going on that are affecting the Social Security Disability Programs, too. I hope you get the significant effects you expect. But rapid growth will continue because of these other factors affecting mental impairment allowances. Nothing would preclude you from going back and reassessing or trying to give the agency some more guidance about how to create some new tests of course.

Mr. MCCRERY. I understand there might be more problems, but—

Ms. WEAVER. I wanted to continue to say that I certainly didn't have anything to say about children's benefits. I very clearly stated that children's benefits are inappropriate as currently designed. I think it is quite remarkable that a poor family on AFDC can double its income by getting one child on SSI and triple its income by getting two kids on SSI. I am just very surprised that this situation has been allowed to prevail.

Mr. MCCRERY [presiding]. Thank you. We have a vote on, but Mr. Ford says he will take about 2 minutes.

Mr. FORD. Are you going to be recognized for questions?

Ms. DUNN. I am afraid we will lose them. I would like to.

Mr. MCCRERY. We are going to recess for a few minutes. Why don't we do that now?

Mr. FORD. Why don't we do that?

Mr. MCCRERY. The Committee will be in recess for about 10 minutes. We will be right back.

[Recess.]

Mr. MCCRERY. I would like to resume my questioning of the witnesses and perhaps elicit some more information.

I am hesitant to pursue the earlier line of questioning with respect to the IFA because you don't seem ready to give me any clear guidelines on that. But let me try from a different direction.

Do you think the current criteria for qualifying children for SSI disability are adequate or appropriate? Either of you.

Ms. WEAVER. Over the break we were chitchatting, and one thing that came to mind, as a partial answer to you, is that I don't know why a standard constructed by the Supreme Court would be a good

standard of disability to use for children. So I would amend my earlier statement to say that it makes perfect sense to repeal that current test.

Mr. MCCRERY. A definitive statement. Thank you.

Ms. WEAVER. And certainly it can be subject to further consideration down the line if it seems appropriate.

Mr. MCCRERY. Yes. My thought is, at the least, we ought to do away with the, as you put it, the Supreme Court-created criteria, the IFA, and revert to the mental impairments listings, with an eye toward maybe even modifying those to correct the potential for abuse as a result of the rewriting of those regs back in, I think, 1989 or 1990, prior to the *Zebley* decision. And then, in an oversight capacity, to continue to monitor that and perhaps even use the commission that was set up last year to look at that in an oversight capacity and give us some suggestions on further refinement of those.

Mr. Chairman, I am glad you are back. And Mr. Ford actually was the next one to inquire, but I was taking advantage of being the only one here. So thank you.

Chairman SHAW [presiding]. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman.

Dr. Weaver, you mentioned, in the second paragraph of your statement, something I want to just correct.

I appreciate, number one, your commending the Committee for wanting to tackle this problem. I certainly applaud the Republican side of the aisle for their tireless efforts in moving in this area. I was Chairman of the Committee along with another Chairman of the Subcommittee that brought this to the forefront of the Congress. And it was, if anything, a joint effort. But I certainly don't want to—

Ms. WEAVER. I will amend that.

Mr. FORD. I am going to amend it on the Committee, to not let it go on the record that it was brought from one side of the aisle.

What I would also like to raise are one or two questions. And, being very brief, you really want us to just eliminate SSI. You don't think the Supplemental Security Income Program is a good program at all, is in essence what I hear you—

Ms. WEAVER. I think that is a serious misreading of my written statement.

Mr. FORD. You are saying we ought to take the SSI Program and block grant it.

Ms. WEAVER. I do not say you should block grant the program.

Mr. FORD. Are you saying we should take the cash benefits from children and provide only the health benefits under the Medicaid Program?

Ms. WEAVER. I do not say that either. I very explicitly say that it makes no sense to provide duplicative Federal spending. And I think all of us would agree on that. And, therefore, the only relevant question is whether there are added expenses to a disabled child that are not met by other Federal programs. And I have suggested spending Federal money on those other unmet expenses.

Mr. FORD. And what do you do about the cash benefit? What do you recommend with the cash benefits of SSI?

Ms. WEAVER. Turn it into a voucher that is spent on the extra unmet needs, for example.

Mr. FORD. And, under that voucher system—what happens? The recipient receives the voucher. Is that a cash voucher or can some parts of it be converted to cash?

Ms. WEAVER. It is a voucher that could be used for a predetermined set of things related to added expenses you all believe are necessary and appropriate expenses for raising disabled children. Or I have heard discussions of running something through the Medicaid Program which would be a similar approach.

The idea would not be to cut off legitimate expenses. There are added expenses, extraordinary expenses for certain children.

Mr. FORD. What about the expenses of food and shelter? What I am trying to get to with this voucher that you suggest, you say that no block granting for SSI at all and turn it into a voucher plan. But how will we provide for the food and shelter in many of these cases that might not be listed and itemized as some of the things that disabled children would need?

Ms. WEAVER. A poor child—a poor child would be eligible for AFDC.

Mr. FORD. All of those children would be poor. It is a means-tested program we are talking about for children.

Ms. WEAVER. And so I am confused about what it is—

Mr. FORD. You are saying turn it into a voucher plan. Will you be able to receive any portion of this grant from SSI for food and shelter?

Ms. WEAVER. In a family where no one else is eligible for public assistance.

Mr. FORD. In a family—let's assume for 1 minute that one child, this particular child under the means-tested program, would be eligible for the \$400-some per month, and I want to convert that into a voucher. Could parts of that or any of that be used for food and shelter?

Ms. WEAVER. I hadn't even thought about that. If you have a poor family where—

Mr. FORD. A working mother with one child that is disabled—

Ms. WEAVER. It is just easier for me to think through it as a poor family. Of course, we would want a share of that to go to food and basic support.

Mr. FORD. But would only a certain portion of it be earmarked? A mother who is working and making slightly above minimum wages would qualify under the means-testing program. Maybe two children in the family, one with severe disabilities, would qualify for the SSI benefits through the means-tested program. And under the voucher plan that you suggest, would that mother be able to use any portion of that voucher in cash for food and shelter for that child?

Ms. WEAVER. I would think that you may be able to key off the AFDC payment in that State to find out what an appropriate amount of money for basic needs in a poor family is.

Mr. FORD. You are saying, rather than SSI, see whether you could key off on the AFDC?

Ms. WEAVER. That is just a way of determining basic needs. That is what the AFDC payment is there to try to meet.

Mr. FORD. SSI, we have a national standard. And, naturally, we do not have national standards within the AFDC Program. And children with disabilities in many cases, families, as we have heard from a mother today who has testified, their disabilities are a lot more severe, and the costs for caring for those kids are a lot more expensive than it would be maybe for kids in the welfare population that would not have those disabilities.

My time is up, Mr. Chairman.

Chairman SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman.

Thank you, panel, for waiting through this period of time and through the vote.

Dr. Weaver, I would like you to switch your thinking back to a point that you mentioned in your testimony and give me, as a new Member of this Committee, some background on the rationale behind drug addicts and alcoholics being awarded cash payments for SSI. This is the most outrageous thing I hear in my townhall meetings these days. They would like to know the answer. And I would like to have more information on the thinking behind this. And what would happen if we decided we wanted to change that portion of SSI?

Ms. WEAVER. I am going to have to defer to Jane Ross from GAO on the legislative history back in 1972. I would mention, though, that the group that we tend to hear about, the drug addicts and alcoholics that people are talking about terminating payments to, I suspect is a relatively small group whose primary diagnosis is addiction.

There is another group which includes people who have, say, a drug addiction or alcoholism that has contributed to another severe disability like severe organ damage or mental illness or whose drug addiction and alcoholism is secondary to their primary diagnosis.

Most proposals do not deal with these latter categories but only with that primary diagnosis category. I just raise this as a clarifying point, that many people who are drug addicts and alcoholics would remain on the rolls, even if you curtail payments to some.

I have not studied the legislative history.

Ms. ROSS. I am aware that the standard at the beginning of the SSI Program was much more restrictive and usually required some additional complications and was loosened over time. I am not trying to justify, I am just simply explaining that at some point when the mental listings were expanded it became possible to just have this drug addiction as the basis for your eligibility.

Ms. DUNN. As objective observers of this system, don't you think the correct thing for us to do would be to limit cash payments to people whose primary diagnosis is alcoholism or drug addiction?

Ms. WEAVER. It would make sense to limit payments, yes.

Ms. ROSS. I have a little information about what the characteristics of some of these people are, which you might want to be aware of.

There was a study that SSA did in the mideighties about who the substance abusers are, and they tend to have been abusers for many years before they joined the program—half of them over 10 years. Most of them don't have even a high school education, and most of them tend to be in their late forties or early fifties.

And I think whether or not you decide that a cash payment is appropriate, you have to be realistic about the chances that these people can either be rehabilitated or can return to work because of this situation in which they come to the program.

Ms. DUNN. Thank you. I certainly think that they should be taken off SSI, and I think the people in my district who are paying taxes are learning that there are primarily diagnosed folks who are addicts and alcoholics, and that does not make them happier about our system.

Let me switch to another topic, the topic of legal aliens. I was concerned in your testimony, Dr. Weaver, from the charts you presented, at the increase in the number of legal aliens receiving SSI. What do you think we ought to do about this?

Ms. WEAVER. I do not have a recommendation on aliens. That is really an observation about what is going on in terms of the rapid growth of the benefit rolls and likely implications for future costs.

Ms. DUNN. Do you have any thoughts on our proposal in the Contract With America, our welfare proposal that would take legal aliens off the welfare rolls?

Ms. WEAVER. I am a public policy research analyst, and I have never studied immigration, so I really hesitate to say. I could give you my personal opinion, but I don't think that would be particularly helpful to you.

Ms. DUNN. I think the point that I do want to make, even though I would like to hear your personal opinion—

Ms. WEAVER. Privately.

Ms. DUNN [continuing]. Is that it is important for us to realize how much the cost to each taxpayer has increased because of the benefits that we award to legal aliens. They certainly should have the right to come into this country under our legal systems but should not have the right to expect that they will be supported by welfare once they get here, particularly when the folks who are their guarantors supposedly took responsibility for them.

Thank you.

Chairman SHAW. Ms. Ross, in your written testimony you point out that between 1982 and 1993 the portion of immigrants receiving SSI grew from 3 percent of all SSI recipients to over 11 percent.

I believe also that statistics will show that the number of immigrants during that same period of time entering into the SSI system grew by approximately 400 percent, where the rest of the population I think grew about 16 percent, or certainly a lot less than that.

With 11 percent of the recipients now receiving SSI being legal immigrants, what percentage of the total population, if you know, are legal immigrants, to get some sense of proportion here?

Ms. ROSS. I am not sure of the precise number, but I do know that it is less than the proportion that are—

Chairman SHAW. It is less than 11 percent. Do you have any idea how much less it is?

If you do have that information, and I am sure it is available through the General Accounting Office, if you would supply it for the record, that would be helpful.

[The following was subsequently received:]

The Urban Institute presented some estimates of the foreign-born population in a 1994 report (See Michael Fix and Jeffrey S. Passel, *Immigration and Immigrants: Setting the Record Straight* (Washington, DC: The Urban Institute, 1994), pp. 19–22, 34, and 63–67.) From these estimates, we compute that in 1990, there were roughly 10.7 million noncitizens lawfully residing in the United States, including 1.1 million refugees and asylees. Given the 1990 U.S. population of 250 million, legal noncitizen residents comprised 4.3 percent of the total. (Another 6.5 million were naturalized citizens; we do not have data on the number of naturalized citizens receiving SSI.)

However, comparisons with the SSI data may be misleading because the SSI data do not reflect their current immigrant status, only their status at the time they applied for benefits. So the 11 percent of SSI recipients who were noncitizens when they applied may include some who have since become citizens.

Chairman SHAW. How do you account for that tremendous increase in such a short period of time?

Ms. ROSS. Well, I can't say anything that is absolutely definitive, but a couple of things are suggestive.

One is this sponsorship issue that is the instance where it wasn't clear that the person had enough personal resources or didn't have a job on his or her own so someone sponsors them and says they will be responsible for them for 3 years and now in essence for 5 years.

There seems to be such a large number of people who come onto the rolls immediately after that period is over that it is worrisome that sponsorship is being gamed—you just take responsibility for the people for a limited period and then when the law says it is over people appear on the rolls. Since they said 25 percent of the people entering on the rolls came 1 year after they ended their sponsorship period, it sounds like a lot of people are aware of that. So that is a possible abuse.

There is another part of this sponsorship issue, and that is courts have found that the sponsorship agreements—affidavits of support—aren't legally binding. So even during that period there is a problem. And we have, at your request, asked someone in our General Counsel's Office to look into this issue, and I would be glad—I am not a lawyer so I don't feel very comfortable explaining what our General Counsel's Office found—but I would be glad to provide that for the record.

[The following was subsequently received:]

Some legal immigrants are admitted to the country under the financial sponsorship of a U.S. resident. The Immigration and Nationality Act of 1952, as amended, provides for denying permanent resident status to noncitizens who are likely to become public charges. Noncitizens can demonstrate they will be self-sufficient in several ways, including getting a financial sponsor. Sponsors sign an affidavit of support assuring the U.S. Government that the immigrant will not become a public charge and in which they state they are willing and able to provide financial assistance to the immigrant for 3 years. Refugees and asylees do not need to demonstrate they will be self-sufficient to reside in the United States.

However, several courts have ruled that these affidavits of support are not legally binding. These courts found that the affidavit is but a mere promise, a moral obligation, not enforceable in a court of law. One court concluded that an affidavit was not legally binding because the parties did not intend to enter into an enforceable contract. It relied on evidence that: The writing is termed an "affidavit" not a contract; the affidavit is signed only by the sponsor; the sponsor receives no legal consideration for his promise of support; the nature and extent of the sponsor's obligation is not clearly expressed; and the alien is not a party to the affidavit.

SSI's "deeming" provisions, which apply only to immigrants with financial sponsors, attempt to reinforce immigration policy. In determining financial eligibility and benefit levels, SSA deems a portion of a sponsor's resources to be available to the immigrant. This provision applies regardless of whether a sponsor is actually pro-

viding financial support. This provision currently applies for 5 years from the immigrant's entry into the United States. (The Congress temporarily extended SSI's deeming period from 3 to 5 years from January 1994 through September 1996. However, in the affidavits of support, sponsors only say they are willing to provide support for 3 years.)

Ms. ROSS. Then the third piece that we can't document in terms of numbers but which is, again, worrisome is that there are people, immigrants who apply for disability benefits who come bringing a middleman or an interpreter of their own, and they attempt to commit fraud.

This is most likely to happen with languages that aren't common, so that the Social Security office doesn't have anybody who can themselves interpret that language.

Chairman SHAW. It even appears that this is so organized that much of that starts in the country of origin before they even get here with regard to gaming the system and the fraud that is in there. It appears that actually this is a form of organized crime with the fraud being perpetrated on the Federal Government through fraudulent translators and other people who are fully aware of the right things to say with the applicant sitting there and muttering some words that the counselor doesn't even understand himself or herself.

I have talked to the administration, and I have talked to the Judiciary Committee. You are absolutely correct that the affidavits do not appear to be enforceable, and I think the courts have said so.

The Immigration Subcommittee is looking into this in order to try to correct that and make it a binding contract. In talking with a member of the administration yesterday, it was indicated to me that the Judiciary Committee would have the full support of the administration in trying to plug that loophole, which makes absolutely no sense.

If there aren't any more questions—

Mr. FORD. Mr. Chairman, I have just one final question for Dr. Weaver.

Dr. Weaver is a scholar with the American Institute—Enterprise Institute. What type of institute is the American Enterprise Institute? Is it a think tank organization?

Ms. WEAVER. Yes.

Mr. FORD. Is it part of the Federal Government or a Federal agency?

Ms. WEAVER. It is an entirely private public policy institute in Washington like the Brookings Institute.

Mr. FORD. It is like the Brookings Institute?

Ms. WEAVER. Yes.

Mr. FORD. Let me ask you, Dr. Weaver, in light of all these position papers, have you or the American Enterprise Institute—have you all experimented with any of these positions that you have taken, like the voucher plan? I notice that when Social Security toyed with the voucher thought and ideas they wrote up a page and a half of questions that they couldn't answer themselves, like several questions that you have not been able to respond to, and said, we better put that in the thought pattern. Have you really tried to experiment with any of these position papers?

Ms. WEAVER. With regard to that specific suggestion about converting to a voucher, I have not experimented with it.

Mr. FORD. Thank you, ma'am.

Mr. LEVIN. Mr. Chairman, could I just ask a question, just one quickie? I am sorry. I was in another hearing so I missed the testimony, the oral testimony.

Let me just ask, in light of trying to get at the serious flaws, if we were to abolish SSI payments to addicts, what would the impact be on eligibility for Medicaid payments, whether you think there is any problem there? They are linked, today, to some extent.

Ms. ROSS. I am not sure I understand your question. Would you expand on it a little?

Mr. LEVIN. SSI is linked to eligibility for Medicaid. You eliminate SSI and it will have some impact on Medicaid eligibility. So have you any thought, if we abolish payments to addicts, what might happen in terms of the impact on Medicaid eligibility and whether that is a plus or a minus?

Ms. ROSS. Are you talking specifically about the drug addicts and alcoholics?

Mr. LEVIN. Yes.

Ms. ROSS. Well, I am not still sure how to answer your question. I didn't propose anything like abolishing benefits for that group. But if—

Mr. LEVIN. So you don't—I am not sure, then. What is your suggestion in that area, if it isn't abolition?

Ms. ROSS. We did work last year prior to the time the law changed, and we said two things. One was that the representative payee requirement ought to be tightened, and it ought to be expanded beyond the group that is called just strictly drug addicts and alcoholics in the SSI Program; and that anybody who has a substance abuse problem who is on either SSI or DI ought to have a representative payee taking care of their money. And we further said we thought all of those people ought to be in treatment.

Those were the two pieces that GAO talked about last year. And some of that has been done, not all of it. So that would be about where we would still be.

Mr. LEVIN. So, Dr. Weaver, let me ask you, because I think you favor the abolition—

Ms. WEAVER. I did not present a position on abolishing payments to addicts and alcoholics.

Mr. LEVIN. So—I am sorry. I missed the back and forth, being at other hearings. So your suggested remedy to a program—

Ms. WEAVER. If I could clarify one thing to you, gentlemen. I was asked to appear before the Subcommittee to provide a background on the program—what are the sources of growth and what are the various issues. I was specifically not asked to make recommendations. And now I am being pressed and pressed to do so. I am happy to do so when I am comfortable doing so, but I don't want to be put in a position of looking like I came unprepared for this hearing. I came prepared to do what I was asked to do.

Now, I think it is a perfectly legitimate question: What about Medicaid. That is something you all have to deal with. Will Medicaid continue for addicts and alcoholics if you terminate cash or will it not?

Mr. LEVIN. So the implications of your testimony in terms of remedy—clearly, there are serious problems. So what do you think are the implications of your analysis for what we should do?

Ms. WEAVER. I think the provision is seriously flawed as it was created for a lot of technical reasons.

Mr. LEVIN. Right. And as to what we should do, the implications of your testimony. You want to help us. What should we do—

Ms. WEAVER. I think at this point I would prefer not to address that issue.

Mr. LEVIN. Thank you.

Chairman SHAW. Does that conclude your questioning? Thank you.

Thank you, Dr. Weaver and Ms. Ross. Thank you very much for being with us this afternoon and your most enlightening testimony.

For the next panel, if they would come forward and take their place at the table: Dan Stein, who is executive director, the Federation for American Immigration Reform, located here in Washington, DC; Stephen Moore, who is director of fiscal policy studies, the Cato Institute, Washington, DC; and Lawrence Fuchs, professor, Brandeis University, Waltham, Massachusetts.

Mr. Stein.

**STATEMENT OF DAN STEIN, EXECUTIVE DIRECTOR,
FEDERATION FOR AMERICAN IMMIGRATION REFORM,
WASHINGTON, DC**

Mr. STEIN. Thank you very much, Mr. Chairman.

I am executive director for the Federation for American Immigration Reform. FAIR is a national public interest membership organization working to end illegal immigration and implement a general moratorium on most legal immigration, such as has been suggested by Chairman Stump in H.R. 373. With 70,000 members in all 50 States, FAIR is now the Nation's leading organization working for tighter immigration laws.

Mr. Chairman, we want to congratulate you on your new appointment as Chairman of the Committee. We appreciate your important leadership over the past decade and help in working for more realistic and enforceable immigration laws. We are grateful for the leadership that you and Chairman Archer are providing in advancing important proposals contained in the Contract With America that have led to this hearing today.

Mr. Chairman, we believe that the proposals contained in H.R. 4 as they relate to legal aliens and illegal aliens go to the very heart of the last election's results. Nowhere is the phenomenon of unfunded mandates more evident than in the costs and burdens of immigration on the State and local taxpayers.

Summarizing my recommendation, we believe it is perfectly appropriate for Congress to condition the receipt of most public benefits on the acquisition of citizenship, or for bona fide temporary refugees or certain long-term alien residents in exceptional cases.

As a general matter, though, conditioning benefits on the acquisition of citizenship will encourage naturalization and help reduce the incentive to create an ever-growing class of "permanent" permanent resident aliens in our midst. This is sound public policy. It strengthens the civic fabric.

We also support a rewrite of the public charge bar to make it more enforceable in deportation proceedings and changing the sponsorship provisions to render them enforceable against the petitioning sponsors, as was mentioned earlier.

We also support the provisions in section 402 of H.R. 4 to require State AFDC agencies to provide information on illegal aliens to the Federal INS.

We would also like to see an immigration service capable of using such information effectively, but that is beyond the purview of this particular bill.

Mr. Chairman, it has been the policy of the United States since before the turn of the century to deny admission to aliens who are, "likely to become public charges." This policy reflects an overriding interest in the general public to ensure that, if we admit people as immigrants, we want to ensure they are capable of earning a living and pulling their own weight.

Taxpayers do not want to pay for immigration, legal or illegal. Public support for immigration is generally premised on the idea that our immigration program benefits the United States unconditionally and is effectively cost free. As this is no longer the case, public support for immigration is rapidly eroding. In light of this trend, it is important to take 1 minute to review a few principles.

In my testimony, I review the fact that starting with 1908, when the INS began recording deportations based on the public charge bar and particularly through 1930, the INS deported about 20,000 aliens as public charges. During this period, any financial need of the immigrant was absorbed by the immediate family or private charity; and it was never contemplated that recent immigrants would be permitted to bring elderly relatives and place them on publicly supported welfare programs.

The immigrant contract with America is an old one. It holds that we provide an opportunity for a person to come here and begin anew, leave behind attachments in the old country, forge ahead in the spirit of American enterprise and drive. The contract held that you should join the polity by renouncing your old political allegiance and join a new one; that you should become a citizen and learn the political philosophy and history underlying our founding documents and institutions. You could come as long as you could contribute, and the contract held that an immigrant was expected to naturalize or become a citizen within a reasonable period after being eligible to do so.

As I shall explain briefly further today, immigrants, parolees, putative asylees and those currently pending an adjudication and even, in some cases, wholly illegal resident aliens are eligible for many forms of welfare.

Immigrants enter the country today already planning to bring elderly relatives and extended family, many of whom have no obvious means of support or may require some kind of public anti-poverty relief. Married siblings and in time uncles and aunts are permitted to join. As a result, the 1990 census clearly shows welfare use is increasing among immigrants as skills, education and income levels all decline.

In my written testimony, I explain where in the course of this century the public charge bar was struck down as a dead letter—

virtually unenforceable; and through judicial decree where the sponsorship pledge provisions became effectively unenforceable.

I would also like to alert your attention to the fact that the block grant alternative proposal may have constitutional problems if such a scheme is delegated in a way that enables the States to administer alien resident eligibility requirements in a manner that is at variance with the Federal classification scheme.

Our basic recommendations are as follows:

The provisions of H.R. 4 relating to alien eligibility for welfare are critical to restoring the proper balance between immigrant rights and responsibilities. It is not enough for an immigrant to have paid taxes. It is not enough to have not paid taxes. By that standard, many immigrants could be deported on their negative tax liability alone.

We should recall that immigration is a first step on the road to citizenship. Conditioning alien eligibility for welfare programs on the acquisition of citizenship is both good policy and sound civics. It ties the community together and furthers the community's interest in seeing that an immigrant joins the national community.

Second, barring welfare eligibility for aliens is also consistent with restoring the policy consensus that immigrants may not come if they are going to cost the taxpayers money. Immigrants should pay their own way. No Federal or State taxpayer should have to pay a dime for immigration. Affirmative immigration, by which I mean a national program that admits immigrants solely because those individuals want to come to live—as opposed to, say, emergent humanitarian or lifesaving missions—is optional for the American people, and they will not support programs that produce severe financial stress on local or State taxpayers or even the Federal Treasury.

Welfare programs are an incentive to attract immigrants without skills or literacy to the United States. Making these programs available without enforceable sponsorship pledges or public charge bars simply invites an influx of those immigrants who have the most to gain by moving to a country with a generous social safety net.

Last, and concluding, we would like to expand the definition of public charge to amend sections 212(a)(4) and 241(a)(5) of the INA to ensure that public charge deportation and exclusion are available for those aliens who are likely to use, or do use, Federal, State or municipal means-tested public assistance, including non-emergency medical care, food, housing assistance and other such programs. The test for aliens who have entered, and are therefore subject to deportation, should be means-tested public assistance for at least 180 days within 5 years of the date of entry.

Mr. COLLINS [presiding]. Mr. Stein, in the interest of time, we will be putting your full statement in the record. Could you briefly, in 2 seconds or less, summarize?

Mr. STEIN. Thank you very much, Mr. Chairman.

[The prepared statement follows:]

**TESTIMONY OF DAN STEIN
FEDERATION FOR AMERICAN IMMIGRATION REFORM**

Mr Chairman, and Members of the Committee, my name is Dan Stein, and I am the executive director for the Federation for American Immigration Reform, or FAIR. FAIR is a national public interest membership organization working to end illegal immigration and implement a general moratorium on most legal immigration (such as that suggested in H.R. 373, introduced by Chairman Bob Stump). We support an immigration policy that serves the American people and our interests as a Nation. With 70,000 members in all 50 states, FAIR has become the leading organization in America working for tighter immigration laws.

Mr. Chairman, we congratulate you on your new committee chairmanship, and want you to know how much we appreciate your important leadership today and over the past decade and a half in working for more realistic and enforceable immigration laws. We are grateful for the leadership that you and Chairman Archer are providing in advancing the important proposals in the "Contract With America" that have led us to this hearing today.

We believe that these proposals go to the very heart of the last election's results. Nowhere is the phenomenon of unfunded mandates more pronounced than in the costs and burdens of immigration on the state and local taxpayer. As Michael D. Weiss, a professor of law at the University of Houston, recently observed:

The federal government has retained exclusive jurisdiction over immigration, deportation, customs, and international relations. It is, however, insulated from the results of its failure because most of the social programs that illegal (and I would add legal - ds) immigrants place demand on, such as schools, welfare, jails, public hospitals, and emergency medical care, are financed at the state, county, or city level. With the burden of failure shifted onto the governments and taxpayers of the states (and disproportionately shifted to the six "frontline" states of Texas, Florida, Illinois, New York, New Jersey and California, which host over three-quarters of recent immigrants, both legal and illegal), the federal bureaucracy has little incentive to effectively control the border.

The public has questioned how long we can afford to provide public benefits to immigrants – guests of the nation, if you will – when we ourselves, the citizens who built this great nation, have to absorb the rapid decline in all forms of public investment, capital plant improvement and basic social services. It is a question of fundamental fairness.

Summary recommendations: We believe it is perfectly appropriate for Congress to condition the receipt of most public benefits for citizens, *bona fide* temporary refugees, or certain long-term alien residents.

Conditioning benefits on the acquisition of citizenship, however, will encourage naturalization and help reduce the incentive to create an ever-growing class of "permanent" permanent resident aliens in our midst. This is sound public policy, and strengthens the civic fabric. We also support a rewrite of the public charge bar to make it more enforceable in deportation proceedings, and changing the sponsorship provisions to render them enforceable against the petitioning sponsors. We also support the provisions Section 402 of H.R. 4, to require state AFDC agencies to provide information on illegal aliens to the Federal INS. (We would also like to see an INS that was capable of using such information effectively, although that is beyond the purview of this bill.)

Consistent with past policies

Mr. Chairman, it has been the policy of the United States since before the turn of the century to deny admission to aliens who are "likely to become public charges." This policy reflects an overriding interest in the general public to insure that if we are to admit people here as immigrants, we want to insure that they are capable of earning a living and pulling their own weight. Taxpayers do not want to pay for immigration, legal or illegal. Public support for immigration is generally premised on the idea that our immigration program benefits the U.S. unconditionally and is effectively cost-free. As this is no longer the case, public support for immigration is eroding rapidly. In light of this trend, it is important to take a moment and revisit a couple of first principles.

Mr. Chairman, the Immigration and Naturalization Service, or INS, has been reporting deportation statistics since 1908. Back then, the INS was deporting public charge aliens in an aggressive manner. Between 1911 and 1930, the INS deported approximately 20,000 aliens as public charges.¹ During this period, any financial need of the immigrant was absorbed by the immediate family or private charity. It was never contemplated that recent immigrants would be permitted to bring elderly relatives and place them on publicly-supported welfare programs. The "Immigrant Contract with America" is an old one: It holds that we provide an opportunity for a person to come here and begin anew; to leave

¹INS Statistical Yearbook, 1992.

behind attachments to the old country, and forge ahead in the spirit of American enterprise and drive. This contract held that you should join the polity by renouncing your old political allegiance, and joining a new one; that you should become a citizen and learn of the political philosophy and history underlying our founding political documents and institutions. It held that you could come, so long as you could contribute. And it held that an immigrant is expected to naturalize within a reasonable period after being eligible to do so.

As I shall explain further below, today, immigrants, parolees, putative Asylees who have merely made application, those currently pending an adjudication and even, in some cases, illegal aliens, are eligible for many forms of welfare.

Immigrants enter our country already planning to bring elderly relatives and extended family, many of whom have no means of support or require public anti-poverty relief. Married siblings, and, in time, needy uncles and aunts are permitted to join. As a result, the 1990 census shows that welfare use is increasing among immigrants, as skills, education and income levels all decline.

This is not the immigrant contract that the American people signed. It is not a fair deal for the taxpayer, and it is not one the people can and will continue to support.

The immigrant contract was turned on its head by three factors: 1) the effective elimination of the public charge bar as an independent basis for deportation, section 241(a)(5) or 8 U.S.C. 1251(a)(5); 2) the rendering of sponsorship pledges as meaningless and unenforceable; and 3) the explosion of "great society" entitlements that altered entirely the financial implications of immigration for taxpayers and the incentives for the migrants themselves.

The State Department also has responsibility for enforcing the public charge bar, as well. Here the law still has some meaning, INA section 212(a)(3)(e). Whenever, in the opinion of a counselor officer at the time the alien applies for a visa, or in the opinion of the immigration officer – under the attorney general's delegation – at the time the alien applies for

admission, the alien is likely to become a public charge after entry, that alien may be denied a visa and denied entry.

The Department of State continues to enforce this law with some zeal. In all cases where a visa must be obtained overseas, the consular officer can, and does deny visas based on the public charge provision. From 1990 to 1994, the state department refused visas to 68,521 aliens on this basis. While some overcome the bar based on sponsorship pledges or newly-presented evidence of income, most do not. Millions more "nonimmigrant" or tourist visas are also denied overseas each year by the state department.

Where the Breakdown Occurred **"Public charge" becomes a dead letter** **"Sponsorship pledges" are worthless**

Mr. Chairman, the public charge provision is no longer used to deport aliens. Unlike the turn of the last century, when tens of thousands of aliens were excluded at the border because of a likelihood of becoming a public charge, and **tens of thousands of aliens were deported for having become a public charge after entry;**² today the INS has virtually stopped collecting statistics on public charge deportations. The handful actually deported from 1981 to 1989 demonstrates that in deportation hearings, public charge has become nearly a dead letter in INS proceedings.

In addition, nearly all classifications of aliens (other than illegal and certain temporary or "nonimmigrant" categories") are eligible for a full range of federally-supported entitlements. Most of the alien classifications were created as a result of the administrative overburdening of the INS they fell into the huge catchbasin of INS administrative delay. This catchbasin is known as the alien "permanently residing under color of law," or PRUCOL.³ PRUCOL aliens were established under a series of administrative decisions and judicial settlements entered into since 1978; most are the byproduct of

²See, Immigration Briefings, No. 91-11 (November 1991).

³See, Stein & Zanowic, *Permanently Residing Under Color of Law: The Opening Door to Entitlement Eligibility*, 1 Geo.Imm.L.J. 231 (1986). Categories include Deferred Enforced Departure, applicants for Suspension of Deportation, applicant for asylum, parolee, and many others. Work authorization is usually included pending the adjudication.

either 1) the inability of the INS to remove aliens quickly, or 2) the inability of states to ascertain with accuracy who is an alien, and who is not, and if an alien, then what kind of "lawful alien" that person is (there are limitless varieties). This last problem is the fault of the federal Department of Justice: It lacks the capacity to offer state agencies reliable verification of citizenship or alien status or identity.

The inability of states to determine who is an alien and who is not, or to verify with federal government assistance the alienage classification asserted by the claimant, is a major loophole thwarting efforts to remove ineligible aliens from federal/state entitlement schemes. Any effort to restore the public charge to enforceability or to bar legal and illegal aliens from various benefits must also address the abysmal documentary situation prevailing in the United States today.

Why are Public Charge and Sponsor's Pledges Unenforceable?

The public charge provision was effectively gutted over several years. In 1944, the Board of Immigration Appeals in *Matter of V--*, 2 I&N 78 (March 25, 1944), established a three tier test for public charge determinations in deportation cases: (1) The state or other public entity must *legally* obligate the recipient of a public benefit (including a binding promise to repay); (2) the state or other entity must make a formal claim against the recipient; and (3) the recipient must fail or refuse to repay, and any sponsor or third party must refuse to repay.

Not surprisingly, such formal requirements soon rendered the public charge a dead letter. Very few public entities even have the legal authority to make a legally binding obligation for repayment in these circumstances.

The sponsors could be held liable until the 1970s, when several courts ruled that sponsors of immigrants have no legal obligation to repay. The courts transformed the sponsorship pledge into a *moral* obligation to provide assistance, a regrettably ineffective method of collecting on the pledge.

But despite the court rulings gutting the meaning of the sponsorship pledge, the State Department and the INS have continued to require these unenforceable "affidavits of support" from putative sponsors as the basis for waiving routinely the public charge bar.

Between the unenforceability of the public charge bar, and the ineffectiveness of the sponsorship pledge, the INS has effectively stopped trying to deport aliens on that basis. Despite the law's appearance on the statute books, and the insistence of some immigration activists that this law constitutes some protection to the American taxpayer, the bottom line is that the entire process is out of control. Ultimately, it can only be solved through a revamping of our entire documentary identification scheme: a standardization of state birth records and electronically-verifiable immigration documents accessible by state agencies.

The emergence in the mid-1960's of the "Great Society" programs rendered the concept of "public charge" somewhat antiquated. The assumption by the Federal Government of a range of new authority to administer national health and welfare programs meant that all Americans would increase their chances of drawing on the public treasury at some point in their lives.

Supreme Court cases such as *Graham v. Richardson*, 403 U.S. 365 (1971) (striking down a state's ability to determine which aliens may receive benefits and which may not, based on the Fourteenth Amendment's Equal Protection Clause), and *Mathews v. Diaz*, 426 U.S. 67 (1976) (upholding Congress' plenary authority to deny benefits based on alienage classification), eliminated the states -- and their administering agencies -- as major players in determining alienage classification, eligibility and public charge liability.

The Block Grant Scheme mentioned by Speaker Gingrich as an alternative: As an aside, the existence of the Supreme Court authority in *Graham* raises the question whether Congress could delegate to the states the authority to decide which aliens may receive which benefits. Assuming states could actually make these determinations with any precision (something they could not now do without **much** more assistance from the INS and the states' vital

statistics bureaus), there may also be a constitutional cloud over the idea. Such a scheme would certainly be subject to constitutional challenge, particularly if the block grant concept permits the states to administer benefits in a way inconsistent with the Federal immigration classification scheme.

The bottom line is that the forces identified in this testimony have led to a situation unsustainable for the American taxpayers: aliens may enter the country legally and illegally, and in a full range of cases obtain benefits on par with (and even to the advantage of) U.S. citizens.⁴

Recommendations: What do we do?

The situation calls for the following, at a minimum.

- I. The provisions of H.R. 4 relating to alien eligibility for welfare are critical to restoring the proper balance between immigrant rights and responsibilities. It is not enough for an immigrant to have paid taxes; by that standard, many immigrants could be deported on their negative tax liability alone.⁵ Rather, we should recall that immigration is merely the first step on the road to citizenship, not a permanent "limbo" classification for aliens to remain in indefinitely. Conditioning alien eligibility for welfare programs on the acquisition of citizenship is both good policy and sound civics. It ties the community together, and furthers the communities interest in seeing immigrants join the national political community as full participating members.

⁴For example, under the AFDC guidelines, a family with two "ineligible alien" wage earners and two U.S. Citizen children receive preferential treatment under the eligibility guidelines over a similar household of all U.S. Citizens. This is because the ineligible aliens are removed from the per capita debt load calculus that determines the families monthly payment amount. Another example was the proposal by the Clinton Entitlement Reform Task Force last year that would have required AFDC mothers to return to work after two years. The Task Force concluded that if the mother was present illegally, she could not be required to return to work. The reason? She is ineligible to work under Federal law.

⁵Nearly 70 percent of the aliens who received amnesty in 1986 lived in families so poor that they qualified for the Federal Earned Income Tax Credit. Source: INS Amnesty Data.

- II. **Barring welfare eligibility for aliens** is also consistent with restoring the concept that immigrants may not come if they are going to cost taxpayers money. Immigrants should pay their own way. No federal or state taxpayer should have to pay a dime for immigration. "Affirmative immigration," by which I mean a national program that admits immigrants solely because those individuals want to come to live (as opposed to emergent, humanitarian and life-saving admissions) are optional for the American people. They will not support immigration programs that produce severe financial distress on local and state taxpayers. Welfare programs are an incentive to attract immigrants without education, skills or literacy to move to the United States. Making these programs available without enforceable sponsorship pledges or public charge bars simply invites an influx of those immigrants who have the most gain by moving to a country with a generous social safety net.
- III. **We should expand the definition of "public charge."** We should amend Sections 212(a)(4) and 241(a)(5) of the INA to insure that public charge deportation and exclusion are available for those alien who are likely to use, or do use, Federal, state or municipal means-tested public assistance, including non-emergency medical care, food and housing assistance, or any other such program. The test for aliens who have entered, and are therefore subject to deportation, should be "means tested public assistance for at least 180 days within five years of the date of entry." Restoring value and meaning to the public charge definition will go a long way toward restoring public confidence in our immigration system.
- IV. **Restore the enforceability of sponsorship pledges.** The American people are uniformly in support of restoring meaning and enforceability to the affidavits of support. We suggest that INA section 212(a)(4) be amended to require that a bond be posted by a responsible sponsor whenever it appears likely that an alien may become a public charge. Further, a guarantee of financial responsibility should be enforceable by the Attorney General or the State or Federal agency that has provided the

assistance in any jurisdiction in which the sponsor or alien resides. If the sponsor fails to relieve the taxpayer of the debt obligations incurred on behalf of the sponsored alien, then the alien should be sent home.

Mr. Chairman, we believe that these changes are only the beginning of a long-term effort to restore public confidence in the ability of our immigration program to serve the public and national interest. On behalf of FAIR, I appreciate the opportunity to appear before you today, and we look forward to working with you on this issue now and in the future.

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

Mr. COLLINS. Thank you, sir.

Next, Mr. Moore.

Mr. MOORE. Dr. Fuchs is going to go next.

Mr. FUCHS. I postponed getting a plane, and might have to do it again.

Mr. COLLINS. You go right ahead.

STATEMENT OF LAWRENCE H. FUCHS, PROFESSOR, BRANDEIS UNIVERSITY, WALTHAM, MASSACHUSETTS

Mr. FUCHS. Thank you, Mr. Chairman.

I am the Vice Chair of the U.S. Commission on Immigration Reform created by the Congress in 1990 in the Immigration Act. It consists of nine persons. The Chair, appointed by the President, is Barbara Jordan. The other members are chosen by the Congress: Four from the Senate, four from the House. Four Republicans, four Democratic leaders in those bodies chose the members.

It works in a completely nonpartisan fashion. These are people with long experience in this field of immigration law and policy. And, to this point, all of the recommendations we have made to you—and we are created by you and are a creature of you—have been unanimous.

We spend as much time or more on this issue of immigrant eligibility than on any other issue, and we looked at three basic options which face you today.

The first is to turn the matter over to the States and block grants as a way to go. We really felt—I will explain in 1 minute why that is really not an option—really, it is not a constitutionally permissible option.

The second is to categorically deny noncitizen legal permanent aliens the benefits. After long and hard work on that one, we decided against that.

The third, unanimously adopted by the congressionally appointed bipartisan Commission, is to make the affidavits of sponsors of immigrants enforceable for the period in which sponsor income has been deemed available to immigrants to keep them from becoming public charges. We believe that can be done. We are distressed at the lapse and the failure historically to have it done.

Now, with respect to the States, if you turn the responsibility over to the States with the expectation that each will find its own policy you really will create a serious constitutional problem.

The Supreme Court was unanimous in 1971 in *Graham v. Richardson* that any State law that distinguishes between permanent resident aliens and citizens with respect to public assistance is in clear violation of the 14th amendment's equal protection clause. That emphatic ruling was that it was impermissible for States for fiscal reasons to make welfare classifications based on legal alienage.

Possibly Congress can make constitutionally permissible what the States cannot do on their own. But that is far from certain. The Congress has plenary authority to act on its own for the Nation; but to delegate to the States is very dubious. If you read *Graham v. Richardson*, that was one of the major objections, that States would adopt different policies; and, therefore, they said that such a distinction was inherently invidious.

Whatever the constitutional disposition of a case might be under congressional authority, it would be, according to our view, bad policy for either the Congress or the States to make what the court called an invidious distinction.

We expect—we, as a Nation—that the vast majority of legal immigrants we admit to our country affirmatively, because we want to do that, have close members of family already here or because of a needed skill or other economic asset. If we don't agree with that, immigration committees and subcommittees—and we are studying on the Commission this question of numbers and categories intensely at the present time.

By the way, I say parenthetically here, obviously we are not addressing the larger issue here of fraud in the system or whether the system works well and so on. We are only addressing the narrow issue of the question of immigrant eligibility.

At any rate, we admit affirmatively immigrants. We make them pay taxes. We subject them to compulsory service in the armed forces.

By the way, I have to tell you that one man we have heard from who is the head of the paralyzed veterans chapter in Florida, the U.S. Paralyzed Veterans Association, who could not easily get naturalized because he is in a wheelchair—I know it is an anomalous case, but it happens often—in a wheelchair and could not get in the INS building.

At any rate, the children of immigrants provide us with a highly disproportionate number of valedictorians and prizewinners, and most legal aliens we know from our work are devoted to the goals of family responsibility.

The answer might be, let them become citizens. Not so easy. The average wait for an INS interview is now 7 to 10 months. In San Diego, an immigrant who applies for naturalization will be scheduled for an interview about 270 days later. Once approved, the wait to become naturalized varies greatly, more than 1 year in San Diego.

There are long lists everywhere for adults to be admitted to English language classes. In New York, the waiting list is often as long as a year, sometimes two. About 5 percent of those who take the exam fail, but many never get that far because they are afraid to.

In Chicago, we learned of a 70-year-old Polish woman who broke down in sobs when she failed the test for a second time. For many elders—and this is where the problem is with respect to SSI and numbers and money. For many elders, the humiliation of admitting that they may not remember or they are suffering some impairment or disability is a huge obstacle for applying for and taking the exam.

We don't want to say to that Polish woman or anybody, that if she should suddenly become disabled, public assistance is not for her because she is a legal immigrant. That was the situation for one of the plaintiffs in *Graham v. Richardson*.

We don't want to tell a 12-year-old orphan she must live on the streets—these are real cases—because as an immigrant she doesn't qualify under title IV of the Social Security Act. She would be in a real catch-22. She wouldn't qualify for help because she is a legal immigrant, but she can't naturalize because she is underage.

There are many instances of battered women who have come to our attention, permanent resident aliens, who, with their children, were saved—the AFDC may need drastic correction, but they were saved by being on AFDC and are now productive members of society.

Do we want to take SSI benefits away from legal immigrants, say a blind 70-year-old man who collects no retirement benefits?

Here is the problem. Over three-fourths of the elderly legal immigrants receiving SSI do not receive Social Security benefits, compared to one-third of the elderly native-born recipients. But we are not going to say to such persons: Go back to where you came from.

You may have seen the story Wednesday on the Westinghouse Prizewinners—this year, as always, a disproportional number were immigrants or the children of immigrants. They had one 15-year-old boy featured who is a brilliant young man who, if he had finished just out of the running, would not be eligible for scholarship help under the Higher Education Act—1965 act. What a loss to the rest of us.

So just as we should be clear in our policy against any broad categorical denial of public benefits to legal immigrants, however we revamp the system to make it less prone to fraud and to work more effectively to energize people to work, so we should be clear that sponsors are to be held financially responsible for the immigrants that they bring to this country during the deeming period.

The Commission staff is working very hard on this. We believe this can be done. We have made several recommendations already as to how to do it, and they are in our report of September. And we believe——

Mr. COLLINS. Excuse me. Can you summarize?

Mr. FUCHS. I am finished—a sharp distinction must be drawn between illegal residents and lawful permanent resident aliens who we have admitted in our national interest. We believe that is extremely important, that we make that distinction and make it consistent with our overall immigration policy.

So I hope that you will not rush into legislation that really I believe—this Commission believes, your Commission—you may almost certainly regret, legislation that might amount to a wounding not just to immigrants but families, communities, and especially the national interest of the United States of America.

So I thank you for listening to your Commission, and we will continue to do our work, and I volunteer the help of the staff, excellent staff, on these issues to work with your staffs so that we can do the very best we can do by our Nation and its national interest.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

TESTIMONY OF LAWRENCE H. FUCHS
BRANDEIS UNIVERSITY

My name is Lawrence H. Fuchs. I am Meyer and Walter Jaffe Professor of American Civilization and Politics at Brandeis University. I have spent most of my professional life studying the history and policy of immigration. From 1979 to 1981, I was the Executive Director of the Select Commission on Immigration and Refugee Policy, and currently, I am Vice Chair of the U.S. Commission on Immigration Reform.

I believe that there are three basic options with regard to reforming the benefits eligibility system for lawful permanent resident aliens.

The first is to turn the matter over to the states.

The second is for Congress to categorically deny such benefits.

The third, unanimously adopted by the Congressionally appointed bipartisan Commission on Immigration Reform, is to make the affidavits of sponsors of immigrants enforceable for the period in which sponsor income has been deemed available to immigrants to keep them from becoming public charges.

If you turn the the responsibility over to the states with the expectation that each will find its own policy, you may create a serious constitutional problem. A unanimous Supreme Court ruled in *Graham v. Richardson* in 1971 that any state law that distinguishes between permanent resident aliens and citizens with respect to public assistance is in violation of the Constitution's Fourteenth Amendment equal protection clause. The Court ruled emphatically that it was impermissible for states to make welfare classifications based on legal alienage for fiscal reasons.

Possibly, the Congress can make constitutionally permissible what the states cannot do on their own, although that is not certain.

Whatever the constitutional disposition of such a case might be, it would, in my opinion, be bad policy for either the Congress or the states to make what the Court called an invidious distinction, one which it found to be subject to strict constitutional scrutiny.

Immigrants come to the United States as close relatives of citizens and resident aliens already here and because of their needed skills or other economic assets. If the numbers or categories are wrong, if they are not in our national interest, we should change them. The Commission on Immigration Reform is looking intensely at such questions now. But members of this bipartisan commission, including both strong conservatives and liberals, are unanimous in recommending against categorical distinctions between permanent resident aliens and citizens with regard to benefits under discussion here. To do so would be to cut at the heart of what makes the United States different from any other country in the world.

We correctly expect of legal immigrants that the vast majority of them will work hard, save, and invest in their children. Like citizens, they pay taxes and are subject to compulsory service in the armed forces. Many of them actually volunteer. We expect them to add to our language resources and help us to compete in a global economy. Their children provide us with a highly disproportionate number of valedictorians. And most legal permanent resident aliens are devoted to ideals of freedom, opportunity, and personal and family responsibility.

Well, some will say, "Let them become citizens." Not so easy! The average wait for an INS interview is now seven to ten months. In San Diego, an immigrant who applies for naturalization will be scheduled for an interview about 270 days later. Once approved, the wait to be naturalized varies greatly: ninety days in New York, more than a year in San Diego.

There are long waiting lists almost everywhere for adults to be admitted to English language classes. In New York, the waiting list is often as long as a year, sometimes two. The

Riverside Church runs a lottery each month, and those who don't make it must sign up again for the following month.

About five percent of those who take the citizenship exam fail, but many never get that far because they are afraid to take it. That is especially true for older persons, many of whom are English language deficient. Persons over fifty-five can take the test in their native language, but they must have been in the U.S. for at least fifteen years.

In Chicago, we learned of a seventy-one-year-old Polish woman who broke down in sobs when she failed the citizenship test for the second time. For many elders, the humiliation of admitting that they may not remember or that they are suffering some impairment or disability is a huge obstacle to applying for and taking the exam. Do we want to say to this woman, if she should suddenly become disabled, that the public assistance is not for her because she is a legal immigrant? That was the situation of one of the plaintiffs in the *Graham v. Richardson* case.

Do we want to tell a 12 year old orphan that she must live on the streets because, as an immigrant, she does not qualify for the program of foster care and adoption assistance under Title IV of the Social Security Act. She'd be in a real Catch-22: she wouldn't qualify for help because she's a legal immigrant but she can't naturalize because she is underage.

Do we really want to say to a legal immigrant woman who has been beaten by her husband that she must go to a shelter for battered women and be separated from her children because she is not eligible for AFDC, in whatever form it emerges? There are many instances of battered women, permanent resident aliens, who, with their children, were saved by being on AFDC temporarily, and are now productive members of society.

Do we want to take SSI benefits away from legal immigrants, say a blind seventy-year-old man who collects no retirement benefits? Over three-fourths of elderly legal immigrants receiving SSI do not receive social security benefits, compared to one-third of elderly native-born recipients. We are not going to say to such persons: "Go back to where you came from."

There are other programs that would not be available to legal permanent residents under some of the legislation contemplated that I think you do not wish to eliminate. For example, you may have seen a story on Wednesday regarding this year's Westinghouse Science Prize winners, a hugely disproportionate number of whom are immigrants or the children of immigrants. The story featured one brilliant fifteen-year-old who, if he had finished just out of the running, would not be eligible for scholarship help under Title IV of the 1965 Higher Education Act. What a loss to the rest of us!

Just as we should be clear in our policy against any broad, categorical denial of public benefits to legal immigrants, so we should be clear that sponsors are to be held financially responsible for the immigrants they bring to this country during the deeming period.

The Commission on Immigration Reform has made several recommendations as to how to do this and is now working on refining them. Benefit eligibility is complicated by the many legal statuses afforded to individuals within this country. Thus, statutory categories of aliens should be specified regarding their eligibility for work and benefits. Such categories must include those not authorized to work and not eligible for the benefits we are discussing here. A bright line should be drawn between illegal immigrants and those we have admitted to participate in our communities and work places as a matter of national public policy.

In summary, I hope you will not rush into legislation you will almost certainly regret—legislation that could amount to a wounding, not just of immigrants, but also of their families, communities, and this beautiful nation of ours.

Mr. COLLINS. And thank you, sir.

Mr. Moore, we will go ahead and take your testimony. We have a vote on the floor, but you go ahead.

STATEMENT OF STEPHEN MOORE, DIRECTOR, FISCAL POLICY STUDIES, CATO INSTITUTE

Mr. MOORE. Thank you, Mr. Chairman, for the opportunity to testify this afternoon.

My name is Steve Moore. I am the director of fiscal policy studies at the CATO Institute. My position and the position of the CATO Institute is that, essentially, we should say yes to immigration as a Nation but no to welfare. And for that reason I support the ideas that are embedded in the Contract with respect to reducing welfare eligibility of immigrants.

I think that when you look at the kind of voter backlash, for example, that you saw with proposition 187, that backlash was more directed at the welfare state than it was at immigrants.

I would like to make five very quick points about the relationship between immigration, welfare and the economy.

The first point is, and most importantly, we should not lose sight of the fact that immigrants are economic assets to this country. Dr. Fuchs is absolutely right about this. The impact of more immigrants on American workers is to raise their long-term living standards.

Immigrants do not take jobs from Americans. They do not depress wages or working conditions. Immigrants are not poor, tired, huddled masses. If you look at the back of my testimony you will see some various charts that show, for example, that immigrants have higher per capita income than Americans do, that immigrants—that States, for example, with high levels of immigration have lower unemployment than States with low levels of immigration. Immigrants are one of the best bargains we have in this country.

Second of all, immigrants pay more in lifetime taxes than they use in services right now. That is, if the idea of this provision is to reduce the Federal deficit, immigration, as it now exists, reduces the deficit because over their lifetime immigrants pay more in taxes than they use in services.

There was a very famous study by Julian Simon done in the seventies that shows that over their lifetime, immigrants pay \$20,000 more in taxes than they use in services. And the main vehicle for why immigrants pay more in taxes over their lifetime than they use in services is because of the Social Security system. They are a one generation net benefit to the Social Security system because when they come in and they are young, they pay into the system, but there is no corresponding cohort of elderly parents who they are paying into the system for.

Third, immigrants are not especially welfare abusers. If you look at the 1990 census data it is very clear that immigrants and natives have roughly the same rates of welfare use. For example, in 1990, immigrants had about a 4.9-percent rate of welfare use. It was about 4.2 percent for native-born citizens.

Here is the interesting thing about the statistic. Again I would refer you back to my testimony. If you break this statistic down

and you take out the refugees—because we have two types of major immigrants who come into this country, refugees and immigrants, and our welfare policies are different with respect to refugees and immigrants.

We are much more generous with respect to refugees. If you take them out of the picture, you will find this: Immigrants are only half as likely to use welfare as are U.S. born citizens. It is interesting. I would say, by the way, that the Republican Contract says nothing about refugees where the real welfare problem exists. The welfare problem does not exist primarily with immigrants.

Fourth, I agree with all of the previous speakers that there is a very real problem right now with SSI and immigration and it is something that I certainly hope that if you cannot deny the whole range of welfare benefits to immigrants, at least we look at this one program where we are seeing major abuses, which is SSI, and make noncitizens ineligible for SSI.

Fifth, I would say that the idea embedded in the Republican Contract, which is to reduce welfare to immigrants, is consistent with America's traditional immigration policy. Dan Stein is correct that our traditional policy has been one where we have essentially tried to exclude those who would become a public charge. I think it has become a breakdown in our immigration policy that that is not enforced.

At one time in our history it was enforced. In the twenties, for example, we would deport people if they became a public charge. And I think we have to get much stricter in terms of basically saying we want people to come to this country who want to work and because they want to reunify with their family and we want people who will become productive citizens. We don't want America to be a welfare magnet. I don't think that is existing, but to the extent that we can prohibit it, I think that is a good thing.

I think there are various kinds of reforms that you might look at if you can't do an outright bar of noncitizens to benefits. First, SSI, again, that is one you should specifically eliminate.

Second, I agree with Dan Stein that we have to start enforcing the public charge provision. For example, our foreign consulates should start screening more carefully to make sure that people who are coming into this country are not physically or mentally disabled.

Third, I would agree with the Immigration Commission that we should look at expanding the deeming provisions of the sponsor incomes. So that, for example, the sponsor's income is deemed for not just 3 years but 5 years.

Let me finally sum up my testimony by saying that I'd hope that the provisions of the Contract are not meant to be some kind of anti-immigrant sentiment. I hope that these are being driven by a genuine concern for reducing costs. I truly believe that if we were to move toward reducing welfare benefits to immigrants, that this would be a way of increasing America's support for our immigration policy and I think that policy would be good for immigrants. I think it would be good for taxpayers and I think it would be good for America.

Thank you.

[The prepared statement and attachments follow:]

**TESTIMONY OF STEPHEN MOORE
CATO INSTITUTE**

Thank you for the opportunity to testify before the Human Resources Subcommittee on the thorny issue of immigration and federal welfare policy. I endorse many of the policy reform proposals that would restrict welfare use of immigrants contained in the Republican Contract with America and other legislation. Restrictions on the use of public assistance is in keeping with America's traditional welcoming policies with respect to immigrants. My overarching fear, however, is that this policy may be driven more by a rising tide of anti-immigrant sentiments in Congress, rather than primarily as a carefully constructed welfare reform policy aimed at saving money and reducing dependency. I hope that I am wrong.

It is essential that Congress address the issue of immigrants and welfare with accurate facts about the public costs and benefits of immigrants. Frankly, much of what is generally thought to be true about the "costs" of immigration turns out to be mostly untrue. There are few issues where the conventional wisdom on Capitol Hill, in the media, and among popular opinion is so squarely contradicted by solid economic research.

So to set the record straight, here are some of the essential facts about immigration, welfare, and the U.S. economy.

1) Immigrants are economic assets, not economic burdens.

The impact of immigration on the American economy is the subject of my 1994 book Still an Open Door? (American University Press). Briefly summarized: most immigrants--in the past and today--make strong net contributions to the American economy. A comprehensive analysis of immigration on the nation's economic well-being by President Reagan's Council of Economic Advisers in 1986 concluded that "the net effect of an increase in the labor supply due to immigration is to increase the aggregate income of the native born population." The U.S. Department of Labor's exhaustive 1990 survey on the labor market impact of immigrants states: "Immigration increases aggregate income by more than the immigrants wages--regardless of his or her skill level."

These and other studies suggest that:

* Immigrants do not displace U.S. workers from jobs (See Figure 1);

* In most cases immigrants do not depress wages or working conditions of low-skilled American workers;

* Most immigrants are not "poor, huddled, tired masses." In fact immigrants are quite successful in the United States and have a per capita income that is slightly higher than that of natives. (See Figure 2.) Moreover, immigrants earning rise over time, signifying that they are successfully climbing the traditional economic ladder of success.

There is strong consensus among respected economists that immigration is economically beneficial. In 1989 I surveyed the past presidents of the American Economic Association, the U.S. winners of the Nobel prize in economics, and the past members of the President's Council of Economic Advisers for a study sponsored by the Hudson Institute. Of the 40 respondents, 80 percent believed that "immigration has had a 'very positive impact' on U.S. economic growth in the twentieth century. None of the respondents believed that the impact has been negative. Roughly two-thirds of these top economists believed that increased immigration would have a "favorable impact on the U.S. standard of living." In sum, America's ability to import strong minds and strong bodies is one of the nation's most critical comparative advantages in today's world economy.

2) Immigrants pay more in lifetime taxes than they use in government services.

I am in favor of reducing public costs associated with immigration. However, one point needs to be made clear. Immigrants as a whole already pay more in taxes than they use in public services.

A landmark study by economist Julian Simon at the University of Maryland found that the average immigrant pays roughly \$20,000 in taxes over his/her lifetime than he/she collects in government services and benefits. A more recent study by Jeffrey Passel and Michael Fix of the Urban Institute came to a similar conclusion.

The major reason that immigrants pay more in taxes than they use in services is because immigrants are huge net contributors to the most important income transfer program of all: Social Security. When immigrants arrive in the United States they work and contribute payroll taxes immediately into the Social Security system. But unlike American-born workers, those payroll taxes are not offset by any Social Security benefit payments made to the immigrants' parents--either because the parents are not here in the U.S., or because even if they are here, they are not eligible for Social Security. Hence, there is a one generation windfall to Social Security via immigration. (The Social Security actuaries recognize this. When immigration rises the actuarial balance of the trust fund rises permanently; when immigration falls, the trust fund is permanently further in the red.) It turns out that this windfall to the Social Security trust fund swamps all other effects on the public fisc.

Viewed from the standpoint of a public investment, immigrants are a very good deal for U.S. taxpayers.

3) With respect to welfare services, immigrants are not especially heavy users, but refugees are.

It is a widespread myth that immigrants abuse welfare. According to the 1990 Census, 4.7 percent of the foreign born were on public assistance, versus 4.2 percent for native-born citizens. This isn't a large difference. But more importantly, when refugees are excluded from the analysis, an entirely different picture emerges into sharp focus. Economic immigrants are less likely to collect welfare than natives. This is documented in Figure 3. Moreover, recent immigrants (those who arrived in the 1980s) of working ages (15-64) are only about half as likely to collect welfare as are the native born.

The data in Figure 3 suggest that welfare use of immigrants is predominantly concentrated among two populations: refugees and elderly immigrants. Leaving aside for a moment the issue of elderly immigrants and SSI, it is noteworthy that none of the welfare or immigration reform proposals--including the provisions in the Contract with America--are targeted toward the population where the welfare problem is most costly and severe: namely, refugees. This means that most of the "reform" proposals aimed at legal immigrants, will restrict benefits where abuses and public sector costs are minimal.

4) SSI is the one major program where benefits to immigrants are growing rapidly.

The Cato Institute has just released a study on the widespread abuses taking place within the SSI program. We call SSI the "black-hole of the welfare state" because of the massive expansion in enrollment, the ever expanding lists of alleged "disabilities" for which one can qualify, and the double digit inflation in program costs. One of the problems has been the very large increase in the number of noncitizens collecting SSI benefits. In 1982 there were 127,900 aliens on SSI comprising 3.3 percent of the total caseload. Today, there are 600,000 alien SSI recipients, comprising 11 percent of the total--and 25 percent of aged recipients. Reforms are clearly needed to reduce the expanding rolls of SSI.

5) Congress should begin to pursue a policy based upon the principle of "Immigration yes, welfare no."

How should public policies with respect to immigrants and public welfare be reformed? The Republican Contract would deny some 60 public assistance benefits to noncitizens. In principle, I support this provision. It is the general position of the Cato Institute that America should say yes to immigrants, but no to welfare. The Contract moves in this direction--on the second front. Unfortunately, the "yes to immigration" is nowhere to be found in the Contract. There is no legislation to expand

immigration quotas, though several to reduce numbers substantially.

America's goal should be to attract immigrants who come to the United States for economic opportunity, family unification, and freedom. And predominantly immigrants do come for those reasons. Taking away even the potential of a welfare magnet would assure that immigrants come for only those reasons.

Although some object to denying benefits to noncitizens on fairness grounds, the "no public welfare benefits" approach is consistent with historical U.S. immigration policy. It has been a mainstay of U.S. immigration laws that immigrants should not receive public benefits. The first immigration statutes of 1882 America's immigration laws have always had a requirement that immigrants not become a "public charge." The 1882 law barred immigrants who were "paupers and persons likely to become a public charge." In the 1920s more than 10,000 immigrants who arrived in the U.S. with serious mental or physical impairments were turned back. When immigrants who did gain entry became a public charge, they were often deported.

The "public charge" prohibition remains imbedded in U.S. immigration law today. Indeed, the 1990 act states:

Any alien who, within five years after the date of entry, has become a public charge from causes not affirmatively shown to have arisen since entry is deportable.

The problem is one of enforcement. According to the Congressional Research Service, the number of aliens deported in recent decades has been "negligible."

In addition to the public charge prohibition, our immigration laws contain other policy distinctions between immigrants and U.S. citizens with respect to public aid. For example, immigrants are not eligible for many forms of public assistance for their first three to five years in the U.S. If we cannot eliminate welfare entirely--for everyone--then it seems fair-minded and historically consistent to ratchet down the welfare state by beginning with noncitizens.

However, there are several concerns I have with the Contract proposal:

- 1) Savings are overstated. The CBO uses static analysis in generating budget savings estimates. This is a flawed analysis because it does not account for the fact that some immigrants who now go on welfare, will become citizens primarily to gain eligibility; expanding naturalization rates.

2) Some services that would be denied immigrants are not welfare. Of the 60 services that would be eliminated for noncitizens, there are several that ought to be reconsidered. These include childhood immunizations, preventive health, and education programs. Americans do not consider these programs welfare. Another concern is that with services such as immunizations, denying benefits may imperil the health of U.S. citizens.

3) Focusing the immigration debate predominantly on immigrants may be a distraction from the real welfare problem. Immigrants do not have a welfare problem, America does. I worry that the focus of the reform effort on immigrants, enables politicians to avoid addressing the core issue, which is, reducing the negative effects that welfare is having on American citizens and society. For example, the disturbing rise in illegitimacy and the break-up of the family, problems exacerbated by the welfare state, is much more prevalent among the U.S.-born population than the foreign born. (See Figure 4.)

Finally, there are four specific proposals that are less ambitious than the Contract with America policy that might command broad bipartisan support if an outright bar on benefits cannot be achieved.

1) Make affidavits of support by immigrant sponsors legally binding.

2) Extend the deeming provision of sponsor's income to the eligibility of immigrants to the first five years in the U.S. from the current three years.

3) Enforce the public charge provision in current immigration law.

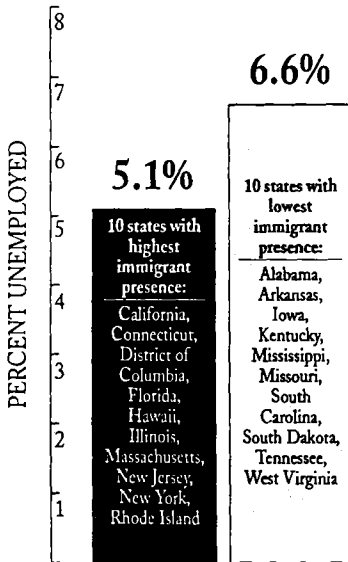
4) Eliminate immigrant eligibility to SSI, which is the one program where alien abuses are common.

My hope is that to the extent that we can reduce public sector costs associated with immigrants we will see a reduced restrictionist fervor in Congress and among the public. Our goal should be more immigrants at less cost.

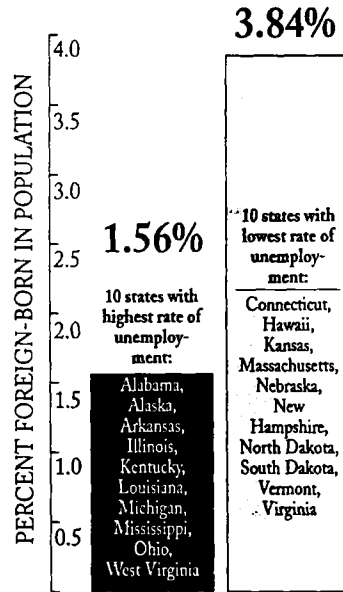
Figure 1

Immigration and unemployment

Median unemployment rate in states with high and low immigrant presence, 1960-1991



Immigrant presence in states with high and low unemployment rates, 1980-1990

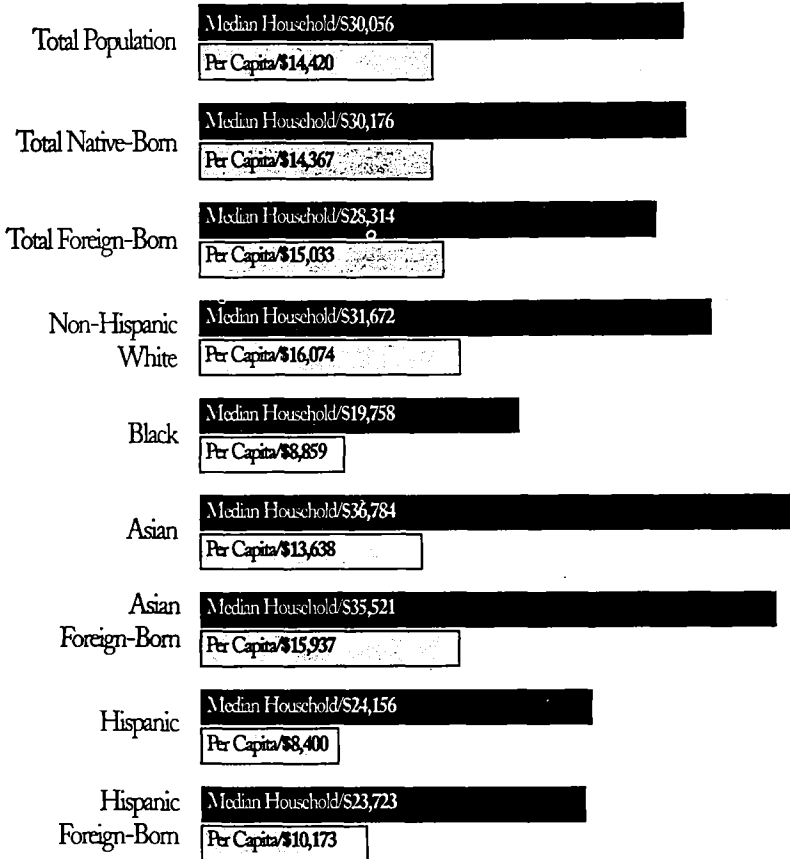


Source: Vedder, Gallaway, and Moore, 1994

- Immigrants do not lead to higher unemployment rates for U.S. workers, largely because they create jobs with their businesses and consumer spending.

Figure 2

Income levels, 1989

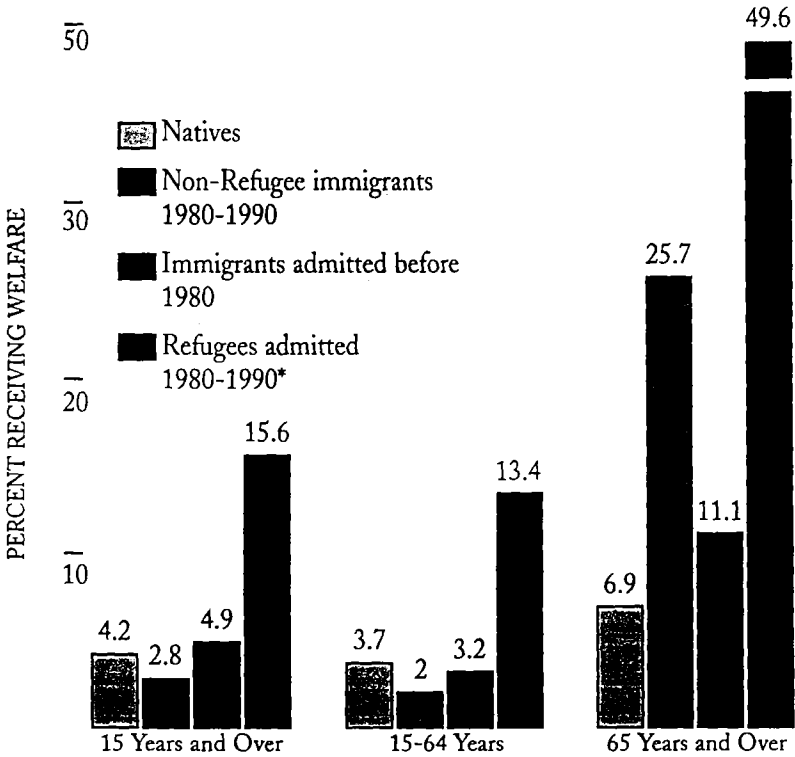


Source: 1990 Census

- Immigrant incomes rise over time. For those entering the U.S. before 1980, median household income in 1989 was \$35,733 and per capita income was \$19,423. Asian immigrants arriving before 1980 earned \$45,048 in household income and \$23,464 in per capita income in 1989. Those from Latin America earned \$25,783 and \$13,836, respectively.

Welfare use, 1989

Figure 3



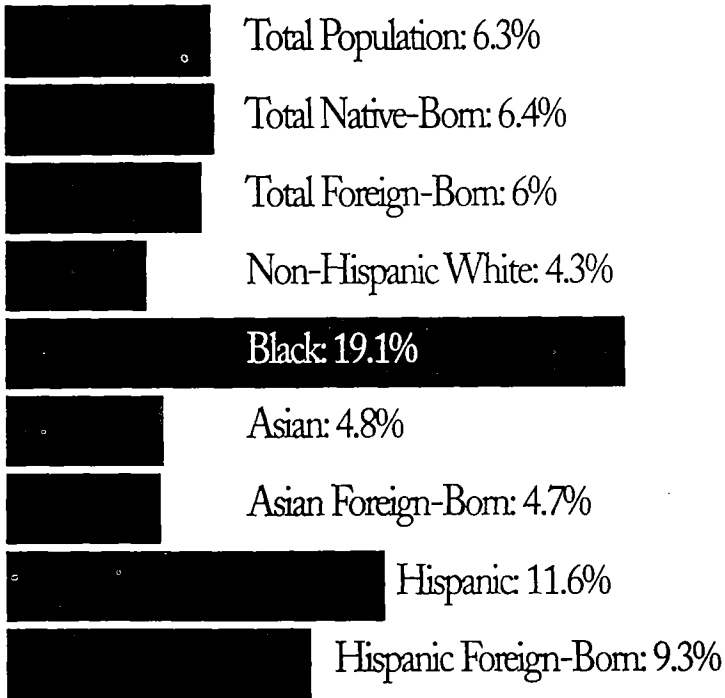
Source: Urban Institute tabulations of 1 percent sample from 1990 Census

*Refugees are defined as immigrants from Afghanistan, Albania, Cambodia, Cuba, Ethiopia, Iraq, Laos, Poland, Romania, Soviet Union, and Vietnam.

■ Immigrants are more likely than natives to receive welfare, but that is due mainly to very high rates of welfare use among refugees and the elderly. Non-refugee immigrants of working age are less prone to welfare than natives.

Figure 4

Female-headed households with minor-age children, no husband present, 1990



Source: 1990 Census

- Immigrants are more likely to marry and stay married. Sixty percent are married, versus 55 percent of natives. Almost 11 percent of natives are divorced or separated, compared to 8.3 percent of the foreign-born.

Mr. FORD. Mr. Chairman, I know that we are going to vote, but I certainly want to get back into the immigration policies of this country when we come back and with some of the questions.

I just want some of the witnesses to give some further thoughts as it relates to the immigration policies and as it relates to the whole AFDC and the AFDC Programs.

Mr. COLLINS. Gentlemen, we appreciate your waiting and we will be back in approximately 5 minutes. That is how much time it will take to vote. It will take us 10 minutes, according to the Ranking Member. Thank you.

[Recess.]

Chairman SHAW. We will resume our work.

Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. The current proposals suggested by Speaker Gingrich send block grant money to the States for legal immigrants because States have a constitutional requirement to provide public assistance to these immigrants.

Are the States going to be left holding the bag? Isn't this just another one of these unfunded mandates that we send down to the States?

Mr. FUCHS. It could become that, but I think the constitutional challenge will make it inoperative in fairly short order. I think if you read *Graham v. Richardson* carefully, one of the strong objections it had, and it hypothesized that even if the Congress granted the States to do this, you would have a situation in which some States would have much stricter deprivation of benefits for lawful permanent resident aliens than others.

Mr. FORD. But what California, New York, Texas, and others that really have—

Mr. FUCHS. If it came into operation, one of the things we looked at, you get this terrific differential impact and burden on the States. No question, the implication of your question is correct. But I think the constitutional problem has got to be looked at very seriously, even from the block grants business. Read that decision—it was a unanimous decision—carefully before running off in that direction.

Mr. FORD. Mr. Stein has a brief comment. Go ahead, sir.

Mr. STEIN. Thank you, Mr. Ford. I would comment that I think the three issues raised by the block grant scheme are as follows: First, if the block grant established that the States—that specifically delineate eligibility by alienage in a way that was specific in the delegation of the block grant, it would be a constitutional question. It would be litigated, but it is a delegation issue and it is different than *Graham v. Richardson*. And it is likely that as long as the States were given specific direction—it would be upheld in my view. If it gave the States too wide a latitude in second guessing which aliens qualified or not, it would probably be struck down.

The second issue is that the States themselves do not have the competency to ascertain alienage classifications because the INS doesn't have the online support capacity to give a service provider a quick answer about what kind of alien is sitting there in front of him. And there are a huge range of administrative problems with that.

Mr. FORD. I think that was my next question. Do you agree with Speaker Gingrich that we should not harm people who have worked and paid their taxes? Speaker Gingrich has suggested block grants to States—which are likely to be reduced over time and so that the States couldn't meet their constitutional obligations to those very people who have worked hard and paid their taxes.

Mr. FUCHS. That is the Commission's view that it would be a mistake. Mr. Gingrich's position, as I have read about it and heard it on the radio, is that he has backed away from the Contract. Now, if you read the Contract With America in the book, not the legislation, you will see language there that really contradicts the legislation.

If you look at that very carefully, it may have been a mistake or an error. Maybe what was intended was that noncitizens should not receive any benefits, but it doesn't come out that way. It comes out that illegal aliens should not receive any benefits, and persons who are here legally should.

But that may be Mr. Gingrich's position. You all would know much better than I would. But Senator Simpson of course feels strongly that way. And that is embodied in his bill, the Commission's recommendation really is reflected in his bill that he has introduced over on the other side.

Mr. FORD. Many of our problems have been created because of those who have been coached, the middleman or someone who really identified—in other countries—who have persuaded these immigrants to come into this country as legal immigrants, rather, and that they have been coached in many instances. We have seen testimony and heard witnesses before Joint Subcommittees on Ways and Means and people who have testified in this Congress.

Is that a big problem?

Mr. FUCHS. The key phrase there is "in many instances." No, it is not typical at all. But it must happen that people are coached and so on. And there are the facts. A fairly high number of people do, after the deeming period is over, go on the SSI. And that is not surprising. They are eligible to do that.

Mr. FORD. We expect after 5 years through 1996, should we make that permanent, the 5-year deeming?

Mr. FUCHS. The Commission has not studied it, whether to make it permanent, that 5-year period. As to the enforceability of the affidavits, we believe that the affidavits can be made enforceable and that sponsors can take responsibility. There are bonding procedures, insurance procedures, and other things to be done that have not been done, and that is why we recommended that that is the way to go because the two alternatives really present some very serious, bad problems for our national interest.

Mr. FORD. And our immigration policies have created a lot of those problems, wouldn't you say?

Mr. FUCHS. Immigration policies?

Mr. FORD. Immigration policies as it relates to these illegal immigrants.

Mr. FUCHS. The major problem is the difficulty in enforcing the limits and we are getting better at that, and the proposal for much more effective workplace enforcement will do it.

But you must distinguish between legal immigrants, whom we affirmatively admit, overwhelmingly related to citizens in this country, and persons who we bring in because of their needed skills or other economic assets, distinguish between that group, people who make this enormous contribution to the United States—not that immigration is free, it is not, but the benefits are very strong—and distinguish between that group and illegal aliens.

Mr. FORD. Well, illegal immigrants are not eligible anyway.

Mr. FUCHS. That is right. But we don't even have in our immigration statute a stipulation as to which kinds of immigrants are eligible for what benefits. And we really ought to do that.

When you say problems created by immigration policy, you have to consider there are three major acts that were passed. In 1980 the Refugee Act; 1986, the IRCA, which was to legalize some aliens, but to begin a process of curtailing illegal immigration; and then the 1990 act signed by President Bush.

Now, these resulted from extensive hearings on the part of the Congress throughout that period, that 15-year period. Now, maybe we have too many immigrants. Maybe the categories are wrong. Our Commission is studying that intensely now.

But it is very clear to us that the overall benefit of legal immigration adding substantial numbers to this country is there. What those numbers ought to be, we should review. But that is not the immediate problem, the problem is to clean up the fraud, to enforce the limits, and to make sure that immigrants continue, as they have in the past, to make this strong contribution to the well-being of the country.

Mr. MOORE. Could I interject something here?

Mr. FORD. My time has expired. I am over my time.

Mr. FUCHS. I am sorry if I didn't get to your questions.

Chairman SHAW. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman. Mr. Fuchs, let's say that you lived in Chechnya and you were offered the following bargain: Come to America, enjoy personal freedom, enjoy an economy that has generated 50 million jobs, and in return all we ask is that you obey our laws and become a citizen before going on welfare.

Do you think that bargain would be fair? Do you agree that immigrants are extremely lucky to come to America?

Mr. FUCHS. The answer to the last question is yes. I think this is the most wonderful and glorious country in the world and all of us are lucky and privileged to be in this beautiful Nation. But we admit immigrants because we want to, or if we don't, we shouldn't.

Now, then the question is the affidavit and the responsibility and the deeming period. If after that expires, and if it can be made enforceable, which I believe it can be, if after that expires and you become disabled, you are now part of the community, you are now going to church in the United States, you are now going to a PTA meeting, you are trying to raise your children.

Mr. ENSIGN. Excuse me, the question was do you think it is fair that we require them to become citizens before—

Mr. FUCHS. It is not fair. It is not realistic unless we make a much heavier investment now in our naturalization and education for citizenship programs. We even have to revise the present oath, which is so anachronistic, it goes back to 1790 and has archaic lan-

guage in it. It is not fair unless we do a much better job of doing that.

I am very procitizenship. I want us to have as much naturalization as possible. It affirms so many good things. But it is not fair to say to somebody who is here, and for various reasons, as I discussed in my testimony earlier, simply cannot make it or feels intimidated, feels embarrassed, or cannot take that naturalization test and pass it, it is not fair to say to them that if the legs are cut out from under you, that you are no longer a part of our social community and are not entitled—even though you paid taxes, even though your children may have volunteered to serve in the Armed Forces, that is not fair.

Mr. MOORE. First of all, the bargain is fair and it is historically consistent with our immigration policies and the fact of the matter is, first of all, if you look back, I mean when the people came on the *Mayflower*, they didn't find a generous social safety net to fall into.

I disagree on one point, yes, some immigrants may fall on bad luck and they may need assistance, but because we don't give public assistance doesn't mean they will not get assistance. We have family, neighborhood assistance, charities, and to the extent that those newcomers who come into this country need some type of assistance when they fall on hard times, then to say that because we don't have public assistance, they won't get assistance is wrong.

Mr. ENSIGN. Mr. Moore, I think you are making a grave mistake. You are assuming that the American people are compassionate people, and I think historically we have proven that we are cold-hearted and we don't care about our fellow neighbors.

And I think that we have to continue with as much Federal assistance that we can to the local level because the Federal Government is so compassionate. Bureaucrats really offer a lot of care and aid and love and compassion when they come to the local level and offer that type of assistance. I think we need to totally rethink how we are addressing some of these situations in the future.

Mr. MOORE. With the Refugee Assistance Program—and again it is very interesting that all of this discussion is about immigrants because the problem with welfare is really refugees. And when you look at what has happened with the welfare state and refugees, it has ruined, in my opinion, the lives of many of the refugees.

When we bring refugees into this country, we say welcome to America. Here is the AFDC line. Here is the food stamp line. And you take people who have taken the initiative, who have fled the killing fields in Cambodia or people who have fled Haiti on boats and you put them in the welfare state and you sap them of that energy.

I think it does a disservice to them.

Mr. ENSIGN. I agree. From what I understand, the Contract doesn't go far enough and we start limiting after 6 years the welfare payments to refugees; is that in the Contract?

Chairman SHAW. In the Contract bill, it provides that the benefits are for 5 years for refugees.

Mr. ENSIGN. Five years. OK. Thank you.

Chairman SHAW. Ms. Dunn will inquire.

Ms. DUNN. Thank you, Mr. Chairman. I am sorry we missed some of your discussion under questioning. And with the fear that I might be repetitive, I would like to ask you a basic question.

Isn't it possible—and I address this to any of the three of you who wishes to respond—to support a strong immigration, proimmigration program without supporting welfare benefits from the government to these people who are legal immigrants?

Mr. MOORE. Well, I will start and let the others take that. I think that is exactly the position of the CATO Institute. And I might say quite frankly, Congresswoman Dunn, that I don't see that in the Republican party right now.

I see a lot of proposals right now to substantially reduce even legal immigration numbers and if our policy is going to be yes to immigration and no to welfare, I see the no to welfare, but I don't see the yes to immigration. I would like to see that aspect.

Mr. FUCHS. Certainly it is possible. The question is, is it desirable? We bring people into this country. If you enforce the deeming provision, you can extend the deeming provision, you make those affidavits real. The question then is what happens when you get people who for—and I tried to list some of the reasons why people do not naturalize, and then they run into serious problems through no fault of their own and totally unanticipated, because that is not what public charge is. You public charge under the law when you become an economic liability through things that could have been foreseen.

But immigrants who are not excludable under the public charge exclusion do run into unforeseen problems, whether it is a disability, becoming blind, whatever it is, and then to say because you are here as a legal immigrant, even though you pay taxes, even though you get drafted, even though you contribute economically, even though you joined the PTA, we say to you, you are outside of—and I am not talking about the virtues of welfare or how you ought to revamp the whole system, but you are outside of the safety net that we provide to all people who are participating members of our social community.

You are not yet in the political community. You are not part of the civic community. You can't vote, you can't run for office. And that's OK to say, but it is not OK to say we know you are here because you have children here or parents here or brothers and sisters here who are U.S. citizens and through no fault of your own you have run into this terrible calamity, but go back home or become a citizen.

You say that to a 71-year-old blind person who has English language deficiencies and you are not doing what is the heart of America. It is not a question of foolish bleeding-heart compassion. It is a question of speaking the ideals, the character, the strength of our society. I don't think you want to abandon that.

Mr. STEIN. May I say that we have to recognize that we are in the situation where we are today and why we are having this hearing is simply because first, courts rendered the public charge provision as a basis for deportation unenforceable between 1945 and 1965.

And then we started the Great Society entitlement structure which altered dramatically the financial implications of immigra-

tion for the rest of us, taxpayers and citizens. And then the court struck down the sponsorship pledge as a meaningful and enforceable document.

We put in place an immigration law in 1965 that overwhelmingly gives preference to family relations so that if an immigrant comes, not only can he or she bring spouse and minor children, but eventually parents and married brothers and sisters who bring their spouses and the brothers and sisters petition for their brother, that is your uncle.

And over time you are deskilling the flow and new immigrant communities are assimilating into welfare as the elderly parent comes over, as the representative from AEI mentioned, strategically fully aware of the fact that when the deeming period is over, they are going to have stripped the elderly parents of all of his or her assets and put that person on SSI, not because they think they are taking advantage of the system, but because they believe, they have been told that these benefits are available and that you have a family obligation to bring that money into the family. And they are doing what they think is the right thing to do for their family.

But the availability of these entitlements and the lack of any sanctions to discourage the immigrants from the entitlements and plus the deskilling of the flow, are adding up to increasing participation on welfare in the immigrant flow and that is why you are seeing the SSI rates escalating among the immigrant component. And there is a lot of fraud.

Chairman SHAW. I am curious what part of the citizenship pledge do you consider should be done away with?

Mr. FUCHS. Nothing substantively, but the language, it has "abjure," "high princes and potentates." We ought to clean it up and have a very strong affirmative statement about what it means to become an American, what the ideals of freedom are.

It is just something that was drafted in 1790, and it is not a major issue. The present Commissioner of the INS has a program to look into it and to attempt to get it brought up to date and revised. It is a distracting aside for me to have introduced it. That is not the issue. That is not why people feel disincentives and so forth. I want to make it as strong as possible to get as many people naturalized as possible, and anything we can do to that end would be a good thing.

Chairman SHAW. I think we all agree with that. I just wanted to clear that up. I was wondering if there was something objectionable.

Mr. FUCHS. It starts out, "I abjure high princes and potentates" and we have had people come and say what does this mean? What am I saying?

Chairman SHAW. I would like to also point out something too, and I have heard you make reference to it at least two times in your testimony, one in your principal testimony and the other in answer to a question.

When somebody is somewhat retarded or elderly, there are ways that they can become citizens without taking a test. I know that one of our Members made reference to a young adult who had Down's syndrome who could never pass the test. That can be handled and the law does provide that there are waivers.

Mr. FUCHS. You are right, Mr. Chairman. It depends unfortunately, as so many of these necessarily do, on administrative discretion. And you will find great variation in practices throughout the country. Some district directors make it extremely difficult, unfriendly, and others are marvelous and they really work at this.

Some of the cases that I talked about, the case of the paralyzed veteran, he was drafted to serve in Vietnam, a Cuban-American, from Florida, he is the head of the chapter of paralyzed veterans. Pedro de Armas is his name. He went down to the INS; it was an unfriendly environment. He could not get his wheelchair in the door. He felt turned away.

I know you don't want to do that. Nobody wants to do that. But these things do happen. There is another person, a tremendous person who got denied naturalization who was qualified in every way. These things do happen. And all I am saying is that we have to think through what we don't want to do as Americans.

I mean all of us are so proud of our ability to bring in newcomers who are here legally, not illegally, to bring them into our society and make them a part of our Nation and the contributions they make and we want to be careful not to be inconsistent with that overall approach.

Chairman SHAW. I want to correct the record too. When Mr. Ensign asked me a question with regard to the refugees and at what point do we cap off the assistance, and I said 5 years and the answer is 6 years. You were correct, and I was incorrect.

Mr. Stein.

Mr. STEIN. One quick point. Two important things about the provision of H.R. 4 that just need to be stated. One is that you are explicitly stating that illegal aliens are not eligible for a number of Federal programs. That is important to do because over the years a number of courts have said that if Congress does not explicitly disqualify undocumented aliens, they can be construed as eligible.

The second area where you are closing a loophole is this huge catch basin called "permanently residing under color of law" which includes virtually every category of alien who is in some way or another in contact with the government, waiting or pending adjudication.

If you enter illegally and then you file a petition to suspend deportation or you are on parole or you are released waiting fair hearing, all of these categories, as the adjudications process of the immigration service has broken down, are swelling the ranks of these welfare rolls. And your bill, as it is drafted here, cuts off that huge growing category which in and of itself is an incentive to come here illegally.

Chairman SHAW. I think people who have expressed opinion contrary to the Republican bill as to what to do about legal aliens, they always come up with arguments such as they are taxpayers and what rights they are entitled to. They do not try to view the situation from where the government sits as to who do we have a responsibility to, and where we are looking to cut down and to take benefits away from American citizens. The question remains in my mind and where I am coming from, and I think the people who support this position, is what is our responsibility to the Nation to those who come to our shores before they become citizens?

Are there any special privileges for citizens? There are. The right to vote. We don't let noncitizens vote in this country. It could be argued if you wanted to say from their standpoint since they are paying taxes and working hard and doing all of those things, should they be able to vote? My answer is no. We don't have an obligation to allow them to vote until they become citizens.

Nor do I think we have an obligation to pay certain benefits, non-emergency benefits to them before they attain citizenship. But there are two sides to that story, and I am sure we have not heard the end of either side and we will be talking about it during this debate.

I thank you all.

Mr. FORD. Mr. Chairman, just one quick question. Under H.R. 4, what is your estimate of the number of immigrants that would be taken from the SSI rolls and the AFDC rolls? What is the cost savings and how many would become ineligible?

Mr. STEIN. Under the language now? I understand it is a grandfather clause so unless I am misreading it, I assume that everyone who is currently qualified would stay on.

Mr. FORD. I don't think it is grandfathered. They are cut off after 1 year, so there would be a number that can be ineligible.

Mr. STEIN. Without knowing who is eligible to naturalize, it is impossible to tell you, sir.

Mr. FORD. GAO estimated that it would be \$9.2 billion, and I think it was indicated about 5 million some odd thousand SSI recipients and 300,000 AFDC recipients.

Mr. MOORE. I think that estimate is overstated. Partly because, and I was talking actually to one of the people at CBO who put some of those numbers together and she assures me that there is some degree of dynamic scoring. If you look at how many are noncitizens receiving now, you are not going to get how much you are going to save. And it is my opinion that will substantially reduce the—that will substantially reduce the amount of savings you will get.

This is not an argument against doing it, but we have been trying to make this case for the last 10 years to do dynamic scoring, and here is a case where you are probably overstating your savings by doing more of a static analysis.

Mr. FORD. So you don't agree with the study that GAO has reported to CBO?

Mr. MOORE. I think that those numbers are overstated.

Chairman SHAW. Thank you. And thank you each for being with us today and making up a very fine panel.

We will now proceed to the final panel, and I thank the final panel for sticking with us through the day.

We have Dr. Sally Satel, assistant professor of psychiatry at Yale University. She is currently a visiting professor at the University of Pennsylvania in Philadelphia.

She is joined by Dr. Herbert Kleber, executive vice president and medical director of the center on addiction and substance abuse at Columbia University in New York City. Welcome to both of you, and Dr. Satel if you would proceed. We have both of your written testimony which will be made part of the record.

STATEMENT OF SALLY L. SATEL, M.D., ASSISTANT PROFESSOR OF PSYCHIATRY, YALE UNIVERSITY; AND VISITING PROFESSOR, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PENNSYLVANIA

Dr. SATEL. Thank you for inviting me to address you on the issue of Supplemental Security Income payments to addicts and alcoholics. I am an assistant professor of psychiatry at Yale University School of Medicine where my major clinical responsibility was in treating addicted persons. This year I am visiting professor at the University of Pennsylvania, and last year I was Robert Wood Johnson health policy fellow in Senator Nancy Kassebaum's office.

I would like to make two points today. The first is that DA&A should be abolished. It works badly and it hurts the recipients it is supposed to help.

And second, once discontinued, the funds from DA&A must be used for addictions treatment. In a moment I will present evidence showing that the treatment of hardcore addicts and alcoholics is in the best economic interest of society, but first I want to tell you briefly why I am so convinced this program has been a failure.

It is a destructive program and I say this based on the patients that I have treated. Most of my patients who have received SSI have used it to fuel their habits. These are not isolated incidences. I have had patients who were progressing in treatment but once their payments began, they dropped out. And also I have had patients who were actively looking for jobs and abandoned that job search once their first check came through.

In addition to undermining my patients' progress, DA&A appears itself to be unworkable as an entitlement. It is too easy to qualify for, and I will get back to that in a moment, it is difficult and expensive to monitor, there is no guarantee that there will be treatment available to move addicts from their disabled state to a functional one, and many of them want to, I do believe that. And, it entrenches the disability that it means to alleviate.

Let me repeat, number one, it is easy to qualify. When you think about it, there are really three requirements for income in this program. You must be addicted, you must be poor, and you must be unemployed. That describes 25 to 50 percent of the homeless population—the percentage estimated to be substance abusers.

It also describes tens if not hundreds of thousands of the 2.7 million hardcore addicts and alcoholics that the Office of Drug Control Policy estimates exist today. Also, the logic of DA&A strikes me as flawed. It assumes that people just happen to be poor and addicted, and some of them are, to be sure, but often people are poor because they are addicted. So to make them productive citizens or to at least interrupt the cycle of drug dependence, they should be getting treatment. I don't quite see where welfare comes into this equation.

For these reasons, I suggest dismantling DA&A and reinvesting the money realized from that in treatment. Perhaps block granting, that might be one way to approach it. Does this mean that I believe that treatment works? I certainly know treatment can help people achieve abstinence, but we are talking about a group of hardcore addicts here, and I don't think it makes that much sense to talk in terms of cure. Relapse is very common in this group. Everyone

knows that. So a cure is unlikely. But the point then becomes is treatment worth it, and the answer to that is yes.

It has been shown over and over again that addicts who are currently in treatment, who have been in treatment and who go into and out of treatment cost taxpayers less than addicts who do not. These savings come from treatment-induced reductions in predatory crime, property crime, admissions to hospitals for near drug overdoses, also from productivity loss and social welfare costs and of course criminal justice costs. Those all go down with treatment.

And this is key: Even if the person relapses to substance abuse and resumes problematic behavior, the magnitude of that setback—perhaps due to rearrest, job loss or hospitalization—the cost of that setback is still less than the cost associated with that individual prior to treatment.

If he goes back into treatment and relapses a second time, the costs associated with that relapse are less than the previous one, and so on and so on to the point where 10, 12, 20 years out, you see a pattern which shows that the economic burden imposed on society prior to their first treatment is significantly reduced years later and that treatment itself has mediated that reduction.

How much does the treatment cost? That is a very important question. The studies that have been done show that there is a 1-to-2 or 1-to-7 ratio. For every \$1 invested in treatment, \$2 are realized and in some cases \$7. For every \$10,000 saved per year per treated addict, \$1,360 were spent on that individual in a recent study of California's public treatment system.

In closing, I understand the attraction for some Members of the Committee of closing out the program and deploying the money elsewhere. I realize that some constituents may not see this group of addicts and alcoholics with much sympathy. Nevertheless I believe it to be extremely unwise to dismiss them.

They should be taken off welfare. I believe that. But in its place, they must be treated. For example, the average recipient represents in this program between \$7,000 and \$8,000. That is when you consider how much they get in disability payments, what the supplemental payment is, and the costs that go into monitoring each patient plus Medicaid. If that money could be dedicated to treatment, we could provide quality treatment for addicts and domiciliary care for those end-stage alcoholics who will probably never recover.

Finally, I would like to say that society really is the major financial stakeholder in the behavior of alcoholics and addicts and abandoning this program and reinvesting that money into treatment will give those stakeholders a solid return.

Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF SALLY L. SATEL, M.D.
YALE UNIVERSITY**

Thank you for inviting me to address you on the issue of Supplemental Security Income payments to addicts and alcoholics. I am an assistant professor at the Yale University School of Medicine (on leave 1993-95); my major clinical activities have involved treating patients addicted to drugs and alcohol.

As a clinician, working with patients who received SSI payments for addiction, I observed that the DA&A (Drug Abuse and Alcoholism) Program, though well intended, undermined patients' rehabilitative progress. Many of my patients used the benefits to finance their habits. Others dropped out of treatment or abandoned job searches when the first check came through.

I wish to make 3 points today:

1. The DA&A program should be abolished; it often hurts the very population it intends to help.
2. Funds that once supported it must be used for addictions treatment because treatment saves money in criminal justice costs, medical care and lost productivity.
3. No new funds are needed: existing DA&A funds should be transferred to the states to expand existing public treatment.

The following argument emphasizes the economic justification for addictions treatment. While ethical and humane considerations play an important role in the decision to provide care, I have set them aside for the purpose of today's discussion.

Please keep in mind, also, that there may be a high percentage (40-60%) of individuals inappropriately enrolled in DA&A. These are persons who abuse drugs or alcohol but suffer a primary, pre-existing severe mental illness, such as schizophrenia. These individuals belong under another disability category - that of mental disorder - and their benefits, although they should be supervised, must not be terminated.

DISCONTINUE DA&A

Addicts don't need money, they need treatment. Benefit payments can fuel habits and undermine compliance with cost-saving treatment - if a guaranteed income plus medicaid stops when recipients get better, what motive exists to leave the rolls?

When it was created, DA&A was supposed to function as a 'treatment scholarship' to support addicted people while they went to treatment, started on the path to 'recovery', searched for paying job and became employed. In the real world, however, it has operated much differently. Indeed, according to the Department of Health and Human Services (HHS), DA&A was largely unsuccessful in moving people from addiction 'disability' to functional status. The report, by the Inspector General of HHS (released in November, 1994), found that less than 1% of a cohort of 20,000 recipients who were enrolled in 1990 resumed work or were designated recovered by 1994.

First, current SSI eligibility requirements for addiction disability are loose and easy to circumvent. In my experience, it is often difficult to determine whether a substance abusing person is truly unable to work; in a one-time evaluation doctors must rest heavily on the claimant's self-report.

Second, almost any impoverished substance abuser can qualify under SSI DA&A criteria. Surprisingly, an applicant doesn't even need to present evidence of prior treatment. Thus, a claimant who never even attempted to get help, can still be designated 'disabled'.

Three, the costs and complexity of a surveillance bureaucracy are growing.

Fourth, the centerpiece of the program - treatment - is not always available. Residential treatment, in particular, is scarce and it is this modality that hard core addicts generally require for a minimum of a few months.

In sum, DA&A fails all the tests of a workable disability entitlement: it is easy to qualify for, difficult and expensive to monitor, unable to guarantee rehabilitation and often entraps the 'disabled' individuals it means to liberate from the oppression of addiction.

NATIONAL DISTRIBUTION OF ENROLLEES SKEWED

California has way under one-third of the nation's substance abusers, yet 32.6% of all DA&A recipients as of February 1994 resided there. Illinois is the second largest recipient state with 16.6%. New York State has 4.1% of recipients; Texas and Florida are not in the top 6, even though they have large addict populations. Given the relative proportion of addicted persons across the country, the current skewed distribution of DA&A recipients suggests a locality-based mechanism for enrollment; as other states begin to adopt that mechanism, the rolls will undoubtedly increase further.

SHOULD ADDICTS BE ENTITLED TO CASH BENEFITS?

Inevitably, the question of whether substance abusers should be entitled to cash benefits is raised. It is important to recognize that there are thousands of additional addicts and alcoholics who are eligible for SSI's DA&A program, only they haven't yet been formally assisted in applying for the benefits. For example, 25 - 50% of the nation's homeless persons abuse substances. Also, 2.7 million hard core addicts exist today; certainly a sizable percentage of them are eligible insofar as they are also poor and unemployed. Presumably, many of these folks are realizing this as the rolls have taken off and are predicted to double by the year 2000; they have already quadrupled since 1990.

Active hard core addicts and alcoholics have difficulty working. This is true. They are caught in a consuming cycle of intoxication and withdrawal and the substances themselves further impair cognition and impulse control. But the best way to interrupt this cycle is not with welfare payments but with detoxification and treatment.

INVEST IN TREATMENT: SOCIETY WILL BENEFIT

Study after study shows that predatory crime, lost productivity and other financial burdens that fall on the shoulders of law-abiding citizens and on society are diminished substantially when addicted persons are treated. Not only that, the money saved in this way exceeds the cost of their treatment, often by a great margin.

Refer to reference # 5 for details bearing on the 'socioeconomic' justification for addictions treatment for hard core addicts. Discussion of the costs of addiction appear in references cited in bibliography.

IS TREATMENT WORTH IT?

Yes, it is worth it. Not because it necessarily yields conventional therapeutic success - if anything, relapse is common among hard core users and patterns of exit and re-entry into treatment are typical - but because addicts who remain in the orbit of a treatment system cost tax payers less than addicts who do not. This point is absolutely critical in justifying a transfer of DA&A funds to provide treatment. To be sure, there are also benefits to the individual: less personal drug use, better health, a greater potential for employment, less family disruption.

Evidence consistently shows that treatment, once initiated, produces improvements in a variety of outcome dimensions, including substance abuse, criminality, drug dealing, addiction-related medical costs (HIV, tuberculosis, car accidents, addicted newborns, etc), refuge from the legitimate economy, and others of concern to society. The cost of treating an individual is 'made back' many times over. By comparison, the cost of incarceration of non-violent addicts is much harder to recoup; the cost of doing nothing is the most expensive course of inaction.

"Treatment" itself is not a single entity but a variety of approaches:

Methadone maintenance - for opiate (heroin) abusers, this is an outpatient modality. Patients receive methadone daily and counseling. This form of treatment works well when patients are engaged for several years.

Therapeutic communities and residential care - highly structured, residential (non-hospital) programs that generally last 9-12 months.

Outpatient, non-methadone programs - Programs usually offer 1-2 visits/week, 'day programs' offer up to 3-4 hrs/day. Clinic visits can last months, even a few years; 'day programs' usually last between 8-16 weeks.

Each of these treatments is cost-beneficial to society despite the clinical reality that hard core addicts usually relapse and re-enter treatment several times over. Addiction is a chronic and relapsing condition and addicted people generally don't turn around after a single treatment exposure. But even when persons are between treatment episodes, the benefits of prior exposure to treatment endure and accumulate over time.

For example, consider patients on methadone maintenance. Methadone is considered a long-term treatment and many patients relapse when they discontinue it. And when this happens the costs associated with criminality and lost productivity do indeed resume, but they rarely attain the same level of intensity as prior to initiating methadone.

It is this blunting of addiction-related costs even in people who have dropped out, that slowly amasses in additive fashion across treatment episodes until, years later, problematic behavior of patients in a seemingly untreatable group is significantly reduced. Thus, while the largest gains are seen while in active treatment, improvement in public health (decline in HIV transmission, sexually transmitted disease, hepatitis, drug resistant tuberculosis) and public safety (crime, accidents) and productivity is still discernible years after treatment has terminated.

SOME DYNAMICS OF REDUCING ADDICTION-RELATED COSTS

How much do these savings 'cost' the government in terms of paying for treatment? According to TOPS (Treatment Outcome Prospective Study, ref. #5), one of the most ambitious, federally funded studies of treatment effectiveness ever conducted, the benefits were at least as large as the cost of providing treatment and so that post treatment gains, derived from different treatment modalities, were "virtually an economic bonus" (p 161). That is, the treatment paid for itself.

TOPS researchers studied nearly 12,000 patients entering 41 different treatment programs during 1979 through 1981 and followed them for 5 years (see ref. # 1)

Rutgers University researchers (ref. #5) reviewed and synthesized all major studies of treatment effectiveness and cost-benefit. In their words: "Addictions treatment appears to deliver benefits at least as great in dollar value as the resources consumed to provide the treatment. Cost-benefit ratios are typically considerably higher than the break-even point of 1.0 and range much, much higher depending on the study and the level of analysis." (8-4)

The benefits they cite are many. To the individual, more orderly and productive lives, better rates of earning and ease of advancement; lower out of pocket expenses for the purchase of alcohol and drugs. To society, decreased transmission of infectious diseases, lower use of social welfare services, much reduced demand on the criminal and family court and greatly reduced cost to law-abiding citizens stemming from the use of heroin, cocaine.

Savings from the treatment of alcohol seem to favor health care costs while the benefits of treating drug abusers are expressed more in reduction of criminal costs. The crucial message, though, irrespective of the specific substance abused, is that ratios of \$4 - \$7 saved for each \$1 spent on treatment are almost universally observed.

The socioeconomic evidence just presented underscores the rationale for dismantling DA&A and shifting the money into public treatment. Not only is treatment badly lacking - there are about 100,000 persons on waiting lists for public treatment at any given time), but increasing the number of addicts in treatment slots will drive down addiction-related financial burdens. Because these economic benefits of treatment rarely begin to accrue before 3 months of treatment and often not until 6 to 12 months, the longer an addict stays in treatment, the less he costs society.

END DA&A and TRANSFER FUNDS TO THE STATES

Let me say that I understand the attraction to some members of the Committee of closing out the program and shifting the money elsewhere. I realize that many of your constituents may not view addicts and alcoholics with much

sympathy, thinking, perhaps, that they have "no one to blame but themselves".

Nonetheless, I believe it would be extremely unwise to disregard them. Yes, they should be taken off welfare - income maintenance will not break the cycle of drug dependence - but in its place they must receive treatment. A 'cure' may not result from a single treatment episode, but \$ millions will still be saved in averted addiction-related costs.

The 1995 DA&A expenditure will be a little over half a \$ billion (including the benefits of \$450 00 to 90,000 recipients (the current enrollment) plus annual monitoring costs of \$600 per person). After reclassification and removal from DA&A of persons with a primary diagnosis of severe mental illness (e.g., schizophrenia, manic depressive illness, major depression) who are in need of supervised support for basic needs because they have an underlying, devastating mental illness, the remaining funds should be directed to the states for treatment of its addicted population.

The average recipient represents roughly \$7000-8000/year in DA&A benefit and monitoring costs including state supplements of up to \$2000 per year. This can purchase, depending upon the state, 3-6 months in a residential program followed by 6-9 months in a drug-free sheltered living program with outpatient treatment.

The details of a transfer mechanism would need to be developed, but the justification for it seems clear. Society is easily the major financial stakeholder in the behavior of addicts and alcoholics. Abandoning this dysfunctional program of SSI payments to addicts and alcoholics and 'reinvesting' its funds in treatment will produce significant savings for law abiding citizens and society through decreases in costs associated with public health, safety and criminal justice.

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Chairman SHAW. We are going to have to recess, another vote has been called for approximately 15 minutes. I hope you both can stay with us because what you have to say is very important to us. We will stand in recess for 15 minutes while Members go to vote.

[Recess.]

Chairman SHAW. Dr. Kleber if you will proceed.

STATEMENT OF HERBERT D. KLEBER, M.D., EXECUTIVE VICE PRESIDENT AND MEDICAL DIRECTOR, CENTER ON ADDICTION AND SUBSTANCE ABUSE, COLUMBIA UNIVERSITY, NEW YORK, NEW YORK

Dr. KLEBER. Thank you and the Members of the Subcommittee for inviting me to address you on the issue of Supplemental Security Income payments to drug addicts and alcoholics.

I have been in the field of treatment, research, and policy aspects of substance abuse for over 30 years, most of it at Yale University as professor of psychiatry and founder of the substance abuse treatment unit there where we had about 1,000 patients a day in treatment at any time.

In 1989 I was appointed by President Bush and confirmed by the Senate as the Deputy Director of the Office of National Drug Control Policy under Director Bennett. I served there for 2½ years and then left in November 1991, and currently now hold two positions, executive vice president of the Center on Addiction and Substance Abuse, a bipartisan policy center that Joe Califano, the Secretary of HEW under President Carter, and I founded in 1992, and as professor of psychiatry at Columbia and director of the division on substance abuse there.

The toll that substance abuse involves for our society is well into the hundreds of billion of dollars a year. It affects every aspect of our daily life, health care, crime, welfare, economic competitiveness, and is the fastest growing segment of HIV and tuberculosis.

As my colleague Mr. Califano pointed out in his recent book, "Radical Surgery," we are going to have a hard time reforming our health care system without dealing with addiction and substance abuse. Practically every study carried out comes to a similar conclusion. Every dollar invested in treatment generates between \$3 and \$7 of savings elsewhere in our health and criminal justice system.

What I would like to focus on in my testimony today is if your Committee saves money by reducing or eliminating benefits for addicts, those savings need to be spent on treatment. I will focus on the following four points: One, if the savings are invested in treatment, they will then generate future savings. If not, cutting out this program will eventually cost the government more money.

Two, the funds should not simply be put into the current block grant, but should be sent to the States where the need is greatest.

Three, there is a need for accountability to ensure that any new funds that go into the States for treatment do not simply supplant existing State dollars for treatment.

And four, some of the savings should be invested in research to improve treatment outcome.

As far as the first point about why we need to put some of these savings in treatment, our current public treatment system is woe-

fully underfunded for what it has to accomplish. The Office of National Drug Control Policy estimates that the current treatment system can handle at best 1.4 million drug addicts a year, while the need is at least for 2.5 to 3 million a year.

If we expanded treatment by \$300 million, it would yield treatment for between 100,000 and 150,000 patients a year, depending upon the mix of outpatient and residential treatment approaches.

Given that the population in question might be the harder, more difficult cases, and that more intensive and longer residential treatment may therefore be needed, the lower figure of 100,000 may be the more realistic one. If all of these needed 6 to 12 months of residential treatment, probably only 50,000 or so could be treated.

It is important to expand treatment both because it is humane and because it is a very practical thing to do. Unfortunately, funding for treatment in this country has been a bipartisan failure. The Republican President, under whom I had the privilege to serve, did not ask for adequate funds for treatment, and the Democratic Congress gave us substantially less than what we had asked for. In my last year there they gave us one-third of what we asked for.

Both ordinary citizens and policymakers believe that addicts are not worthy of public tax dollars for their treatment since they brought the condition on themselves, ignoring that the same can be said for many other medical conditions for whom we do not deny individuals coverage such as a smoker who develops cancer of the lung or a heart attack, or the diabetic whose lack of exercise or poor diet leads to the exacerbation of his diabetes. It is also true that although there are clearly volitional aspects in becoming an addict, once one has the disorder, there are significant changes that occur in the brain, making relapse likely and increasing the difficulty of staying off.

I would also like to stress that a number of studies have shown that involuntary treatment works about as well as voluntary treatment. If SSA had over these years been requiring addicts to be on treatment, you would find fewer of them on their rolls. If one looks at the current system, it flies in the face of everything we know about the treatment of the disorder of addiction.

Addicts are not required to be in treatment for a minimum period of time before being found to be disabled. There is a failure to require treatment after you get the award, and a failure to monitor the representative payee system. The fact that even 1 percent of addicts get off and recover may be a tribute to the addict rather than to the system, and by the way I apologize, in my typed copy it said 10 percent. That was a typo. It should have said 1 percent.

How should these treatment funds be used? Originally in my prepared testimony I said that they should be sent back to the States in proportion to the number of people that they had in the SSI, DA&A population.

It has been brought to my attention that such a distribution simply rewards certain kinds of initiatives which may not have been the intent. California, for example, has one-third of those payments and clearly doesn't have one-third of the addicts. New York, which has at least as many if not more than California, only has 4 percent of the addicts. Texas and Florida are not even in the top six.

So instead of doing it by the current percentage, what I would suggest to the Subcommittee is that you utilize a program that we tried to have enacted by Congress called the Capacity Expansion Program where the money would go to States where the need is greatest. States would demonstrate they have waiting lists, they have a need, and they would get a proportionate share of the money. I do not propose putting the money into the current block grant. There are too many set-asides. The money doesn't also go where it is needed and I think that would be a major mistake.

There is a need for accountability. Many of our States have significant financial problems and if the new treatment money is sent to the States without adequate accountability, there is a distinct likelihood that instead of expanding treatment, the new funds will be used to supplant existing State dollars.

Finally, it is important that some of those funds be used as an investment in research. Our treatment doesn't work all the time. In fact far from it. A report issued this week by the Institute of Medicine recommended that we need much more in the way of effective medications to treat these difficult disorders.

Congress has authorized \$95 million for the Medication Development Division at the National Institute on Drug Abuse, but has only appropriated \$40 million. I would strongly urge that some of the realized savings be put into that program.

In addition, the research arm of the Office of National Drug Control Policy is funding a number of innovative programs, including research on trying to develop a cocaine vaccine, and I think research money could be well spent there.

It is not good for our long-term national health that considering AIDS, cancer and heart disease, and the amount of money put into research for those conditions, only an amount equal to 15 percent of their research dollars goes for substance abuse research, and yet substance abuse is one of the leading causes of all of those three conditions.

In conclusion, there is no one treatment for addiction. We need a variety of approaches. There are major treatment shortfalls. For example, we have 115,000 methadone slots for 750,000 to 1.0 million heroin addicts. We have less than 12,000 long-term residential therapeutic community beds in the whole United States for all heroin and cocaine addicts.

We especially need to expand the therapeutic community modality because if we are targeting the SSI group of patients, many of them need that kind of long-term residential program. Treatment needs to remedy the social, educational, and vocational deficits that prevent these individuals from leading reasonably productive, positive, and drug-free lives.

It is important to note that this group of patients frustrates you. They frustrate your constituents. They frustrate the treatment and research community, but it is also important to remember they are our relatives and neighbors. And if we don't treat them, they will do more harm to themselves and to our Federal and local budgets than any money that we would save.

Thank you.

[The prepared statement follows:]

TESTIMONY OF HERBERT D. KLEBER, M.D.
COLUMBIA UNIVERSITY, NEW YORK CITY

Mr. Chairman, members of the subcommittee, thank you for inviting me to address you on the issue of supplemental security income payment to drug addicts and alcoholics. I have been in the field of treatment, research and policy aspects of substance abuse for over thirty years. Much of that time was spent at Yale University as Professor of Psychiatry and the Founder and Director of the Substance Abuse Treatment Unit at Yale and The APT Foundation. The Unit when I left in 1989 had over a thousand patients in treatment for alcoholism and drug addiction at any one time, and, as well, was carrying out extensive research to try and develop new treatment methods for these patients.

In 1989 I had the privilege to be appointed by President George Bush and confirmed by the Senate August 1 as the Deputy Director for Demand Reduction for the Office of National Control Policy under its first director, William Bennett. I served until November 1st, 1991 and then left for New York City and currently hold two positions. I am Executive Vice President and Medical Director of the Center on Addiction and Substance Abuse (CASA) at Columbia University, a policy center founded by Joseph Califano, Jr., formerly Secretary of Health, Education and Welfare under President Carter, and myself, and, in addition, am Professor of Psychiatry at Columbia University and Director of a newly created Division on Substance Abuse at Columbia and the New York State Psychiatric Institute.

At CASA we are engaged in policy research on all aspects of substance abuse. Most recently, we were funded by the federal government to carry out an evaluation of the effectiveness of our national treatment system. The study will look at approximately two hundred programs and two thousand patients who will be followed over a period of one year. In addition, I am co-editor of the recently issued Textbook on Substance Abuse Treatment published by the American Psychiatric Association Press.

The toll substance abuse takes on our society is well into the hundreds of billions of dollars and affects every aspect of our daily life. It affects our health care system, crime, welfare, our economic competitiveness, and is the fastest growing segment of both the AIDS epidemic and the increase in tuberculosis. The problems brought about by substance abuse have been persuasively laid out in a book recently published by my colleague, Mr. Califano, entitled "Radical Surgery," which especially emphasizes that it will be hard to adequately reform our health care system until we do something about the treatment and prevention of substance abuse.

Since the previous speaker has elaborated on various studies that have been carried out on the effectiveness of treatment and the cost savings that treatment brings about, I shall not belabor the point. Needless to say, practically every study carried out comes to a similar conclusion: every dollar invested in treatment generates between \$3 and \$7 of savings elsewhere in our health and criminal justice systems. I would like to focus today on how, if your committee saves money by reducing or eliminating benefits for addicts, the savings could be usefully spent on treatment. I will focus on the four following points: (1) If the savings are invested in treatment they will then generate future savings; (2) the funds should not simply be put into the current Block grant, but should be sent to states in approximate proportion to the SSI addicts in their state; (3) there is a need for accountability to ensure that new funds do not simply supplant existing state dollars for treatment; (4) some of the savings should be invested in research to improve treatment outcome.

Savings Realized Should Be Invested in Treatment

Our current public treatment system is woefully under-funded for the task it has to accomplish. The Office of National Drug Control Policy estimates that the current treatment system can handle 1.4 million drug addicts a year, while the need is at least to treat 2.5 to 3 million. Expanding treatment by \$300 million would yield treatment for between 100,000 and 150,000 patients depending upon the mix of outpatient and residential treatment approaches. Given that the population in question might be the harder more difficult cases, and the more intensive and longer residential treatment may therefore be needed, the lower figure may be the more realistic one. It is important to expand treatment because it is the humane thing to do and Americans are basically a humane people; and a very practical thing to do and Americans are a practical people. As noted, study after study estimate that a dollar invested in treatment generates savings of \$3 to \$7 elsewhere in the system. Funding for treatment has been a bipartisan failure. The Republican president under whom I had the honor to serve did not ask for adequate funds for treatment and the Democratic controlled Congress gave us substantially less than we requested. The reasons for this are not hard to come by: no one ever lost an election for being perceived as soft on treatment; many individuals, both ordinary citizens and policy makers believe that addicts are not worthy of public tax dollars for their treatment since they brought the condition on themselves; and, finally, there is the belief that treatment is largely ineffective. The last point has been addressed by the previous speaker and in regard to the second point, I should point out that, although it is certainly true that addicts played a major role in the development of their disorder, the same can be said for a number of other medical conditions for which we do not deny individuals coverage for treatment. The smoker who develops cancer of the lung or a heart attack, the diabetic whose lack of exercise and increased use of refined carbohydrates leads to an exacerbation of his diabetes, the hypertensive patient who fails to take his hypertensive medication, are all treated very differently by the medical and political system than the addict, and yet their contribution to their disorder may be equally as great. It is also true that, although there are clearly important volitional aspects in becoming an addict, once one has the disorder there appears to be significant changes that occur in the brain, making relapse likely and increasing the difficulty of staying off.

I should finally like to make an important point about treatment that usually gets overlooked. Involuntary treatment has been shown in a number of studies over the past twenty years to be about as effective as voluntary treatment. If the Social Security Administration had over these years been requiring addicts on their rolls to be in treatment, we would see fewer individuals on the rolls now than there currently are, rather than the large increase over the past few years. In fact, part of the problem of eliminating the current SSI funding totally for these patients is that one loses an important way of coercing treatment.

If one looks at the current system it indeed flies in the face of much of what we know about the nature of the disorder of addiction. First, addicts are not required to be in treatment for a minimum period of time before being found to be disabled. If one has not had a significant exposure to treatment, whether voluntary or involuntary, it is hard to know how severe the disability is. Once having received the disability award, there has been a failure to require treatment. There has been a failure to monitor the representative payee so that individuals don't simply receive the money to be used for drugs and alcohol. And, finally, the addict is punished for recovering by losing his/her disability payment. It is extraordinary that under these circumstances 10 per cent of the patients actually do recover and get off the SSI rolls. That is a remarkably high

number considering all the obstacles and roadblocks the system puts in the way of recovery by "enabling" in the truest sense. We need to be careful, though, that we do not punish these patients for the sins of the Social Security Administration.

New Treatment Funds Should Not Simply Be Put Into the Block Grant, But Should Be Sent to States in Approximate Proportion to Their Percentage of SSI Addicts

The Block Grant has been an excellent mechanism for making sure that every state in the country had a minimum level of treatment services for its addict population. It has accomplished a great deal of good and if money were not as tight as it is today, I would have no trouble suggesting that any new funds should go into the Block Grant. However, with money so tight and with a number of states having major shortages of treatment compared to other states, we can only afford to spend the money in the most targeted approach possible. This will also circumvent the problem that the various set-asides in the Block Grant decrease the amount of money available to be directed at the hard core addict, in many ways the focus of the SSI program. Thus, I advocate sending the money to the States in proportion to their percentage of SSI addict and alcoholic recipients and without any set-asides. These new funds States receive would then need to be concentrated on the hardcore addict and alcoholic, with individuals dropped from SSI rolls having first priority for any new treatment. States should engage in outreach activities towards such patients.

The Need for Accountability

Many of our states have significant financial problems. If the new treatment money is sent to the states without adequate accountability, there is a distinct likelihood that instead of expanding treatment, the new funds would be used to supplant existing state dollars. This would frustrate the will of Congress and fail to accomplish the longer term objective of the Committee. The addicts would remain a scourge to themselves as well as to their families and communities.

Invest Some of the Savings in Research

Although treatment works, it does not work as well or as often as we would like. The Institute of Medicine released a report this week entitled "The Development of Medications for the Treatment of Opiate and Cocaine Addictions." A strong case is made in that report about the need for more effective medications to improve our treatment record. The report points out that although Congress has authorized \$95 million for the Medication Development Division at the National Institute on Drug Abuse, it has only appropriated \$40 million. I would strongly urge the Committee to consider putting some of the savings into this Medication Development Program so that treatment can become even more effective. There are also promising behavioral approaches that new funds could be spent on that could improve our treatment efficacy. It is shortsighted for a country to not adequately fund its research and development aspects. As Joe Califano pointed out in his book "Radical Surgery," research in substance abuse receives only about 15 per cent of the money spent for research into AIDS, cancer and heart disease, and yet is a leading cause of these problems.

Conclusion

There is no one treatment for addiction. A variety of approaches are needed, ranging from the self-help fellowships of AA and NA, outpatient counseling programs, methadone maintenance programs, and the residential therapeutic communities such as Phoenix House and Daytop, among other modalities. While no one treatment modality can treat all addicts or alcoholics, taken together treatment can accomplish a significant amount. However, as an example of the treatment shortfall, we only have approximately 110,000 methadone slots for up to 1 million heroin addicts and less than 12,000 residential treatment beds in the United States for all heroin and cocaine addicts. We need to expand both but especially need to expand this latter modality for the SSI patients, many of whom will need the long-term residential habilitation approach that these programs can provide. Treatment often needs to remedy the social, educational and vocational deficits that prevent these individuals from leading reasonably productive, positive and drug-free lives after treatment. It may also be necessary to remember that since our current treatment methods are not 100 per cent effective, some funds may be needed for long-term domiciliary care with minimal treatment for those individuals who have tried and failed our more intensive approaches.

I should like to close by noting that, although this group of patients frustrates you, frustrates your constituents, frustrates the treatment and research community, it is very important to remember that they are also our sons and daughters and brothers and sisters and indeed parents. While the current program that you are planning to cut is seriously flawed, it is important that any savings realized be used for more effective approaches toward these individuals. Otherwise I would urge you to instead keep the program and improve it rather than close it.

Chairman SHAW. Mr. Ford.

Mr. FORD. Thank you, Mr. Chairman. I would like to thank the witnesses who have testified. Let me see if I can follow your scenario. What about the Medicaid benefits of these drug addicts and alcoholics who are receiving SSI, is it helpful to drug treatment in rehabilitation programs?

Dr. KLEBER. Absolutely, yes.

Mr. FORD. The two of you have suggested that we would block grant it and send those funds into the States for treatment in preventive measures and for the DA&As.

That would mean that in many cases, if not all, that they could very well lose their Medicaid benefits if they were not receiving these SSI benefits.

Would that have an impact on the treatment and preventive measures of DA&As?

Dr. KLEBER. I would recommend that you permit individuals currently on the rolls to retain their Medicaid benefits for a time-limited period, let's say, up to 3 years. I think that that could handle the current recipients.

My hope is that by then we would have actually expanded treatment, and I think it is very important to annualize those savings. It is not good enough to simply do it on a one-shot basis and then not give any more or cut it back the next year. If we continue the treatment funding, then I think a lot of the need for Medicaid for these patients will no longer be there.

Mr. FORD. Let me say, I don't think we ought to be giving benefits to people who will be using those benefits for the purposes of buying drugs and alcohol. I am totally opposed to that. But I am trying to follow what the two of you have testified on.

Are many of these SSI recipients that we are talking about, afflicted with disabilities other than these drug and alcohol problems?

Dr. SATEL. Yes, they do. I have seen estimates as high as 60 percent. That means that, independent of the addiction, these people would qualify for SSI based on another disability, one that isn't necessarily alcohol induced.

It may be a mental disorder, a serious mental disorder like schizophrenia or some other kind of physical problem. So in that case, our comments wouldn't apply. These are people who would qualify anyway if they are currently in the DA&A Program and will probably be reclassified.

Mr. FORD. Some suggest that about 50 percent of these SSI recipients would have other disabilities that would qualify for SSI, like drug addiction or alcohol problems, but because of the other disabilities that they might have.

Dr. SATEL. They would qualify, but it is important to recognize that most disabilities are worsened by a comorbid addiction.

Mr. FORD. I am not making that argument. I understand. What about Senator Cohen, you worked in Senator—I think it was—

Dr. SATEL. I worked with Senator Kassebaum.

Mr. FORD. Senator Cohen sponsored an amendment limiting the time that these addicts could receive SSI, which I think was 3 years. He also said right after the passage of that amendment, "Oh, gee, looks like I made a mistake without requiring them to have

some type of treatment and some type of, I guess, supervised treatment and all." It might have been a mistake him offering that amendment to cut it off after 3 years. You worked on the Senate side.

Can you respond to Senator Cohen's—or do you agree with Senator Cohen's statement after he passed his amendment?

Dr. SATEL. I applaud what Senator Cohen did last year.

Mr. FORD. What about his statement after he passed the legislation. And he indicated let me see, I want to quote him correctly, but I think—go on and respond to the first part.

Dr. SATEL. Sir?

Mr. FORD. He reversed himself and said that he thought we had gone too far by cutting off individuals after 36 months whether or not they had received treatment.

Dr. SATEL. What I think he might have been referring to was that he wanted the 3-year clock to start when treatment became available and a person entered care.

Mr. FORD. He reversed himself—a bill came out of the Conference Committee, Senator Cohen reversed himself and said he thought he had gone too far by cutting off individuals after 36 months. I am not in disagreement with the 36 months or the time limit that we are talking about.

You worked on the Senate side, and I am just trying to get your response, since you have had that opportunity to be a fellow on the Senate side, and use your expertise over there.

Dr. SATEL. My response to what Senator Cohen did last year would be to say that he essentially introduced this topic. I think he made major gains with two important features of the Cohen amendment. One was to get the money directly out of the hands of the recipients and then to try to ensure that they enter treatment and comply with it.

At that time, in my opinion, the political climate was receptive for scaling back on a disability entitlement for addicts and alcoholics.

I think now there is greater receptivity to abolishing this benefit outright and to investing in treatment.

One of the provisions in the Cohen amendment was that people who had secondary—in other words, had addiction and a primary disability, that these people would not be subject to a cutoff but they would be required to be in treatment and have a payee. That didn't make its way into the final bill but I think that is an important—

Mr. FORD. You like that concept of a payee when we have seen that liquor store owners and drughouses might be the payee in many of these cases where you have these addicts of drug and alcohol?

Dr. SATEL. I am talking about another primary disorder, which would qualify them independent of addiction and so they would be getting the money anyway. These are people with a primary disorder, let's say schizophrenia, and they are also an alcoholic. Right now they get their money with no protections if they qualify under another physical or mental disability.

Mr. FORD. In most of the patients that you have treated there at the university, have they been fairly young people?

Dr. SATEL. I work mainly with drug addicts and they tended to be younger than alcoholics at the VA where I worked.

Mr. FORD. The drug addicts, are they the least treatable?

Dr. SATEL. Are they mostly treatable?

Mr. FORD. Less treatable.

Dr. SATEL. They are the group I described; the hardcore individuals. You do see relapses. Some patients have a treatment career and they do well for periods of time, they may relapse, reenter treatment, and do well for a period of time, perhaps relapse again.

Over time the social cost imposed on society does decrease. As I mentioned, treatment accelerates this decline, and it also steepens the slope of that decline in terms of social cost.

Mr. FORD. This is my final question. If we block grant these funds to the States, don't we run some danger with the States allocating the resources to areas that we might not be able to really bring back that younger generation that might be able to be saved versus the hardcore drug addicts that will have these relapses over and over?

Dr. KLEBER. We face a dilemma. Either this program is going to have to markedly expand or it is going to have to shrink. We have 2 million cocaine addicts. We have close to three-quarters of a million to a million heroin addicts, and somewhere between 15 and 18½ million alcoholics and problem drinkers.

I don't know what percentage of them—

Mr. FORD. All in America?

Dr. KLEBER. I am sorry.

Mr. FORD. All in America?

Dr. KLEBER. Yes. I don't know what percentage of them would qualify for SSI in terms of the work requirements and the disability. My guess is that under the way it is being applied, probably a substantial number eventually might qualify.

And I believe that if you think 90,000 to 100,000 on SSI is a lot, you might find the number substantially in the millions. So we need to figure out a better way to address this population than the current program.

Now, in response to your last question, are all of them treatable, absolutely not. I wish they were. Our current state of knowledge does not make it possible to treat all addicts or all alcoholics.

I would say that under the best of circumstances, with good treatment, we are still going to be left with an irreducible core of at least 20 to 30 percent of these individuals who don't respond to intensive treatment.

I think what we do with those individuals is you invest in low-cost domiciliary kinds of arrangements that at least provides them some protection. Any government money for treatment goes into the domiciliary rather than going to the individual themselves to be spent directly for their drug abuse.

Mr. FORD. Mr. Chairman, please just bear with me for a final question. Where do they live? Probably we are not able to treat them. Where do they live? Are they in some type of institutional type care, or—

Dr. KLEBER. You are talking about currently?

Mr. FORD. Currently. Where would they live? The ones most likely not being able to find treatment, or least likely to be treated to cure their disease. Where do they live? Where is their shelter?

Dr. KLEBER. That depends very much on whether our current legal system continues to permit addicts and the mentally ill to die. What we find is many of the homeless in the streets of New York have mental disorders and substance abuse disorders and in the past would have gotten—

Mr. FORD. Who houses them? Are they institutionally housed, or what?

Dr. KLEBER. Some are. Some live in single-occupant hotel housing. Some live in these kind of domiciliary arrangements. There is a whole variety. Some choose and have the legal right to choose to be on the streets.

Mr. FORD. Thank you, Mr. Chairman.

Chairman ARCHER. Thank you.

Ms. Dunn, you can inquire. We are not enforcing the clock since there are only three of us here.

Ms. DUNN. I am sorry I missed your testimony, Dr. Kleber, and I feel at a disadvantage not knowing what was asked of you before. Let me give you my basic problem with this whole thing.

I talk to citizens in my district all the time, and every now and then the appalled question comes to me: We have just learned that alcoholics and drug addicts have been declared disabled and are able to claim a large amount of cash each month under SSI.

Can you please help me? How I am going to answer this question?

I did hear Dr. Satel's testimony that it was more cost effective to be handling them that way. I guess what I would like you to do is just bring all your thoughts together so that I could either come up with a justification or if I could come up with some sort of way we could improve this situation.

These are folks who work hard to make a living and they simply feel that to qualify such people as disabled is ludicrous. I mean, this is the kind of question I face.

Dr. KLEBER. What I argued in my testimony was that money should not be spent on direct cash payments to the individuals under the SSI DA&A, but instead should go to the States where it is most needed and provide treatment and long-term domiciliary care for these individuals rather than direct cash payments to them.

So I don't think I have a quarrel with many of your constituents. I am not going to defend that, because I think that it is hard to defend, and I believe, as I said a few minutes ago, if we continue it the way it is, we will think that 100,000 is a very small number of individuals on the rolls. We will look back to 100,000 with nostalgia just like earlier we looked back to the 17,000 in 1989.

Dr. SATEL. I agree completely. As I mentioned in my testimony, I think the program should be abolished. Money should go into treatment.

I think the whole philosophy of considering addiction a disability gives these patients the message that they are disabled, when in fact the message we have to give them is that you can—at least

you can try with help to become functional. And that is through treatment.

So I would agree and I share the surprise of your constituents. I was surprised when I first heard about this program.

Ms. DUNN. It really is shocking, especially for people in the rural areas of my constituency who don't have an extra dime, that they are expected to be paying hard-earned tax dollars for such programs.

I am glad to hear your testimony. I really appreciate it. I will read it with interest.

Thank you, Mr. Chairman.

Chairman ARCHER. Thank you, Ms. Dunn.

I would like to ask both the witnesses, what is the percentage of success that you are getting? I know it is disappointingly low in all areas of drug treatment.

Dr. Kleber, what percentage are you seeing across the country?

Dr. KLEBER. Unfortunately treatment success depends to a great extent on the resources that you bring to it.

Chairman ARCHER. Let's start with nonresidential treatment.

Dr. KLEBER. It isn't just the modality; it is the person entering that modality. So that if you treat a lawyer, a business executive who is a cocaine addict, in my experience one should have 75 to 80 percent success.

If you treat a blue collar worker on the line who has some family support, vocational skills, success rates of between 40 and 60 percent have been generated.

Chairman ARCHER. The population that we are talking about, the person receiving SSI.

Dr. KLEBER. If you are looking at the SSI population, probably the most optimistic that I have seen, for example, in the program that Dr. McClellan runs at Pennsylvania, the VA, for inner-city crack addicts, he is getting 40 percent success.

Chairman ARCHER. In nonresidential treatments?

Dr. KLEBER. This is day. They come in 5 days a week, 6 hours a day, and with that kind of intensive treatment over a period of months he is getting 40 percent abstinence.

Chairman ARCHER. And they return to their neighborhood?

Dr. KLEBER. They are living in their neighborhood. They are out-patients. They are living in their neighborhood while they are undergoing treatments.

Cocaine is a more difficult problem to treat right now than heroin. And I don't know the percentage of individuals on SSI who are there for heroin versus cocaine. Well-run methadone programs should be able to treat successfully anywhere from 40 to 80 percent of these individuals.

We have a variety of modalities there. Therapeutic communities, 80 percent of the people who graduate do not return to drug abuse. Unfortunately, only about 30 percent graduate. So we are talking about 25 percent.

But what you are talking about is a single treatment episode. Gradually you chip away, chip away, chip away, so that you may only get 25 percent successfully treated the first year. The next year you begin to chip away at that 75 percent. The following year you continue. So at the end of 5 years you have made substantial

progress and you are at where I said earlier, that about 25 to 30 percent of the individuals are still the chronic recidivist that people think of as the alcoholic or the addict.

Chairman ARCHER. What is the cost of that population, the SSI population receiving treatment? What is the total cost of treatment and the duration of treatment?

Dr. KLEBER. Are you talking about in the United States or just for the SSI population?

Chairman ARCHER. The SSI population. Approximately.

Dr. KLEBER. Well, if they were all in treatment, that is, if there are 100,000 individuals, and they are all in treatment, and there is a mix, that is, some were in outpatient, some were in residential treatment, outpatient treatment could cost as little as \$3,000 a year. Residential treatment costs somewhere between \$12,000 and \$20,000 a year.

So depending on the mix of programs that you have, you might average around \$6,000 or so per year for that individual. But hopefully each year they don't need to stay as long in the residential program. Each year more and more of them get successfully treated.

Even if they don't—for example, the Rand study found that \$1 invested in treatment was worth anywhere between \$7 and \$20 invested in law enforcement kind of activities, even assuming only a 13-percent success rate at the end of 1 year. So even with very low assumptions about success rates, you can still generate considerable savings.

Chairman ARCHER. Your figures are much more optimistic than what I have heard in the past.

Dr. SATEL, would you like to comment on any of those comments?

Dr. SATEL. It is also important to keep in mind the window of assessment when you examine these studies.

I just want you to keep that in mind. That may be why you have heard some less encouraging reports, because perhaps 12 months later, the 40 percent who seem to have done well at 6 months may have dwindled to 30 percent.

Chairman ARCHER. Were you involved in the Philadelphia program?—I know you are a professor at Yale.

Dr. SATEL. Yes, I am a visiting professor there.

Dr. KLEBER. Although that 40 percent may have dwindled to 30 percent, you have also begun to successfully treat the 60 percent that you have failed with the first year. So it is a dynamic kind of situation.

Dr. SATEL. I was just going to add, that is a good point, because those 60 percent now have an attachment, a familiarity with the treatment system, and that makes it much easier for them to reenter when they start getting into difficulty next time. This way, they don't have to descend so far down into the spiral of deterioration.

Chairman ARCHER. Dr. Kleber, you heard Dr. Satel speak of the fact that she notices that the dropout rate in drug treatment increases when the SSI check starts. I don't recall you testifying to that in your testimony. Do you have any comments on that or experience with that?

Dr. KLEBER. Addicts are no different than the rest of the population, only more so. Without being frivolous, I could probably ask

people in the audience, when was the last time they gave up something pleasurable. You have drugs being pleasurable and you now have a guaranteed income being pleasurable. That is putting a heavy burden on these individuals that the reward for giving up the drugs, which many of them find pleasurable, is to lose your guaranteed income.

I would submit that is something that in the treatment field we find works against us. It is the problem with the VA system, where if you come into the hospital, your disability payments increase. There is an incentive to be disabled. And that makes it very hard to at times get people to remain outpatient and to continue to do well.

When you put disincentives in front of individuals who may be marginal at best, that is, who may never be able to make much more than someone above the poverty line, and then you say they can have that much without working, that is a real disincentive to give it up.

Chairman ARCHER. Thank you. Thanks to both of you—

Mr. FORD. Mr. Chairman, just one more thing. What about on the medical side? Would that be true if we would turn this money over to the States to block grant it, would you medical professional people continue to treat them because the money will continue to flow?

Everybody has habits. It doesn't have to be addicts. What about you professionals?

Dr. KLEBER. I don't know that I understand the question.

Mr. FORD. Would you do the same thing, receiving all these dollars in the block grant program for treatment, would you continue to treat them and never let them get well because the money is flowing in?

Chairman ARCHER. I hope the gentleman isn't suggesting they are going to run out of addicts.

Mr. FORD. I am not suggesting. He was indicating addicts are going to continue their habit. They are not going to remove themselves from the SSI Program.

Now, if they are suggesting that we block grant the program, what about the professionals? Are you all going to let the money just continue to come, continue to treat those patients over and over, never let them get well?

Dr. KLEBER. I think you need accountability, both at the State level and at the treatment level. There is no question in my mind that you have programs out there that are not doing as good as they should.

Let's just take methadone for one example which has probably been the best studied. A recent study showed that looking at six programs, the best program, 90 percent of the people are no longer using illicit drugs after 2 years. And in the poor program, only 40 percent.

One of the things we advocated when I was at ONDCP was that programs be monitored by the States and that programs that did not do an adequate job of treating their patients be given technical assistance, and if they did not get their performance up to the better programs, that the funds would be taken away and given to other programs.

So I share your concern that there may be providers in programs that do less than optimal work. And I think they need to be monitored too.

Chairman ARCHER. Thank you.

I don't recall the witnesses using the word block grant. I don't think that was within their testimony. I did recall Dr. Satel saying that the moneys could be better spent, instead of giving it to the recipient in the form of SSI, it could be used for treatment, and to put the people in treatment programs. That is the testimony that I heard. I don't recall any—

Dr. KLEBER. I did not.

Chairman ARCHER [continuing]. Either one of you referring to the question of block grants.

Dr. KLEBER. I did not want the money to go back to the States in the form of block grants because then States with a need not as great would continue to get funds where States with the greatest need don't get adequate money. So I want a means test for States. That is what the Capacity Expansion Program is all about. The States that need it most would get it.

Chairman ARCHER. This area is going to be extremely complicated. It is one that we are going to have to be working on in cooperation with some of the other committees, particularly if we are going to transfer money from one area into another.

But I do think there is very strong sentiment on this Committee, and I certainly feel this way, that we have got to do something about the moneys that are being paid out to addicts. It is absolutely ridiculous and it makes no sense to pay people to retain their habits and continue to break the law as they do today.

That will conclude today's hearing. We almost made 3. I appreciate particularly this last panel sticking it out with us through the afternoon.

We will convene at 12 noon in this room on Monday for a continuation of our hearings.

[Whereupon, at 3:05 p.m., the hearing was adjourned, to reconvene at 12 noon, Monday, January 30, 1995.]

WELFARE REFORM

MONDAY, JANUARY 30, 1995

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON HUMAN RESOURCES,
Washington, DC.

The Subcommittee met, pursuant to call, at 12:15 p.m., in room 1100, Longworth House Office Building, Hon. E. Clay Shaw, Jr. (Chairman of the Subcommittee) presiding.

Chairman SHAW. We will bring the hearing to order and the opening statement by the majority side will be given by Mr. English of Pennsylvania.

Mr. ENGLISH. Thank you, Mr. Chairman. This morning I would like to welcome our witnesses and guests to today's hearing, the fifth in our series of hearings on welfare reform. Today we will hear from a long list of Members and public witnesses, including Florida Governor Lawton Chiles, two U.S. Senators, 37 Members of the U.S. House and 1 State representative. We will also hear from a very distinguished panel of religious leaders.

Interest in welfare reform has been so great that the Subcommittee has added another day, as I understand it, this coming Thursday, February 2, to accommodate the many requests to testify that we have received. Five Members of Congress and 71 public witnesses are currently scheduled to appear before the Subcommittee on Thursday's hearing, which I would note will begin at 9 a.m. in room B-318 of the Rayburn House Office Building.

We are excited by the tremendous interest in welfare reform. There is an enormous amount of work to be done and no single group or committee can have all the answers. We face an enormous challenge in fashioning a mainstream welfare reform proposal that addresses the acknowledged systemic problems with many existing welfare programs.

That is why we are delighted to hear from so many different voices as we develop the details of our legislation. Hopefully we can all agree on our common goal, that is, to create a welfare system that rewards work, reduces illegitimacy, and helps families get out of poverty.

Without further delay, Mr. Chairman, I would like to turn this back to you to introduce the panel.

Chairman SHAW. Before I do so, I would like to recognize Mr. Gibbons for an opening statement.

Mr. GIBBONS. Thank you, Mr. Shaw. I regret that Mr. Ford cannot be here today, and I am not substituting for him. I am an ex-officio Member of your Committee, as you perhaps know.

This is a very important subject. We are talking mainly about what we do about children, because four-fifths of all the people on welfare are children, and we are talking about what we do about work, because work is broadly seen as an antidote, a cure to the problem of welfare and dependency.

We are talking about what should be done to enforce parental responsibility to the child, mainly by scofflaw or runaway dads, about establishing paternity, about discouraging out-of-wedlock births. These are all not only high profile financial issues, but they are extremely high profile social issues.

I think, Mr. Chairman, we are blessed today to have the Governor of Florida lead off the public witness list. I have known him for almost 50 years. He is a humanitarian. He is a no nonsense public official. He has had experience at the State level, then here at the Federal level where he had served for 18 years, I think, as a U.S. Senator and as Chairman of the Senate Budget Committee, and he has had a distinguished career as Governor of Florida.

Florida, as you and I know, Mr. Shaw, is the third or fourth largest State in the Union with unique problems because of growth and unique problems because we have a higher cyclical rate of change and status of such factors as welfare, and so I personally want to welcome you, Governor Chiles. I am sure Congressman Shaw wants to welcome you too, and we look forward to a very productive hearing today.

Chairman SHAW. Thank you, Mr. Gibbons. It is with a great deal of pleasure that I introduce the first panelist today. I don't go back with Lawton Chiles quite 50 years, but I remember first hearing of him as this legislator who seemed to think he could be elected to the Senate by walking the State of Florida without much money. That was such a unique idea that I think that it brought a lot of attention to an underfunded campaign. I might say underfunded in dollars perhaps, very generous in enthusiasm, and one which led to a long successful career in the U.S. Senate.

During the time that I have known Lawton and worked with him as both mayor of the city of Fort Lauderdale and then later as a new Member of the House of Representatives, I have always found him to be very open, nonpartisan in nature and working hard on the problems within the State of Florida. He was a real team player. Now I know him as a Governor who as one of the more progressive Governors, has led the way in welfare reform, giving waivers and setting an example, an experiment in Florida, which I am sure he will share with us today.

So with that, welcome to the Committee, Governor, and take as much time as you so desire.

STATEMENT OF HON. LAWTON CHILES, GOVERNOR, STATE OF FLORIDA

Governor CHILES. Thank you, Mr. Chairman, Members of the Committee, and my good friend, Sam. I am delighted to be here today and have this opportunity.

Mr. Chairman, I want to take this opportunity of congratulating you. You have worked long and hard in the vineyards toiling as a Congressman and having an opportunity now to chair this Committee at a very important time, I think that is wonderful. I think it

gives an opportunity to highlight your experience and the time that you have spent. It is kind of interesting that you are at first command with welfare reform. In a sense, they may have put you in command of the Titanic, but I am sure that you will do well.

This is a subject that, if it was easy, it would have been done a long time ago. I have a statement and I know that statement will be submitted. I just want to make a few observations and then answer any questions that you might have.

Florida recognized, like many States, that we had to do something about welfare reform. As we looked at our goals of temporary assistance to the poor, we saw that our Aid to Families with Dependent Children caseload and Medicaid were just eating up all of the moneys that we had and certainly taking a lot of the Federal dollars as well.

Florida embarked on a bipartisan bill to really look and see what we could do with welfare reform. I think that we initialed one of the largest demonstration projects in the Nation taking two counties, both having an urban and rural population, and putting one of them into a voluntary experiment in effect, or program, and the other in a mandatory program. They are Alachua and Escambia Counties, and we have been running them for a period of months now.

It is pretty clear the mandatory one is working much better than the voluntary one. It is also clear that where you take the steps to allow women primarily, but heads of households who are not working, access to some job training, to counseling, to substance abuse treatment, held in meeting other needs, and especially day care and health care and to learn how to interview for a job, major things can be accomplished.

In 8 months, with over almost 1,400 people in the Escambia experiment, 20 percent of those are off AFDC now, making above the minimum wage, and it is pretty obvious that some real things are happening there and we think that certainly can be duplicated.

We are going to put five more counties in, or asking the legislature to allow us to add five more counties this year. They will be urban and rural, and we would like to go further than that. What we are finding in our program though, is that there are some front-end costs. If you are going to say we are going to allow you to keep your day care, and your health care as you transition off of this program, and if, in addition, we are going to provide some job training, counseling and other things that are necessary, there are some realistic front-end costs. I think that this being as serious a problem as it is, and recognizing what our costs are now, we are all confronted with paying the back-end costs of not doing something earlier. Consequently, we are faced with a permanent class that is now generational, and everything that brings with it.

So recognizing what is happening here, that welfare reform is moving, but also the balanced budget provision is moving and the Contract is moving, I hope this Committee, and I hope the Congress, will look at what are the steps necessary to allow the States to be able to accomplish welfare reform. My fear is that in order to meet the goal of one of these other things, you keep us from being able to do that.

That is my concern, and that we recognize that States are not monolithic. Florida happens to be one of the growth States. One of the proposals I have seen floated where you would have a capped block grant would just kill us in Florida because we are a State that is taking additional population at all times and that fact needs to be recognized.

But I think what we can say is that the States ought to be held accountable. You shouldn't give up all of your authority and all of your money without having a way to account for that. I think that is very important, but at the same time, we recognize the need for greater flexibility, while agreeing there are certain things that ought to be a part of any solution. That is anything from deadbeat dads to teen pregnancy, to having some kind of a time cutoff.

All of those things, I think, are necessary. However, I think if we do not allow the States to be able to make those front-end investments which are necessary if you are going to truly accomplish something toward the goal of reform, then I think we will only be going through an exercise. In the end, if we cut off funds, that will only give the illusion of welfare reform.

If we choose that direction, get ready to pay some more dollars on the prison end. Get ready to pay some more dollars on some of these other ends, because I think that will be the result. I would hope that we would treat children and women in a way that recognizes that they are as valuable as defense to our country. They are as valuable as senior citizens. They are as valuable as any other group that we are going to try to deal with, and perhaps more vulnerable because in many instances, less able to help themselves.

Let me just stop there and see what questions you have.

[The prepared statement follows:]

TESTIMONY
of
The Honorable Lawton Chiles
Governor of Florida
before the
House Ways and Means
Subcommittee on Human Resources
January 30, 1995

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to be with you today and bring you Florida's experience in reforming our welfare system.

It is a system that made no sense at all because it provided the wrong kind of incentives -- negative incentives -- that kept people locked in a cycle of dependence.

That's why we made a commitment for common sense to be our benchmark in Florida's landmark reforms.

In so many individual cases, inability to deal with simple logistics became the problem that prevented people from reaching independence -- and a real job.

Let me explain by example:

A young Florida mother of two was a full-time student, working part time and in need of assistance and child care, especially after the breakup of her marriage. Under the existing system, we would not have been able to meet her special needs -- and she would have remained dependent on it.

But under Florida's Family Transition Program, she COULD receive assistance and crucial child care services. As a result, she has been able to get her degree. Now, she's currently employed, making \$8.00 an hour. She had been on AFDC for 18 months.

In 1992, the leaders of the Florida Legislature and I began a joint effort to make the welfare system in Florida more practical. This effort began with the creation of a Commission representing the private and public sectors which studied the problems associated with welfare dependency. For one year, the members of the Commission traveled throughout the State holding hearings and visiting with welfare providers and recipients.

The Commission then made recommendations centered around eliminating the penalties for going to work and encouraging self-sufficiency by our participants. These recommendations became the basis for the 1993 Family Transition Act, which the Legislature approved in a bi-partisan fashion.

The Family Transition Act's basic foundation is that assistance is time-limited -- a transitional benefit to aid the recipients in becoming self sufficient. To achieve these goals for our diverse population, we established aggressive pilot programs. They include elements of job training and placement, child care and other services which help remove barriers that have traditionally been an incentive for the recipient to stay on welfare.

We have learned that our reform model requiring participation -- rather than one seeking volunteers -- is showing more impressive results. Helping people by setting goals they CAN reach -- with assistance to succeed -- makes all the difference.

I am very pleased to report that the Family Transition Program is working -- as early results show that many of our participants are working. Floridians are living the lesson that welfare assistance should be a ladder to independence -- not a permanent life preserver. Let me give you some other real examples.

Another young mother moved to Florida from another state where she had been receiving AFDC. Her immediate need was child care. The Family Transition Program provided child care services and helped her with her resume, job search and interviews. As a result of the cooperation

of many providers within the system, she is now employed by the Child Support Enforcement program making \$7.47 an hour. It is important to note that she was never on the traditional AFDC in Florida, but rather received transitional aid to employment under the Family Transition Program.

There are many similar examples where practical barriers kept young women from even searching for employment, let alone gaining a job. Consider a young mother of two who is making \$120 a week and is faced with paying \$90.00 a week in child care. She simply cannot do it. The incentive is to stay on the dole.

In sharp contrast, the Family Transition Program is providing the basic essentials for her to be free to search for employment and to become self sufficient.

Often, the key to success is child care. Other times, the essentials may be helping with resumes and job search, or meeting a transportation need. But the overriding yardstick of our successful program is simply COMMON SENSE.

I am especially concerned that many welfare mothers have stayed on AFDC in order to have health care. The linkage of medicaid eligibility with AFDC has forced many women to stay on welfare, to provide health care for their children.

Under the old structure of AFDC, Florida providers probably met with a recipient 3 or 4 times a year with little opportunity for creative counselling or direction to the participants. Other times the barriers of child care and transportation were not even discussed. The incentives were negative and people remained on welfare. The federal structure was rigid, tight and provided little incentive for creativity and individual attention.

Under Florida's Family Transition Program, the participants are provided counselling and special attention. Now, we ask the right questions: What do you need to go to work - child care, job training, or maybe transportation?

William Booth, of the Washington Post, recently wrote a story about the new Florida Program. He cited one case in which a car battery was the main obstacle that prevented a woman from working. The Florida program helped her get a battery and she is working today.

Common sense, Mr. Chairman. We are striving to provide common sense with assistance in Florida, but it is a struggle. It is a struggle because we have to be flexible enough to meet the diverse needs of our population.

Florida's program must respond to unanticipated events affecting recipients' ability to move toward independence. Even if they plan their budgets down to the last dime, an unexpected illness, a home repair, or even a dead battery can be disastrous to their progress. The Family Transition Program is attempting to anticipate those needs -- and effectively react.

This flexible ability to respond at the state level must be strengthened by a similar consideration from Congress.

Governors of individual states are the chief providers of services to people. Like the Head of a household, I cannot anticipate every factor that might affect my ability to provide.

I must be able to respond when a recession affects my people. I must be able to provide when a major plant or military base closes -- or a company relocation leaves thousands in my State unemployed. I must be able to provide when a calamity with the punch of hurricane ANDREW, or devastating floods or some other catastrophe expands my assistance population in a matter of minutes.

I call this to your attention because of a critical concern. Budget restraints, balanced budget goals and desire for reform may tempt Congress to level-fund so-called block grant initiatives -- and any quasi-entitlement programs -- or even to induce cutbacks, in the next 5 years. I have a little knowledge of the federal budget process and when Social Security and defense are off the chopping block, I know where the remaining big dollars are located.

These federal service programs must be held recession-proof or failure of the system is inevitable. Yes, I want flexibility but I am concerned that you might be compelled to place a hefty price tag on the elimination of the red tape, and leave the states holding the bag. That would be a disaster - one you can avert.

I want more leeway from the Federal government to be able to adapt the assistance to my residents' real needs. After all, as you well know, Mr. Chairman, a welfare family in Florida is very different from a welfare family in Iowa.

But this isn't to say Florida wants a separation or a divorce from the federal government. I don't even want a divorce with a generous alimony. I want a partnership -- a marriage, if you will -- with the federal government. Each partner brings talents, responsibilities and concerns to the union. And, most importantly, each of us in this partnership must provide for our children.

Working together, we MUST pledge that whatever structure is devised, children must be protected.

I know this is a difficult charge. The children are at the heart of the tough decisions that must be made when proposing transitional assistance.

What do you do at the end of the benefit period -- when a job is not yet found?

This is the point where I believe you must trust the states with flexibility to deal with each individual. A caseworker must be able to determine if the client has played by the rules and should receive a "grace period" if a job has not yet been realized.

At the same time, the caseworker must be able to terminate a participant's assistance if they haven't played by the rules and are not working for self sufficiency.

But, this is where the children must not lose our focus. If the mother loses her benefits or job, who will care for the children?

There MUST be a safety net for the children.

We cannot throw the kids out on the streets - or into orphanages, for that matter.

There must be an effective process in place to protect the children. I agree with the subcommittee's contention that the focus is care for the child . . . not a blank check for the mother.

One last note, Mr. Chairman, too often we place the full blame and burden on the mother. I strongly contend that as you address welfare mothers, cheats and such, you must also address the "dead-beat Dads." Any welfare reform must be accompanied by stricter standards of child enforcement laws. Fathers must be responsible for their children and the government can help that to happen.

This is the just position and the fiscally smart one. Fathers who won't face their own responsibility must be made to face the consequences.

Again, I appreciate the opportunity to be with you and look forward to working with you towards real and effective welfare reform. Let us be guided by common sense and strive to make the system one that provides a **hand-up to independence**, not a handout for life. Florida's experience demonstrates it **CAN** be done.

Thank you.

Chairman SHAW. Mr. Gibbons, would you like to inquire?

Mr. GIBBONS. Yes. Thank you for a good statement, Mr. Governor. I want to ask you two different sets of questions. One, the experiments that are going forward in Florida, you mentioned Escambia and Alachua, Escambia being Pensacola. Is that the mandatory program?

Governor CHILES. Yes, sir, that is the mandatory.

Mr. GIBBONS. And what does the State mandate in that?

Governor CHILES. Well, the State mandates that the recipients have to be participants of AFDC to be in that program. The State also has a 2-year cutoff in that program. There is a waiver for up to another year if the participant did not have a high school diploma and depending upon how unskilled they were.

That, again, is part of the waiver that we have. Basically the people that are on AFDC are placed into that program and they have to participate in that program. But, as part of that program, they do get the right to keep their day care for a period of time, subsidized day care. They have a right to keep their health care. They get some of this help.

Now, in Alachua County, they get those same rights, but they are not mandated to participate, and it is interesting. We have 145 volunteers enrolled in the Alachua Program and 1,389 in Escambia.

So I think it is hard to say to these families with their circumstances, here we have got something great, would you like to participate? I think at some stage you say you are going to participate. As we continue into the five other counties, I really would like to keep Alachua voluntary. I think it is a good measuring stick and maybe lightning is going to strike and a lot more people will want to sign up for that program. Right now there are not as many.

Mr. GIBBONS. What is the difference in the cost where you mandate people to go in there? Are you saving money initially or are you losing money initially or—

Governor CHILES. No. It costs us some money early on to put this program in. That is why I am asking for five more counties now, because through certain reductions in our caseload of AFDC, I found the sort of savings to do that. Still, there is some cost to it on the front end.

Ultimately, I think there are tremendous savings over a period of time. That is, again, why I am a little concerned at certain of the propositions that I hear coming out of here. If we were not able to give transitional health care and day care, then what you have instead is a draconian thing of saying you are going to do something in 2 years or all your benefits are gone. Yet, you are not providing the resources to help them do that.

What mother worth her salt is going to risk leaving a program that gives her and her family health care and support to go work in a minimum wage job where she can't get it. Now, maybe you could put the ax out there and say you must do it, but I think you would find children would suffer.

Mr. GIBBONS. Relying upon your experience here as a Senator and head of the Budget Committee and as Governor, we hear all this talk about making welfare not an entitlement, and then we

hear other talk about making it an entitlement for the States to receive the money but perhaps for the States not to have to meet the entitlement requirements as far as the individual is concerned.

What would be your advice to us on this issue of entitlement?

Governor CHILES. Well, my advice in the face of what I see as the proposed constitutional amendment is if you say we are going to balance this budget in x number of years and we are not going to cut defense and we are not going to cut Social Security, but we think we will remove this entitlement on AFDC—we don't need that anymore—I think you are spelling disaster to me as I try to implement welfare reform in my growth State.

The Governor of Michigan has a plan that he is perfectly satisfied with. As I look at that plan over the last 5 years, he makes money under that plan. Florida would lose billions of dollars, would have lost billions of dollars under that plan.

So what I am saying is, I have a hard time—I feel like children are as entitled as seniors, and I think if the Federal Government says no entitlement, I think the Federal Government is making a statement that we don't care that much about children.

Now, if we are going to remove all entitlements, fine. I don't know whether there is the political will to do that or not. I doubt there is. But, just because children don't vote, I would hate to see them be the ones who get sacrificed in this.

Mr. GIBBONS. Thank you, Governor.

Chairman SHAW. Mr. Collins.

Mr. English.

Mr. ENGLISH. No questions, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Welcome. Let me pick up from your last comments. In your testimony you say, after you spell out what I think is so important, the need for much more flexibility, you say, "But this isn't to say Florida wants a separation or divorce from the Federal Government. I don't even want a divorce with a generous alimony. I want a partnership, a marriage, if you will." I take it you mean a different kind of marriage than we now have with the Federal Government.

I think you responded to Mr. Gibbons in part spelling out the national interest, but from your experience as Governor of Florida, what is the national interest in these programs? I mean, why should there be a Federal/State partnership at all? Why not simply leave it to the States?

Governor CHILES. Well, I think there is a national interest in having a strong viable economic base for the country. That means that you have to have a work force. That means that you have to have an educated work force.

I think there is a national interest in not having an underclass that is locked in, has been locked in for generations, which has been growing, and we see that growing. I think all of that is very much in the national interest. If you wanted to say we are going to open the spigot and let you have the money and do it your own way, sure, we will take that. But having the funding set at the other end, I don't think that is doable either.

But I think there is a national interest in saying we are going to have healthy children, that we are going to allow all of those

children to have a chance to be productive citizens. We can't afford to have the underclass. It is becoming a drag in human and social terms. It is now costing us so much, and the mere fact that you say we are going to quit giving some entitlement to them does not mean that it goes away and does not mean that the expense of that goes away.

It will show up in all kinds of other different problems. It doesn't go away. I think that we are seeing, not only from what Florida is doing, but what some other States are doing, that if you offer that leg up, and if you give that mother the incentive, the know-how, the ability and all, she likes to be productive. She doesn't particularly enjoy what she is doing now, and you couple the carrot with the stick, and we certainly recognize that you have to do that. Isn't there as much a national interest in that than there is in defense, than there is in taking care of our seniors? I think there is.

Mr. LEVIN. Thank you.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. No questions.

Chairman SHAW. Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. I just have a real quick question for you, Governor.

You mentioned about accounting for population, Florida being a very fast-growing State. I am from Nevada. Obviously we are a very rapidly growing State as well. If we took into account population increases over time with the block grants, would that make you lean more in favor of the block grant?

Governor CHILES. Well, I think so. But we have all kinds of different things that happen. Recessions, immigration, waves of immigration. All kinds of different waves, and so I think we just have to be careful that we don't lock in some formula that says this is it and then suddenly you find that a number of your States or some of your States get treated very unfairly by that.

Mr. ENSIGN. You mentioned the immigration. I find it interesting, actually for somebody that is testifying a little later today, Congressional Research Service, listed the States on the percentage that they get back compared to the amount of tax liability that they have for these various programs, AFDC, Medicaid, food stamps.

And California and Florida, being two States obviously with huge immigration, especially illegal immigration problems, and yet I find Florida is actually rated about number—looks like 10 from the bottom. In other words, you only get back about 15 percent compared to what you put in. Nevada is actually number 50, in other words, we are all subsidizing the other States that aren't doing it as well.

My question is should the Federal Government be in a position of redistributing wealth between the States and reward States that aren't as efficient? California being a good example that, compared to my State, we have a lot of people coming from California to move their businesses to Nevada because California is such a punitive State with the regulations and their taxes. In other words, should the Federal Government subsidize States that want to have these huge social programs that attract all these people?

Governor CHILES. Well, obviously I think this is where you put in some kind of uniformity of what benefits can be or other things

that perhaps you need to do. I have to tell you, I worry because I don't have people leaving my State. They are coming. And every day more are coming, and so we are probably the fastest growing in our caseload of AFDC, the fastest growing in Medicaid. While we are making some changes that are restraining the cost, I still can't stop that migration that comes in and that is where it really hits us.

Mr. ENSIGN. Thank you, Mr. Chairman.

Chairman SHAW. Thank you, Mr. Ensign. Just a couple of questions, Governor.

More and more States are now experimenting with and working with the 2-year limitations and the requirement of work for benefits. As part of welfare reform, the President has supported that.

The bill that we will be marking up here in the Committee certainly supports that, and it appears to me that this is going to be necessary to really make this work. We do have uniformity, at least through the basic structure across the country, but the message that I am hearing out there is that the States are light-years ahead of the Federal Government, that the administration has been good about granting waivers, however, that really shouldn't be necessary. We should design the law so that the States can go ahead, but in the basic structure of turning welfare into a work program that works.

What is your feeling about doing that across the country, putting it into law?

Governor CHILES. I certainly support that. This administration has made it easier to get waivers. We got a very quick waiver. The shortest time of any waiver in the demonstrations that we are doing. But, why should another State have to go through that if they have a similar program that meets certain standards? It ought to be automatic. And so certainly that should be done.

Chairman SHAW. OK, thank you very much.

Any other questions? I am sorry.

Mr. McCrery, I didn't recognize you.

Mr. MCCRERY. Thank you, Mr. Chairman. Just a couple of quick questions, Governor. And I am sorry I was not here to hear your testimony. My plane was a little late getting in, but I did read your written testimony and you made reference in a couple of places to women who had received child care from the State of Florida's Family Transition Program.

How do you deliver that child care?

Governor CHILES. Well, basically I think it is done in different ways, but it is subsidized child care that we deliver, and depending on what their earning ability is, the main thing in this program is that as they start earning, you don't cut them off of their subsidization of their child care immediately. You allow them to be able to transition off of that, but basically it would be delivered by not-for-profit groups primarily.

Mr. MCCRERY. So do you have a list at the State welfare office or something of child care providers?

Governor CHILES. Yes.

Mr. MCCRERY. Is that how you handle it?

Governor CHILES. Yes, and that would be ones that are approved and those which we consider are qualified.

Mr. MCCRERY. But you don't have any State child care centers—

Governor CHILES. No. We have a few, like for State employees in certain of our places. But no, we have not tried to go into the child care business. We don't want to do that either.

But what we have noted in the last 4 years, I have been trying to provide more of our budget funds for subsidizing child care. I know that that is helping reduce our caseload. But still we have a waiting list that is horrendous as far as trying to do that.

Two of the most essential things for a woman to be able to leave welfare and to be gainfully employed are health care and child care. And, some transportation needs. But without those and without that assistance, that is what I am concerned about. As I have said, as the balanced budget amendment sort of hits into welfare, I am troubled that we don't cut the entitlement or cut something that prevents me from being able to subsidize that child care and the health care. I don't think it will get the results.

Mr. MCCRERY. So in your State budget, you have chosen to set aside dollars not only to match AFDC—

Governor CHILES. That is right.

Mr. MCCRERY [continuing]. But also to provide extra benefits as a transition from welfare to work?

Governor CHILES. That is right.

Mr. MCCRERY. I commend you for that, but it seems to me that it would be easier if we created a block grant for you to use your AFDC—the Federal share of your AFDC, along with your State funds, to fashion a program that could do as you wanted.

Governor CHILES. Yes. The block grant sounds good when you are saying, we are going to free you from a lot of these rules and regulations. But, having been here during some of the time that we were dealing with block grants before in the Nixon administration and the Reagan administration, the hair kind of comes up on the back of my neck when you say block grants. Because it means that we say yes, and therefore you can limit part of the funding because you don't require all of these regulations.

That is true, but how much can you limit? I don't think you can limit 40 percent. And I don't think you can cut it or freeze it so you don't take into account the growth. Or, so there is no way of determining the growth.

So as I say, a block grant does not bother a State that is losing population or staying static. A block grant, if you are holding the same amount of funds to a growth State like Florida, would be devastating.

Chairman SHAW. Would you yield to me on that?

Mr. MCCRERY. I would be glad to.

Chairman SHAW. I have a question with regard to that. Then your concern is that we don't use some interim population figures in order to keep the growth States current; is that pretty much what your concern is?

Governor CHILES. Mr. Chairman, you know very well that Florida is always behind in any formula and that we do get back fewer dollars than many, many States because we are a growth State. Knowing that that is true and all of the formulas that are out there today, I sure hope we don't create another one—

Chairman SHAW. I think we can fix that.

Governor CHILES. Yes.

Mr. MCCRERY. Yes, I agree. As long as you are talking about growth in terms of a State's population, general population, I think we can try to accommodate that. But the point of all this, Governor, is to reduce the growth of spending nationwide on welfare, and so we are hopeful that by giving the States more flexibility to use the Federal share of the money, that States will, as you have, come up with different ways to address the problem of growing welfare rolls, and we hope will find some models to reduce those rolls eventually and get the spending, the overall spending, if not down in nominal terms, at least down in terms of the rate of the growth of the program. So—

Governor CHILES. I think we all agree on the goal, and I am convinced from what we are doing in our Escambia County experiment, that by going into a program in which you make some very strong requirements in child support, in teen pregnancy and some of these, but also give the job training, the counseling, the child care and the health care, that will cause you to achieve your goals of reduced growth.

Now, what I fear is an arbitrary thing or a scoring sort of before the fact that says that we are going to reduce it, that would prevent me from taking all those steps that are necessary to get there. That is where my concern comes in.

Mr. MCCRERY. You know our budget rules here. We may have to do some arbitrary limiting, at least initially, to get scoring results.

However, if we make it discretionary, as you know, this Congress has a history of coming back and adjusting programs if it is in a time of recession or if a particular State is having a problem. So I don't know how it is going to turn out, but it sounds like to me we are on about the same path here and we look forward to seeing the results of your program in Florida as we move through this.

Governor CHILES. Good.

Chairman SHAW. Mr. Gibbons has one final one.

Mr. GIBBONS. As I was listening to what you had to say, as I understand it and perhaps I can state it in my own terms. What you are talking about is your desire to have more flexibility at the State level for meeting the needs within the State and for experimenting with different ways of saving, not only Federal dollars, but State dollars.

That is what I think you are saying, but as far as computing the amount of Federal dollars that would come into States, you would like to have the entitlement system because, one, it is more current, and two, it reflects the economic conditions perhaps that vary from State to State at different times in the State's history.

Am I correct in what I—

Governor CHILES. I think that is right. Basically we want to have Florida's share of the Federal funds based on what our share of the need is based on our growth, based on our particular situation in regard to people that come into the State. All of those.

Mr. GIBBONS. In regard to perhaps peculiarities of the Florida economic system, you could have a great influx of Cubans. You could have a great influx of—or great increase because of freezes that freeze out the winter vegetable crops and the orange crop and

all those products, so you have a lot more variable factors that you would like to be able to meet and the computation of just a block grant wouldn't give you enough money to meet those kind of contingencies; is that what you—

Governor CHILES. Well, I think if you looked at the last—let's say from 1985 to 1990 and the growth of the AFDC caseload, you will see that Florida grew percentagewise faster than any State in the Nation, and that isn't all in migration. It is in some other factors as well.

Now, I believe that we can restrain that growth and are beginning to do that now by some of the steps that we are taking. However, I don't want to see us get locked in where basically we are just not treated fairly. That is all we are talking about.

Mr. LEVIN. Will the gentleman yield? Just briefly because we know you have to go and we should move on, but I think the Governor's testimony does provide a basis for finding common ground.

I hope we listen carefully because Governor Chiles has talked about immigration, about recessions, about other factors that cause changes in the AFDC population, as well as the national interest, and also has talked about up front costs, and I think your message, Governor, is that we can do much better but it may take some investment.

Is that what you are saying?

Governor CHILES. I think to get out of this situation that we have gotten people into over a number of generations, it requires an investment. Our demonstration project shows us that. We are putting some of our State funds in and we are getting some Federal funds, and we are going to go as fast as we can to grow our way through that.

Now, we will see a reduction in the caseloads. We will see a reduction of the people on welfare reform, but it is like you are retooling your plant. You can't retool the plant unless you have got some funds to buy the new tools and the new equipment and train the work force to use them.

Mr. LEVIN. Thank you. Thank you for yielding.

Chairman SHAW. Governor, thank you very much. What I am hearing you say is that you are for basic fairness, and fairness does say that we consider the population, which doesn't have to be an entitlement to be fair.

We have fought this battle together up here for years on highways and other matters where right after the population figures are in, that is—we are 1 year behind at that particular time. Then we get 1 year, 1 year, another year behind and that continues so that the growth States are just not getting the right treatment.

We need to correct that and I think we are in a position this year at least in this area, to correct it and we will be working on it.

Governor CHILES. I am delighted to hear that. Mr. Chairman, I just want to again say that the only thing that concerns me is if you remove an entitlement here and you have not removed other entitlements and you have the effect of the constitutional amendment, you are forcing decisions to be made on reducing discretionary spending and now that discretionary spending includes children. That gives me the willies.

Chairman SHAW. Yes, sir. I hear you loud and clear. Thank you very much, sir, very much, Governor, for being with us this morning. We have now heard from Governor Chiles. We have heard from Governor Carper, Governor Dean. Those are three very progressive Democratic Governors, as well as three Republican Governors, Governor Engler, Governor Thompson, and Governor Weld.

I think that this Committee has seen a common thread going through all of that testimony and that is the Governors want to not only have the responsibility, but also the authority to really run their own systems, and I think that without question, that will be part of this legislation, which will be supported by both sides of the aisle.

I would like now to invite the two Senators who are with us, Senator Brown and Senator Grassley, to take a seat at the witness table. We have both of your full statements, which will be made a part of the record, and I invite you to proceed as you see fit.

I would like to say at this point that the Chair is going to do its level best to enforce the 5-minute rule. We have Members, a long day, many Members will be coming in to testify. We look forward to their testimony and we want to be sure that they are heard properly and proper attention is given to their testimony.

We will proceed, Senator Brown, if you could proceed. As a former Member of this Subcommittee, it is a pleasure to have you back.

**STATEMENT OF HON. HANK BROWN, A U.S. SENATOR FROM
THE STATE OF COLORADO**

Senator BROWN. Thank you, Mr. Chairman. I am delighted to be here and I appreciate very much the chance to testify. I want to commend you and the Committee for your prompt action in this area.

While the President campaigned on welfare reform, the fact is, nothing happened for the first 2 years of his administration. Neither this Committee nor the Finance Committee in the Senate was even willing to go to markup or to have serious hearings on the subject. I sincerely believe the conference that took place over this weekend was a product of your indication you are going to go to markup. The fact is that people know this is going to happen and thus have responded to your initiatives.

Mr. Chairman, there is a dramatic difference in opinion about welfare reform. It is masked because everyone claims they are for welfare reform, but what they have in mind is dramatically different. Wealthy liberals honestly, sincerely believe that what we need in a welfare system is a way to make people comfortable and treat them humanely when they are in the state of being on welfare.

People who have worked for a living though, have a much different view of welfare reform. They view a good welfare reform proposal as one that helps people get out of poverty. The real decision you will need to make is not about block grants or entitlements. The real decision you will make is about what kind of welfare program you will have.

Will it be one that keeps them in poverty and tries to keep them comfortable or get out of poverty and change their lives? I am very

encouraged by the proposals I see before the Committee because it appears that you are on the track to help people get out of poverty and that will be a dramatic change.

Let me suggest a couple of barriers that are in the law from 1988 and before that dramatically and desperately need change. One, we need to eliminate the barriers to work. Included in the 1988 statute was a flat prohibition on referring welfare recipients out to jobs in the government sector if those weren't entirely new positions.

Unbelievably we have made it illegal for welfare recipients to be referred to jobs that are associated with government then because very few, very few of the jobs are entirely new positions. This sabotaged the effort to place people in jobs right from the start. It has sabotaged the efforts of many people to turn their lives around. That has to be repealed, and I hope and understand that you are on the track to do that.

Second, included in the 1988 bill is an effort that was simply distorted. Education and training were thought to be alternatives which could be offered to people who wanted to work, but didn't have the qualifications to. What has happened in most jurisdictions in the Nation is that education and training programs have been used by the bureaucracy as an excuse not to have welfare recipients go to work.

Many jurisdictions have jobs available and have workers who want to change their lives, but use education and training funds as a way to divert people away from work. It should be just the opposite, and I hope you will eliminate that barrier to work as well, to once again let people know that getting them a meaningful, productive confidence restoring job is the first priority in the system, not the last.

Mr. Chairman, I hope that included in what you do you will expand over to the job training programs and will focus on privatizing job placement. It seems to me that is essential. I hope what you will do is include in the law an option for the States to allow welfare recipients to select a private entity that will help place them in jobs.

The job placement agency ought to be compensated not on the basis of how many hours they bill, but they ought to be compensated on whether or not they successfully place welfare recipients in jobs and jobs that stay. I am confident if you privatize that function, get it out of the bureaucracy that sometimes sabotages real welfare reform, that you will have made a dramatic difference and you will improve the lives of people.

Last, Mr. Chairman, I hope you will take a look at the legislation we have offered in the Senate that attempts to give welfare recipients an option. It gives them a voucher to take next month's benefits and trade it for a job. It in fact privatizes that function.

Chairman SHAW. Thank you.

Senator Grassley.

**STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR
FROM THE STATE OF IOWA**

Senator GRASSLEY. Thank you, Mr. Chairman, for moving so very quickly on the welfare crisis to find a solution for it. I think this is a very good forum for us to focus not only on the problem of the

welfare system, but also on State initiatives to correct the existing system. So I am pleased to join you in this effort.

Since the war on poverty began over 30 years ago, of course, we have spent hundreds of billions of dollars on the fight and yet the poverty rate is higher today than it was when the war began. Are we, the taxpayers, getting our money's worth for what we are spending on it?

I don't think so and most Americans would agree. President Clinton acknowledges that the war on poverty has failed. He has often promised to end welfare as we know it. The American people want that change to take effect and the sooner the better. They believe that the current system is in need of very dramatic reform.

The President has proposed changes in the system. His administration has introduced a plan to require a 2-year-and-out workfare program. It mandates that all States enact work for welfare programs, although the President might call this reform, from my standpoint, it doesn't even begin to address the faults that exist in the welfare system. So if we are truly going to end welfare as we know it, then we must make dramatic changes, much more drastic, than what President Clinton has suggested.

Many State Governors have applied for and received these section 1115 waivers. Most of these waivers authorize much more radical change at the State level. The waivers allow the States to do what the Federal system would not let them do. But the States go through this lengthy and very burdensome process to obtain the waivers because the system, even with the changes proposed by the President, simply doesn't provide a cure.

Meanwhile, the changes being initiated by the Governors are getting rave reviews, both for their innovativeness as well as for their success. And that is what we need for a solution. We need radical change, leeway in flexibility for the States. There are currently 24 waivers that have been issued to the States.

These waivers have allowed the States to develop the programs that best fit their individual State requirements. We should not require the States to constantly be requesting waivers when they want to make changes in their welfare reform program.

Today nearly one in seven American children are receiving AFDC. According to the General Accounting Office, only 11 percent of the 4.6 million receiving AFDC participate in any education, training, or job search programs. These are not the kind of statistics that we should be seeing when the Federal spending on social welfare for fiscal year 1994 totals way above and beyond AFDC to \$240 billion.

It is my belief that the current system has contributed toward the breakdown of the family, destroyed independence and self-reliance, and has discouraged work. The system clearly does not serve the needs of the welfare recipient.

Mr. Chairman, I recognize that in order for welfare reform to work, we have to establish three topline goals. First, we have to reduce the rising costs of welfare programs, second, welfare reform must address the social crisis of out-of-wedlock births, and finally, welfare reform must require real work from its recipients.

In my home State of Iowa, the key components for welfare reform are designed to encourage family stability, parental respon-

sibility, and decisionmaking. Attaining self-sufficiency through increased training and educational opportunities have provided the incentives to encourage employment. The outcome has been to make work part of that formula.

The main theme of reform in my State of Iowa has been developing the philosophy that the welfare system should be a system of transition, not a system of long-term care. I introduced a welfare bill this month entitled the Welfare to Work and Strong Families Act of 1995. My bill proposes to block grant to the States the entire AFDC Program, the AFDC JOBS Program, and the Food Stamp Program as it is applied to AFDC recipients. Those programs would simply be ended.

The role of the Federal Government handling the welfare state then would be changed. My bill would alter the way we administer welfare. It would move the decisionmaking process of these programs closer to those who can best address the needs of its recipients and that is at the State level. As the waiver program has shown, especially in my home State of Iowa, it is State and local governments that can best develop the welfare programs that work for their States, as well as for their citizens. We need to give that freedom back to the States.

As we tackle this issue of welfare reform, the Federal Government has a responsibility to provide the framework of expectations, but the States should have the flexibility to develop programs that fit their unique populations.

Mr. Chairman, again, I thank you for this opportunity to address you and to commend you for moving so quickly and I look forward to working with you and your colleagues on a bill or proposal to forge a consensus on forming an effective welfare system.

Chairman SHAW. Thank you, Senator.

Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman. Welcome both of you and, Senator Brown, how about we start with you? We had Governor Weld in here and he suggested that, in his opinion, starting with training and education wasn't the way to go. He said, start them with a job, get them used to the work ethic, and then later on to improve the type of job that they had, that is when education and training could come in.

His feeling is that—and I share that same feeling—is you have to start getting work habits, getting that responsibility, getting up every day, into people's minds and you have to change that whole mindset and that whole dependency on getting a check from the bureaucracy every month.

What is your opinion?

Senator BROWN. Well, you have hit the nail on the head, and I think Governor Weld's description is exactly right. I have spent a lot of time in welfare offices around the State of Colorado and some in other spots around the Nation. What many of them do is when they get someone in, the attitude of the social workers and the welfare office workers, is that they don't want anyone being referred to a job that doesn't pay \$7 or \$8 an hour. Their view of the world is that you should demand more than that and that it is demeaning to work for less.

My belief is just the opposite, that work and the confidence that it builds and the self-respect it builds is the key ingredient in helping people turn their lives around. Tragically what is happening in Colorado, and in many other States, is education and training programs are being used the opposite of the way this Committee designed them to.

Education and training are being used to divert people out of work instead of into work. Instead of preparing people to work, these programs are being used to keep them from going to work. I think you are going to find some people who are simply unable to work at the time they come in. We understand that. There will be a percentage in that category, but my hope is that before this bill is finished, we will make it clear that the top priority is work referral, and I think that is why I suggest going beyond simply making work referral the top one. I think you have to privatize that function and get it out of the kind of morass that it is administered on at the lower level.

Mr. ENSIGN. I agree. A couple years ago, I had a young single mother working for me and she had applied for some temporary assistance and when she was down there, they told her, they said, why are you working? You know, their whole mindset was, you could make more money going on welfare, you are crazy to work. And her attitude was, no, I just need a little temporary help right now. I want to continue working. I want to make a better life for my son and myself, and obviously I was extremely proud of her and she did very well and started moving up in the organization.

But my question is, shifting the focus a little bit, we are holding hearings over here in the House. When can we expect action on this over on your side of Capitol Hill with some serious hearings and progress on a welfare reform package?

Senator BROWN. Well, Senator Grassley, I think, will have a good view on that. My sense is that we will move on it, that it will not be as expeditiously as you and I fear, not as effectively as you, but we are hopeful the Senate will follow the House example.

Senator GRASSLEY. Yes, and I think that Senator Packwood is committed to moving very quickly on hearings. I think if you read his public comments on this issue, you will find him much more in line with the thinking of this Subcommittee than maybe the Senate as a whole, so I think we are in a good position to move something out of Committee.

Mr. ENSIGN. Thank you, Mr. Chairman.

Chairman SHAW. Mr. Levin.

Mr. LEVIN. Thank you. Welcome. To my good friend, Senator Brown, I listened to what you said was the basic dichotomy between I guess Democrats and Republicans or, as you put it, liberals and conservatives.

Senator BROWN. I do think it crosses party lines. I think it is more philosophy than it is party.

Mr. LEVIN. Well, my plea would be this, I don't really think that is the dichotomy between those who want people on welfare to live comfortably and those who want them to work. I think there is much more common ground here than that. I think there is a rather strong, if not consensus, near consensus that the chief aim has

to be to get people into the work flow, to get them off welfare, to break cycles of dependence.

The 1988 act did not succeed very well. You point out one aspect, but forget about that, there was a reason for it, I think, somewhat differently than was explained, but that was a step to try to get people off of welfare into work, and primarily in the private sector. My own feeling is that on this Subcommittee there is something beyond the dichotomy of those who want people on welfare to be comfortable and those who want them to work.

Once we start with those polarizations, I think we are just digging a very deep hole between two camps and a hole that doesn't exist, and I would urge that we not engage in those kinds of descriptions. I mean, I for one, have been working for a long time on this and I believe the key is to get people off of welfare into work. There will be differences, for example, about block granting food stamps.

Senator Grassley, what happens, for example, in times of recession? If you block grant food stamps, freeze it for 5 years, and there is a major recession that has hit Iowa, are you satisfied that the freeze applies and there is no increase in Federal funding for food stamps in the midst of a—I was in Iowa during periods of deep recession in the mideighties. Are you satisfied to have a system that doesn't reflect economic disparities, regional disparities?

Senator GRASSLEY. I am satisfied that we can meet any situation that could conceivably exist because we have the capability of doing it. First of all, I would suggest that we can reserve some money at the Federal level for a rainy day fund, for emergencies like that. States already have to do that under their constitutional amendment for a balanced budget, and then I would think that basic to your question is a feeling here in Washington that somehow if there is some problem in America, we are the only ones as a policy-making body that can decide that, and I know you don't mean to be arrogant, but there is an arrogant attitude in this town that only we can solve the problems.

Mr. LEVIN. Let me just press you, because that isn't my attitude, but, look, there was a flood in Iowa, there was a Federal response. Why did you ask for Federal money? Why not just do it your own way?

Senator GRASSLEY. The reason why is because we have had for about 40 years a policy of self-insurance within the Federal Government that responds to a natural disaster like that, and our request or even California's request for recent floods are going to come within that policy of the Federal Government being an insurer of last resort, and that is how we respond, and you can have the same thing when it comes to another natural disaster that impacts upon hunger, but you are going to do it within a predetermined policy, that that is our policy, not just that we have got all the answers here in Washington and we have got a bottomless pit that we call the Federal Treasury that can answer all those problems.

Mr. LEVIN. So I think there is common ground potentially. What you are saying is true for floods, is true for hunger. If there is a recession on a regional basis and there is an increase in the need

for food stamps, there should be some provision so there is an adjustment in funding to meet that contingency?

Senator GRASSLEY. The answer is there can be and there probably will be and there probably should be, but here again, you want to remember that our existing Food Stamp Program or the nutrition programs we have already had on the books for three or four decades still do not respond to all the needs of hunger in America, and there is a private sector and local government that are responding to needs that even the Federal Government can't meet today, so why should we have a feeling that under these other circumstances we won't be able to meet those?

I mean, the Salvation Army can meet the needs of people in instances when the Federal bureaucracy can't, and we think we have all the answers and all the money, well, just ask the Salvation Army how many people they help that we won't help.

Mr. LEVIN. I don't think the feeling is we have all the answers, that isn't the dynamic here.

Thank you.

Chairman SHAW. Mr. McCrery.

Mr. MCCREERY. Thank you, Mr. Chairman. Senator Brown, you bring a unique perspective, I think, to this Committee because you have declared that in a couple of years you are going to be once again a private citizen in the private sector, and so I have my own opinion about the question I am about to ask you. You and I have not talked about this, this is not a scheme that we have set up here, I don't know what you are going to say when I ask this question, but I am interested in your response because of your unique perspective as one who knows the budget of the United States, who knows the public policy considerations involved, and yet is one who is about to be a private or a member of the private sector, and therefore have a little different perspective than those of us on Capitol Hill.

We now spend about \$240 billion at the Federal level on welfare programs, on transfer programs. That includes Medicaid. Do you think that we spend not enough, too much, or just the right amount on welfare programs at the Federal level? I am just interested in your view on that.

Senator BROWN. The welfare systems that I have seen where they have experimented with different approaches were able to do a significantly better job and do it at less than half the cost that we now spend. So first, I guess, I would say these welfare systems are so important, at least aspects of them are so important, that they have a high priority and they are ones that would have a fundamental need to be funded. But my sense is we are doing two things wrong; one, we are making things worse with the way we design programs rather than helping people, and, two, that we can do a better job and we can do it with significantly less money. My sense is what is important here is not the funds that people have talked about as much as the basic reform that is involved.

With due respect to Congressman Levin, who I have an enormous respect for and I know those of you who serve with him do, my sense is people come at this problem with a reflection of their own personal background more than any I ever saw in Congress. Some people honestly and sincerely believe that the way to help

someone is to give them things, and that if you really care about them, that is the way you help them. Others come from a family background where they had to work and struggle with a feeling that if you want to help someone, the way to really help them is to give them a chance and an opportunity and a job.

Are there people who aren't able to work? Yes, there are. But a lot of our difference here is really that fundamental, what we perceive as what is helpful to one and what is not helpful. My sense is if we focus on helping people help themselves that we can do it with much less money and much more effectively.

Mr. McCRERY. I agree with you, and I am not ashamed to say that one of my goals in all of this discussion about welfare reform is for the Federal Government to spend less, not more on welfare programs, and that is why I am a little optimistic about the block grant approach that will enable us to see many different pilot programs, if you will, out there in the States trying to do exactly what you have just said, do more for less, and have better results if our goal is to get people off welfare and in the work force. So I appreciate that answer, and when you get back in the private sector, I hope you will, for those of us who may still be here, I hope you will let us know your perspective out there.

Thank you.

Chairman SHAW. Thank you, sir.

I would like to repeat one thing that Congressman Levin said. He said that there was a flood in Iowa and the Federal Government responded. They did not respond because there is a flood entitlement. They responded because there is a Congress here that cares about all the people of this country, and I am confident that future Congresses will care just as we do and we will respond to the needs out in the States—we will respond to recessions. But I think saying that if it is not an entitlement, it is not going to happen just is not true. And I think there is no example that more exemplifies that fact than what Congressman Levin said. There was a flood in Iowa and we responded.

Senators, thank you both for being here. Thank you for the good work. If you would bring a message back to the Senate to get moving, we are ready to go, we are underschedule and underbudget over on this side, and we are working hard. We are setting the example and we need you to come ahead and help us out.

Senator GRASSLEY. Let me tell you why we will move, because the majority of both Houses in the mandate of the last election have a responsibility to move. The public isn't going to understand that if the House Republicans move that there is somehow a constitutional reason for us to slow things down, and we are going to do that. Republicans in the Senate are going to suffer the same way as Republicans in the House do if we don't show the people that we can govern, that it is no longer business as usual in this town.

Chairman SHAW. Yes, sir. Thank you. We welcome your remarks and thanks for coming over.

OK, on the next panel, we have got Congresswoman Meyers from Kansas, Mr. Hutchinson from Arkansas, and Mr. Talent from Missouri. If they would take the witness table, we have your full state-

ments which will be made a part of the record. Please feel free to summarize or proceed as you see fit.

I will tell you what I mentioned before the Senators sat down, we are enforcing the 5-minute rule today. We have a lot of witnesses; we have a long day; and we want to move along.

The three of you have been very much on the forefront of this entire issue. We appreciate your remarks. They are very important to this Committee.

Thank you.

Mrs. Meyers.

**STATEMENT OF HON. JAN MEYERS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF KANSAS**

Mrs. MEYERS. Thank you, Mr. Shaw. And thank you for holding this hearing and for the opportunity to address it.

I am going to start with a couple of statistics that I think you have probably all heard before, but they bear repeating. In just 5 years, 80 percent of minority children and 40 percent of all children in this country will be born out of wedlock unless we make some changes in the way that we are doing things.

Another statistic that I like to quote is that if you graduate from high school, get married, and don't have your first child until you are 20, of that group of people, only 8 percent are in poverty. But if you don't graduate from high school, don't get married, and have your first child as a teen, of that group of people, 80 percent are in poverty.

I think that the policies of the Federal Government have been causing not only our teenage pregnancy problems in this country, they have been causing our enormous growth in poverty. A couple of years ago I authored a welfare reform bill that would accomplish the following goals.

Welfare reform should cost less, not more. It should end the entitlement nature of AFDC first, and ultimately other entitlements. If it costs more, it is not welfare reform, it is welfare expansion. We have got to make sure that we are spending less.

The second goal; reform should give the States maximum flexibility to devise plans, including work programs that work for them. What works in New Jersey is not going to work in Kansas and vice versa. That was proven in 1988, when we thought we had reformed welfare. What we did cost \$13 billion on work programs and day care programs, and still find less than 1 percent of the welfare population working. It was a disaster, a dismal failure, and we should not try it again.

Finally, in giving flexibility to the States, we should have two Federal mandates, and I think there should be a national statement on these two issues. One, there should be no AFDC unless both parents are 18, and I am not saying take away other benefits, I am saying take away the monthly cash grant, AFDC; and the second Federal mandate should be there should be no AFDC monthly cash grant at any age until that father is absolutely identified. Of course, the father is supposed to be identified now, but we get an awful lot of "well I don't know," or "I think it was Bill Jones." We need specific identification with name and middle initial and date and place of birth so we know exactly who that person is.

I have a feeling that when that young man knows that he is going to be forever identified as the father of that child and that the moment he earns \$20,000 a year, we are going to come and take a part of that for every child that he has fathered, we will begin to get some responsibility on the male part of this partnership. And that is extremely important.

I think those principles that I just outlined—costing less; maximum flexibility to the States; no AFDC until 18 or until the father is identified; are not in conflict with the Personal Responsibility Act in the Contract With America. In fact, they are very much in line with it.

My bill deals first with AFDC because I am concerned that if we cap AFDC, SSI, housing subsidies, food stamps and nutrition programs at one time, we might encounter great opposition from various special interest groups who would coalesce around a “no,” rather than becoming part of a creative answer to the current welfare problems. We would then have lost the opportunity to restore responsibility to families and lower our national poverty level.

My second concern with the Contract is that the cap seems to be virtually the same as an entitlement. It allows for growth both in inflation and in poverty population. How does this differ from an entitlement? I think, as I understand it, the Committee is looking very carefully at this and will probably devise a tighter cap than is in the Contract With America.

The rest of my testimony, Mr. Chairman, is again more statistics, and I think you can read that for yourself. The birth rate of unmarried teens aged 15 to 19 increased 90 percent between 1970 and 1990, and if that isn't enough to indicate to people that we are going in absolutely the wrong direction, I don't know how much evidence it is going to take.

I thank you very much for holding this hearing and I would be happy to respond to questions.

[The prepared statement follows:]

Testimony of the Honorable Jan Meyers (3rd-KS)
Before the Ways and Means Human Resources Subcommittee
January 30, 1995

Thank you, Mr. Chairman, for the opportunity to address the committee. A couple of years ago I authored a welfare reform bill that would accomplish these goals:

- A. Welfare reform should cost less, not more. It should end the entitlement nature of AFDC first and ultimately other entitlements.
- B. Reform should give the states maximum flexibility to devise plans--including work programs--that work for them, with only two federal mandates:
 1. no AFDC monthly cash grants unless both parents are over 18,
 2. no AFDC monthly cash grant (at any age) until the father is absolutely identified.

Both of these mandates should be forward looking.

These principles are not in conflict with the Personal Responsibility Act in the Contract with America. My bill deals first with AFDC because I am concerned that if we cap AFDC, SSI, housing subsidies, food stamps and nutrition programs at one time, we will encounter great opposition from various special interest groups who will coalesce around "no," rather than becoming part of a creative answer to the current welfare mess. Then, we will have lost the opportunity to restore responsibility to families and lower our national poverty level.

My second concern with The Contract proposal is that the cap seems to be virtually the same as an entitlement. It allows for growth in both inflation and poverty population. How does this differ from an entitlement?

I want to assure the committee that I absolutely believe we are moving in the right direction. Our past policies have hurt those we are trying to assist, and has allowed abuse and mismanagement in these programs.

Between 1970 and 1990, the birth rate of unmarried teens aged 15 to 19 increased 90%. The highest rate of increase--110%--was among unmarried white teens. We must reverse our spiraling out of wedlock birth rate among teens for many reasons. Research has shown that:

- adults who grew up in single-parent families completed fewer years of school,
- single parenthood increases the likelihood that a young girl will become a single mother herself,
- the absence of a father has an especially negative impact on the educational attainment of boys.

Nicholas Davidson, author of Life Without Father--America's Greatest Social Catastrophe in the 1990 winter Policy Review finds that the proportion of single-parent households in a community predicts its rates of violent crime and that children from single-parent families are more susceptible to drug use to cope with depression and anxiety.

Other researchers have pointed out that precisely those young girls who view themselves as having poor job or marriage prospects obtain a guarantee of medical and monetary benefits, as well as social standing by having a child. I certainly do not wish to absolve teenage boys and young men of their responsibility in childbearing. That is why I also support an absolute paternity requirement--the first step in establishing a child support award.

In closing, I would like to reiterate my guiding principles for welfare reform. Whatever we do must cost the American taxpayer less, not more, as it has in the past. It must also reduce the incidence of teenage out-of-wedlock births and must

reduce the overall welfare caseload.

To accomplish these things, I strongly urge the Members of this Committee to support provisions in the Contract with America which will create a block grant for AFDC monies, deny cash benefits to teenage girls who bear children, and require that paternity be identified before any child can receive welfare benefits. I would like to continue to work with the committee in this area where my interest extends back to my State Senate days.

Again, thank you, Mr. Chairman, for the opportunity to discuss this vital issue with you. I will be happy to answer any questions, you or Members of the Committee might have.

Mr. McCRERY [presiding]. Thank you, Mrs. Meyers.
Mr. Talent.

**STATEMENT OF HON. JAMES M. TALENT, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MISSOURI**

Mr. TALENT. I thank the Chairman for the opportunity to discuss the most serious threat facing America today, the astronomical growth in the out-of-wedlock birth rate. At the outset of the war on poverty, the out-of-wedlock birth rate of the United States was roughly 7 percent. A generation later the number of babies born into fatherless homes has skyrocketed. One of three children born in the United States is born out of wedlock. In many low-income communities the illegitimacy rate is almost 80 percent.

This means that there are many communities in the United States where four out of five children are born into a family and in fact a culture where fatherhood, as most Americans understand the term, does not exist. Children in these circumstances have bleak prospects for succeeding in life. They are three times as likely to fail in school, twice as likely to commit crimes and end up in jail, and the teenage girls are almost twice as likely to bear children out of wedlock themselves.

Mr. Chairman, I never have and I hope I never will treat welfare recipients as the culprit in this tragedy. They are more sinned against than sinning. They were often raised in material poverty for which they were not responsible and then lured into a condition of dependency by a government which should have known better.

As President Roosevelt said,

The lessons of history confirmed by the evidence immediately before me show conclusively that continued dependency upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit.

In short, the question before this Committee today is are any of us satisfied with an out-of-wedlock birth rate that the President has said will soon be 50 percent, and if not, what in the context of welfare reform are we prepared to do about it?

In answering this question I want to address specifically the problem of cash and cash-related welfare payments which Mrs. Meyers referred to. The age-old dilemma in welfare is how to provide assistance in a way that will not be misused and will not tend to encourage the condition which makes assistance necessary. In this regard, not just the size but the structure of the benefit package is important. Cash benefits are particularly dangerous.

They are the most seductive to potential recipients. They are the easiest to misuse, and once received, they make the recipient an attractive target for exploitation.

For these reasons, the legislation that Mr. Hutchinson and I filed last year would have prohibited cash and cash-related benefits for prospective welfare recipients when the basis for qualifying for welfare is an out-of-wedlock birth and if the parent is under 21. I believed then and believe now that providing cash to young single moms is usually a bad way of trying to help them from almost every perspective.

The Personal Responsibility Act is an important step in the direction of reform, but frankly only a small step. To see how small

this step is, consider this: This aspect of the bill will have no impact whatsoever on any current welfare recipients or on a minimum of 95 percent of the new recipients in any given year. Let's see how this small but important change would operate in practice.

As I said above, in any given year no more than 4 to 5 percent of the new caseload consists of new moms 17 or under. After the Personal Responsibility Act went into effect, that number would go down.

Since the act begins to tell young people the truth—that parenthood means responsibility and sacrifice, not independence and security—fewer teenagers would make the decision to become unmarried moms. But of course a number would become pregnant nonetheless. These moms would continue to be eligible under the bill for food stamps, health care, energy assistance and all the other benefits they are now, but not federally funded cash benefits.

Instead, the States would have wide discretion to offer them other kinds of real assistance. I hope that these young people will all have to consider the alternative of adoption. Any responsible welfare system will gently but clearly confront unwed teenage parents with the question whether their child would be better off being raised by a mature couple. Many young parents will decide this question in favor of adoption, but no matter how they decide it, the very act of confronting this alternative is part of the process of understanding the sacrifice necessary to raise a child.

Other young parents would decide to keep their children. Of these parents, many would have some family resources or work skills at their disposal. These parents might only need Medicaid or subsidized day care or transportation vouchers or parenting classes or some other discrete assistance in order to raise their children.

Under the PRA, the States would for the first time have real flexibility to match assistance to the unique needs of these young parents. There will be a fraction of single teen moms who want to keep their children but who have no skills of their own and no family resources. Under the PRA, the States would be empowered to use Federal money for the kind of care these children really need—residential care in a closely supervised nurturing environment where they can be taught work, parenting and life skills.

Mr. Chairman, these teen moms are children themselves, often living in drug- and gang-infested neighborhoods with no family to speak of. They need protection and care, not a cash benefit from an impersonal bureaucracy that will leave them vulnerable to greater exploitation.

Mr. Chairman, the movement in the PRA away from cash benefits affects only a small fraction of the prospective caseload and only as regards Federal funding. It is the least we can do and still honestly say that we are changing the existing system at all.

I urge the Committee to stand firmly by this portion of the PRA. Without it, we will lose our best chance and maybe our last chance to attack the problem of illegitimacy by basing the welfare system on the dignity of work and the power of healthy families.

I thank the Chairman.

[The prepared statement follows:]

**Testimony of Congressman James M. Talent
Presented to the Subcommittee on Human Resources
January 30, 1995**

Mr. Chairman, thank you for the opportunity to discuss the most serious threat facing American civilization as we know it: the breakdown of the traditional two-parent family.

At the outset of the War on Poverty, the out of wedlock birthrate in the United States was roughly 7 percent. Now, 30 years later, after spending trillions of dollars on programs designed to end poverty, the number of babies born into fatherless homes has skyrocketed. One of three babies born in the United States is born out of wedlock; in many low-income communities the illegitimacy rate is almost 80 percent. This means that there are many communities in our country where 4 out of 5 children are born into a family, and in fact a culture, where fatherhood as most Americans understand the term does not exist. Furthermore, President Clinton has said that the overall number of children born out of wedlock will climb to 1 out of every 2 children in the next five years.

Children in these circumstances have bleak prospects for succeeding in life; they are three times as likely to fail in school, twice as likely to commit crimes and end up in jail, and, the teenage girls are 164 percent more likely to bear children out of wedlock themselves.

Mr. Chairman, any reasonable person looking at these statistics would conclude that the losers in the War on Poverty were the very people we tried to help. But, we should not look upon these trends as mere statistics. They represent a dramatic change in the composition of our nation, and a change that is not compatible with a compassionate, civil and just society.

Our nation is based on the values of faith, marriage, discipline, and respect for others. The family unit has always been the primary means of transmitting these values. When the family disappears, there is no mechanism that is consistently able to instill these values in the next generation of children. Strong families are the foundation of a strong country. When that foundation is weakened, the whole house is in danger.

As our country approaches a 50 percent out of wedlock birthrate, it is apparent that our foundation is in serious jeopardy. The current welfare system is a major reason for this tragedy. History has proven that the two most effective anti-poverty programs are work and marriage. Yet, the government has devised a system that subsidizes out of wedlock births, rewards young men for being irresponsible, and lures young women into a course of action that is destructive for them, their children, and society. Our welfare system offers even teenagers up to \$15,000 per year on the condition that they do not work and do not marry an employed male. These incentives have made marriage financially irrational and converted the low-income working husband from a necessary breadwinner into a net financial handicap.

Once those young people are in the system, the cash benefits, public housing, health insurance, food stamps, and myriad of other benefits make them take a profound "leap of faith" if they decide to leave the system. This trap produces a dependency which is our national equivalent of a Berlin Wall, separating an entire segment of our society from the American Dream. Mr. Chairman, I never have, and I hope I never will, treat welfare recipients as the culprits in this tragedy. They are more sinned against than sinning. They were often raised in a material poverty for which they were not responsible, and then lured into a condition of dependency by a government which owed them more than good intentions. Keep in mind the words of the author of the original ADC program, President

Franklin D. Roosevelt: "The lessons of history, confirmed by the evidence immediately before me, show conclusively that continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit."

Today's headlines confirm the prophetic words of President Roosevelt. Everyday, stories pour in from across the country indicating that the casualties of this system are children, living in the chaos that is rampant in our urban neighborhoods. Last year, in a drug raid of an apartment in Chicago, police found 19 children--the oldest 14 years old, the youngest one--living in squalor among filth, cockroaches, and broken windows covered with old blankets. When the police entered the apartment, they found five children asleep on the floor in their underwear and others gnawing a bone with a dog. On October 13, 1994, five-year-old Eric Morse was pushed from a 14th floor window of a South Side housing project in Chicago for refusing to steal candy for two other boys. The two boys, 10 and 11, were charged, as juveniles, for the murder. Eric's older brother, Derrick, fought with his brother's attackers to pull Eric from the window, but finally lost his grip when one of the boys bit his arm. On December 3, 1994, a 12-year-old boy was fatally stabbed in the chest after he reportedly taunted a 13-year-old in the playground of a Bronx housing project. Louis Pagan, the older boy, was charged with murder. And, the violence is prevalent even right here in the District of Columbia; in fact, a minority adolescent male living in our nation's capital has a higher likelihood of being killed than an American soldier did in Vietnam.

Mr. Chairman, these are not isolated incidents. They are indicative of the widespread social chaos resulting from a breakdown of the family. Our nation, with the best of intentions, has through its policies destroyed the family in communities where welfare is prevalent and as a result is destroying the hopes, dreams and the futures of the children we want so desperately to save. It is hard to imagine how we could have done worse. The question before this committee today is, "Are any of us satisfied with on out of wedlock birthrate that will soon be 50 percent and, if not, what in the context of welfare reform are we prepared to do about it?"

In answering this question, I want to address specifically the problem of cash and cash-related welfare payments. The age old dilemma in welfare is how to provide assistance in a way that will not be misused and that will not tend to encourage the condition which makes assistance necessary. In this regard not just the size but the structure of the benefit package is important. Cash benefits are particularly dangerous, because they are the most seductive to potential recipients, they are the easiest to misuse, and once received, they make the recipient an attractive target for exploitation. For these reasons, the legislation I filed last year would have ended cash and cash-related benefits for prospective welfare recipients, when the basis for qualifying for welfare is an out of wedlock birth, and if the parent is under 21. I believed then and believe now that providing cash to young single moms is usually a bad way of trying to help them from almost every perspective.

The Personal Responsibility Act is an important step in the direction of reform, but it is frankly only a small step. It would end only the AFDC cash payment, only for single parents 17 or under, and only insofar as the cash payment is federally funded. To see how small this step is, consider that this aspect of the bill would have no impact whatsoever on any current welfare recipient or on a minimum of 95 percent of the new recipients in its first year.

Nevertheless, Mr. Chairman, the change is important. Let us see how it would operate in practice. As I said above, in any given year no more than 4-5 percent of the new welfare caseload consists of unmarried moms 17 or under. After the Personal Responsibility

Act went into effect, that number would go down. Since the Act begins to tell young people the truth—that parenthood means responsibility and sacrifice, not independence and security, fewer teenagers would make the decision to become unmarried moms. But of course a number would become pregnant nevertheless. These moms would continue to be eligible for food stamps, health care, energy assistance, and all other benefits as they are now, but not federally funded cash benefits. Instead the states would have wide discretion to offer them other kinds of assistance, which would, I expect, include the following:

First, I hope that these young people will all have to consider the alternative of adoption. Parenting means acting in the best interests of children. Any responsible welfare system will gently but clearly confront unwed teenage parents with the question of whether their child would be better off being raised by a mature couple. Many young parents will decide this question in favor of adoption. No mother should ever be forced to give up her child, but the very act of confronting the alternatives is part of the process of understanding the sacrifice necessary to raise a child.

A number of these young unwed parents—and they only constituted about 4-5 percent of the caseload to begin with—would choose adoption. The states are empowered and encouraged under the PRA to assist the adoption process in every respect. Many other young parents would decide to keep their children. Of these parents, many would have some family resources, or work skills, at their disposal. These young parents may only need Medicaid, or subsidized day care, or transportation vouchers, or parenting classes, or some other discrete assistance, in order to raise their children. Under the PRA, the States have maximum flexibility to match assistance to the unique needs of these young parents.

There will be a fraction of these single teen moms who want to keep their children but who have no skills of their own and no family resources. Under the PRA, the States would be empowered to use federal money for the kind of care these children really need—residential care, in a closely supervised, nurturing environment where they can be taught work, parenting, and life skills, and have some hope of eventually being able to provide for themselves. Mr. Chairman, this group home concept has been criticized as unaffordable. I remind the committee that we are talking about at most 1 or 2 percent of the new caseload every year. I say that we cannot afford not to empower the states to provide group homes in these circumstances. Those teen moms are children themselves, often living in drug and gang infested neighborhoods with no family to speak of. They need protection and care, not a cash benefit from an impersonal bureaucracy that will leave them vulnerable to greater exploitation.

Mr. Chairman, the movement in the PRA away from cash benefits affects only a small fraction of the prospective caseload, and only as regards federal funding. It is the least we can do and still honestly say that we are changing the existing system at all. I urge the committee to stand firmly by this portion of the PRA. Reducing the out of wedlock birthrate must be the highest priority of any welfare reform legislation. Without it, we run the risk of merely making the current system a more efficient destroyer of families. Without it, we will lose our best chance, and maybe our last chance, to attack the problem of illegitimacy, by basing our welfare system on the dignity of work and the power of healthy families.

Mr. MCCRERY. Thank you, Mr. Talent.
Mr. Hutchinson.

STATEMENT OF HON. Y. TIM HUTCHINSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. HUTCHINSON. Thank you, Mr. Chairman.

I appreciate the opportunity to address you on the issue of welfare reform today. We have built a welfare system in which the main beneficiaries are not the poor, but those whose livelihood is the poverty industry. Federal welfare has failed miserably.

America for more than a century-and-a-half did not have a national welfare system, but Americans always found a way to help the down and out, the hurting, and the less fortunate. Since the declaration of the war on poverty in the sixties, we have spent trillions on welfare programs while not significantly reducing poverty, but the perverse incentives built into the system have contributed greatly to the disintegration of the low-income family.

This system essentially offers each mother a package of benefits worth between \$8,500 and \$15,000, depending on the State. This paycheck is subject only to two conditions, she must not work and she must not marry an employed male. One sad result of this system is that marriage has become economically illogical for low-income parents.

The low-income working husband is no longer the chief breadwinner, but instead a net economic handicap. The institution of marriage, designed to care for and nurture children, becomes a financial penalty for low-income parents who enter it. We have always had a poor class in our society, but because of the system that Washington has created, we now have not a poor class but a welfare class.

This welfare culture now spans three generations. Children reared in families that receive welfare are three times more likely to be on welfare when they become adults. Of the 4.5 million households currently receiving AFDC, well over half will remain dependent on the program for over 10 years. Our welfare system isn't a life preserver but a lead weight.

But the greatest tragedy of our welfare system has been its impact on out-of-wedlock births. During the 30 years of the welfare state, illegitimacy has soared from 4 percent of all births to an astonishing 32 percent. It is clear, Mr. Chairman, that we must have dramatic and fundamental changes in a welfare system gone awry.

We must not make the mistake of the cook who thinks that by adding a pinch more salt or a teaspoon more soda that there will be a radically different outcome. When it comes to welfare, we need a whole new recipe. In recent years, there have been numerous welfare reform efforts. All have been incremental in nature, all have involved more government programs, all have failed, and in fact have exacerbated the system.

I believe that the Personal Responsibility Act included in our Contract With America will finally end welfare as we have known it. It will comprehensively change the system because it includes serious work requirements and the end of the individual entitlement nature of welfare, a cap on spending, a family cap that would prohibit increased welfare for additional children born while on

welfare, a requirement for paternity establishment, greater State flexibility, and most importantly, an elimination of the subsidy for unmarried teenage mothers.

The link between welfare benefits and the rise in out-of-wedlock births has been documented in a number of recent studies, which I include for the record in my written comments.

Professor C.R. Winegarden at the University of Toledo, "AFDC and Illegitimacy Ratios: A Vector Autoregressive Model," *Applied Economics*, March 1988, pp. 1589-1601; Professors Shelley Lundberg and Robert D. Plotnick of the University of Washington, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?," June 1990, paper presented at the May 1990 Population Association of America Conference in Toronto, Canada; (M. Anne Hill and) Professor June O'Neill of Baruch College, "Underclass Behaviors in the United States: Measurement and Analysis of Determinants," New York: City University of New York, Baruch College, March 1990, p. 28, research funded by grant no. 88 ASPE 201A, U.S. Department of Health and Human Services; Professor Robert Hutchens of Cornell University, "Welfare, Remarriage, and Marital Search," *American Economic Review*, June 1989, pp. 369-379.

But common sense drives us to the conclusion that a system that says to a teenage girl we will give you a government-subsidized apartment, government-subsidized health care, food stamps, child care, and a cash allowance on the only condition, the condition that you not get married, not get a job, that you have a baby, that such a system will result in more and more of out-of-wedlock births.

At the Blair House welfare session this past Saturday Senator Moynihan made a dramatic presentation on the growth of illegitimacy. Then the President asked Senator Moynihan whether he believed that denying cash benefits would reduce out-of-wedlock first births. He replied that he didn't know, but that it was worth a try.

Indeed it is. Critics assert that it is heartless to deny cash benefits to unwed teenage mothers, but true compassion will end this insidious subsidy, true heartlessness will continue it.

Finally, Mr. Chairman, it is clear to me that the great untapped resource in the welfare reform debate is our churches, synagogues, and charitable institutions. Many of our States and cities are rediscovering this great fact.

I would point to the work of Mississippi Governor Kirk Fordice in this area. I am enclosing an article on his Mississippi Faith and Families Project. If every church in America adopted one welfare family each year and supplemented government public assistance with compassion, support, encouragement, and accountability, America's welfare class could be infused with a new sense of dignity and hope.

Mr. Chairman, we have to be willing to try some completely new ideas. We need to rebuild the welfare system and bring new hope to its recipients.

I appreciate very much the work that this Committee and its Chairman has done on this issue. Appreciate your indulgence today.

Thank you, Mr. Chairman.

[An attachment to the prepared statement follows.]

Real welfare reform

Mississippi's challenge: Will the church be the church?

Mississippi governor Kirk Fordice, his Department of Human Services director, Gregg Phillips, and his official spokesman, John Arledge, sat in the governor's 20th-floor government office in Jackson, Miss., months ago, discussing the upcoming year's agenda. Eventually the topic turned to welfare.

Already Mr. Fordice's staff had managed since Feb. 1993 to decrease the state's AFDC

rolls—the Aid to Families with Dependent Children program, which is most commonly associated with welfare—from about 64,000 to 55,000.

Nationally 4.1 million are enrolled. The governor's crew cut their numbers by "skimming the cream off the top" of their AFDC recipients pool, says Mr. Phillips, in other words, they concentrated on securing job

training and placement for AFDC's most promising candidates.

But in seeking further progress, the 60-year-old Republican Fordice—a self-made construction contractor who came from nowhere to defeat incumbent Democrat Ray Mabus in 1992—and his two aides were stumped. "What in the world do we do now?" Mr. Phillips recalls them essentially thinking out loud.

As they brainstormed, they looked out the governor's large windows. The view is spectacular: First is the state capitol dome, resplendent with its golden eagle; then several church steeples among an amalgam of government and business buildings; finally, in the distance, are large clumps of trees looking like green islands in a welfare ocean called West Jackson.

"All that really is underneath those trees are a lot of folks wishing they had some hope," Mr. Phillips says.

As the three talked, an idea emerged. In essence, they began to formulate a plan that would combine the power residing under the capitol dome's eagle and the compassionate direction represented by the church steeples to offer hope to drowning welfare recipients.

Fastforward. It's been months since that meeting, and on Oct. 19 Mr. Fordice held a news conference after speaking with about forty of the state's top religious leaders. There he announced an ambitious initiative entitled "The Mississippi Faith and Families Project."

The remarkably simple plan will match via "blind profiles" from a specially programmed state computer a local volunteer church with an interested welfare family living within two miles of the church. (If the church is in an affluent area, it will get a suitable match from its broad geographic area.) The welfare families will be drawn initially from AFDC recipients already voluntarily seeking state job training. The goal is for churches and synagogues—Mississippi has 5,000 total—to provide that job training, along with intangibles like compassionate emotional and physical care and tough love, and eventually lift the family off the government rolls and into self-reliance.



Asking churches to help welfare recipients and governmental dependents: Kirk Fordice speaks to fellow GOP governors last

vision for this program is the unleashing of the type of community interaction and neighborhood spirit that once existed in this country before the government ever decided to invent welfare." Mr. Fordice said at the press conference. "I see a Baptist deacon helping a young mother find a job at his company; a group of United Methodist Women helping tutor an at-risk student in English; a member of a Jewish synagogue enrolling a family's children in their members' child-care program; or a Catholic priest arranging transportation for a father who is down on his luck. This is the type of positive involvement that government could never provide. . . . Meeting physical needs is an important part of this project, but the spiritual benefit this effort could bring about is even more crucial."

Predictably, the governor's announcement was met with disdain by the local chapter of the ACLU, which asked for a meeting with the governor to discuss the "potential ramifications" of Mr. Fordice's proposal.

"I have nothing to say to those people," said Mr. Phillips. "We have asked the churches to help get people off of welfare. How do you attack that?" And notable liberals like Rims Barber, of the Mississippi Human Services Agenda, whispered that "this plan could make welfare recipients feel like they were begging again, and that is demeaning." But Mr. Fordice's math tells the true story: under his plan, people might actually get a dignified chance to realize themselves as full humans instead of round numbers.

Currently each of the state's welfare case workers handles about 300 families, making it impossible to offer appropriate personal attention and oftentimes ensuring that these families don't progress beyond government handouts. "With the help of these churches, we can involve an entire congregation in the lives of a welfare family," said Mr. Fordice. "Instead of one state employee handling paperwork for 300 separate families, we can have 300 church members caring for one welfare family. In fact, if every church, synagogue, or religious organization in the state of Mississippi would adopt at least one welfare family and bring them to self-sufficiency in one year, we could remove all of Mississippi's families from the welfare rolls in 12 years."

Ronald Moore has signed on. Mr. Moore, 34, pastors two black, National Baptist denominational churches—Stronger Hope Baptist Church in a middle-income neighborhood in Jackson and Greater Fairview Baptist Church in a low-income area of Pickens. He asked to be the first pastor to implement the Fordice plan, and expects that as the bugs are worked out many more of the estimated 500 National Baptist churches in the state will come on board.

"Everything else that we've tried hasn't worked and our current system isn't working," Mr. Moore said. "Something else has to be done. We'd cheat ourselves and our state and our nation if we failed to move forward on this."

The state has six regional meetings planned before Thanksgiving to explain their initiative to local ministers, and a major effort planned to orient case workers and educate and recruit a volunteer pool of AFDC recipients. But even before the first meeting, positive response from local churches and many AFDC recipients was "overwhelming," says Mr. Phillips, the DHS director. "Many AFDC recipients have demonstrated time and time again that they want off public assistance."

Currently in Mississippi, the average welfare family is a single mother (80 percent of whom are black) with two to three children receiving \$120 from AFDC, \$304 in food stamps, a \$350 HUD housing allowance, \$84 in utilities vouchers, as well as an undetermined amount in Medicaid—for a subtotal of \$858 a month.

Mr. Phillips thinks that in a couple of years, another 15,000 welfare families could be freed from what Mr. Moore calls "a cycle of continuous non-self support."

Already several Mississippi churches have made getting off welfare either a membership criterion or goal. Several of those pastors attended Mr. Fordice's special religious leaders gathering, among them Phil Reed, pastor of Voice of Calvary Fellowship, foudried by national evangelical leader John Perkins.

Mr. Reed told *World* that while some of the pastors were skeptical, believing that Mr. Fordice's true goal was simply to cut his welfare budget, he chooses to "take the governor and Gregg Phillips at their word. . . . Do they really mean what they say that their concern is to develop people and not simply cut the budget? . . . Gov. Fordice is making a good try and I would hope people would give it a chance to work. We've got to do something."

Forest Thigpen, president of the Mississippi Family Council, also attended the special meeting. "I think it's a great concept," he said. He nonetheless noted some long-term policy questions worth considering. For instance, if a church declines to participate, or if an AFDC participant files a complaint about their sponsoring church, "Is the state going to have some opportunity to impose sanctions on the church?" And over the even longer term, asks Mr. Thigpen, "Will it get to a

God, not
government,
will be the
savior of
welfare
recipients

point where the tax-exempt status of churches is granted only if they agree to do certain kinds of things?"

Mr. Thigpen and others say they are encouraged by the governor's bold initiative and his desire to involve them on an ongoing basis in the project's development. "There are going to be some misfires before we're all said and done," acknowledges Mr. Phillips.

Mr. Phillips says they have no desire to create a regulatory monster. "We want to take the regulation off," he said. "What we envision is an ability to be flexible. . . . We don't want to be structured to say, 'You have to do it this way.' Churches will create review boards, and screen 'blind profiles' of several nearby welfare candidates. They will be encouraged to choose the candidate for whom they as a church are best equipped to provide the basics of education (often in the form of a GED), job training, and life skills. From a list of five or six local candidates for help, one church operating its own day-care center might choose to help a single mother interested in developing day-care skills. Another church where a layman has a construction position available might choose their participant accordingly."

All, however, must bring a willingness to offer time and energy to do what the state can't. In the words of Mr. Thigpen, that is "provide the compassion to meet the true needs of the family but the accountability to make sure the family does not remain in the condition that they're in for any longer than they need be."

Mr. Phillips believes that simply by hooking willing welfare recipients—many of whom typically don't attend church, he says—into a local congregation, progress will already have been made. He cites statistics from a Heritage Foundation study saying that youths involved at all in a church are 80 percent less likely to drop out of school, commit a crime, or have an unwanted pregnancy.

Even the Gannett-owned *Clarksburg-Ledger* newspaper, the state's largest, editorialized that the effort "may be useful," stating further that the "governor makes [a] valuable reminder" that "we are our brother's keeper."

And from his rather spectacular 20th-floor vantage point, Gov. Kirk Fordice is sitting on a hunch: "In an era when there are those who worship the power of government," he says, "I think we will find in the final analysis that God, and not the government, will be the ultimate savior of a generation of welfare recipients."

—JOE MAXWELL

Mr. Maxwell is a freelance journalist who lives in Lumbia, Mississippi.

Mr. MCCRERY. Thank you, Mr. Hutchinson, and thank all of you for your very good, well-thought-out, well-reasoned testimony.

Now, if Ms. Dunn would like to inquire of our witnesses.

Ms. DUNN. Thank you, Mr. Chairman, and thank you, Mrs. Meyers and gentlemen. I, too, thought it was very clear and precise testimony, and I appreciated your summing up some things that we have been hearing for some time.

I guess I am most troubled by what might be called an overview of this whole problem we are trying to face. A week or so ago Bill Bennett was here with a panel of people who looked at the values side of the ledger and they talked about a stigma attached to being an unwed mother or to being a young man who commits five pregnancy acts in order to become a member of a gang, something like that.

I would like to explore your thinking on what we can do right now with the ability that we have to influence legislation that may be a first step and then what you see the needs to be for us in our communities, in our churches in our Nation, and maybe even in the Federal Government as to solving this overall problem over the long term.

Mrs. MEYERS. Well, if I may, I think the payment that the Federal Government has been willing to give has made out-of-wedlock births not only acceptable, but in some instances, as you mentioned, almost desirable. I think it has a great deal to do with values.

I think we need to begin to back off in a slow and compassionate way, and that doesn't mean ending all benefits tomorrow. It means giving the States a great deal more flexibility, and withholding cash payments for young women under 18. I don't know exactly the numbers on the Contract bill, so let me talk about the numbers in my bill as an example.

If you freeze AFDC and send it back to the States as cash grants, and do not permit benefits to anyone before 18 and unless the father is identified, at the Federal level that saves \$8 billion over 5 years. The significant part of it, in relation to your question is that because AFDC is a 55-45 percent program—the Federal level 55 percent, the State 45 percent, when the Federal Government saves \$8 billion, it frees up \$6 billion at the State level, that they have been mandated to spend in a specific way. They are no longer mandated to spend the money that way, and it frees that money up.

It means that States are going to be able, if they have the flexibility, to handle those emergency situations. A young woman who receives food stamps and Medicaid and can go on living at home is going to be fine. We know there are some who won't be able to go on living at home, and the States will have \$6 billion with which to respond to those emergencies with. I think that we can restore values and quit endorsing the idea of unwed parenthood at the same time that we are not punishing young people.

Mr. TALENT. I agree with Mrs. Meyers. I think that the block grants emerging in the bill should give the States discretion to use those funding lines affirmatively to provide incentives for the right conduct and to try and instill the right values. I wouldn't want the Federal Government to tell the States how to do that. I think that

is a bad business for us to be getting in and I would make two other points in connection with that.

One, I think while we ought not to control the means by which the States do this, it is very appropriate for the Congress to demand accountability, so that they are not continuing programs that don't have the desired effect.

And the second thing I hope, and this is just a general comment, I think Mr. Bennett is right in saying as a society we ought to move toward stigmatizing behavior. I think we can do that without stigmatizing people, and it is very important that we observe both ends of that equation, and I am sure that he would agree with me on that, that just as we say, look, there is some conduct that you ought not to engage in and that is wrong, but that doesn't mean that we are going to abandon you if you do, and there is no reason we can't walk that line.

Mr. HUTCHINSON. I think the distinction that Jim makes is very important. There does need to be a moral dimension to the issue; and the denial of the cash benefits does say this isn't proper behavior and that our society doesn't approve of the behavior. The denial of the cash to the under-18s will provide us a small pool from which we can determine whether behavior is affected, and I think it will demonstrate that, in fact, out-of-wedlock births will decrease, and the withdrawal of the massive Federal role will allow the States greater latitude, and I think they are going to do some very creative things in the private sector and the charitable sector into a greater supplementary and complementary role of what we have done on the government side.

Mr. MCCRERY. Thank you, Ms. Dunn.

Mr. Levin.

Mr. LEVIN. Thank you.

Let's continue this because I do think it is worth seeking some common ground here. My own judgment is that welfare reform possibilities will be enhanced if we look for what ties Members together instead of what tears us apart or pulls us apart or separates us. So let's talk about the tension between flexibility and Federal mandates.

Your position is that there ought to be, as Mr. Talent says, States have maximum flexibility to match assistance to the unique needs of these young parents, and I think we share very deep feelings about the need to diminish births out of wedlock. But you don't want to give the States the flexibility to provide a cash payment under any circumstances, and also until the father, Mrs. Meyers says, is absolutely identified.

Now, let me ask Mrs. Meyers what happens if the mother gives the name and the State is not able to follow through?

Mrs. MEYERS. Well, they are supposed to give the name now, Mr. Levin.

Mr. LEVIN. But say they do. Say they do.

Mrs. MEYERS. And in those areas where there is a real attempt being made to identify the father, there is a high degree of success. Frequently the father comes to the hospital. If the social worker makes a real point of identifying the father on the very first contact that she has with the mother, there is a high degree of success. It is that—

Mr. LEVIN. Let's say in 15, 20 percent of the cases, whatever it is, no one is quite sure, there is an effort and the father disappears. Now, you are saying that the cash payment should be denied?

Mrs. MEYERS. Yes. In my bill, and I honestly don't quite know what it says in the Contract bill on this particular instance a State could not use Federal money to make a cash payment. As I said, about \$6 billion would be freed up at the State level to respond to emergencies, such as those cases where the young woman couldn't live at home, or cases where it was impossible to identify the father for one reason or another.

Mr. LEVIN. So the States could use those funds?

Mrs. MEYERS. In emergency situations, the States can use State funds to assist as I say, for both under 18 and if the father is not identified. You would have to allow the States enough flexibility, but I do believe there should be a Federal mandate that will say that there should be no Federal moneys used unless both parents are 18 and unless the father is identified. I think there has to be some flexibility at the State level for States to be able to respond to true emergencies.

Mr. LEVIN. What is the source of the State moneys?

Mrs. MEYERS. As I say, right now AFDC is a 55-45 program; 55 percent—

Mr. LEVIN. Right, I understand.

Mrs. MEYERS. And food stamps is totally Federal, of course. Medicaid is about a 50-50 program; 50, Federal, 50, State. I am not sure of the proportions on housing.

Mr. LEVIN. OK. But so you are saying that States could use moneys that they otherwise would have matched to provide for those funds?

Mrs. MEYERS. Yes. I am saying that States make a large contribution to welfare right now, and a great deal of money would be freed up, not just from lower caseloads, which I firmly believe will happen, Mr. Levin. I think we will see a dramatic drop in teenage pregnancy, but there is also, I think, going to be a great deal of money freed up in the bureaucracy.

I know that Governor Thompson of Wisconsin requested a variance from the welfare program during the Bush administration. This is a Republican Governor, asking a Republican President for an exemption, and it took him 3 years, and a great deal of effort, to get that variance from the Federal program. There is an enormous amount of bureaucratic time and money spent in trying just to attempt an innovative practice.

Mr. TALENT. Could I add a brief comment to that, Mr. Chairman?

Mr. LEVIN. My time is up. I hear Mr. McCrery tapping politely.

Mr. TALENT. I welcome the gentleman's comments about finding common ground and I could not agree with him more. I got involved in this issue the middle of last year and found a real responsiveness among people who were not of my philosophical persuasion, but what Mrs. Meyers said I think is an important thing.

The bill, because of its block granting, should free up a lot of State dollars which are now tied down in matches, and the States can fund things out of their own dollars that the bill prohibits being funded from Federal dollars. I will give you an example.

In this group home concept, if you have a young woman in a group home who is moving along in the curriculum, one incentive that the States could offer out of their own dollars is we will provide a little cash for you because you are doing so well, that will be State funded. I mean this will open up opportunities for the States again to be flexible. The tension between how much flexibility you allow and whether you have any mandates is something we are all going to encounter as we move down this road and people draw the line at somewhat different places.

Mr. LEVIN. A lot of Governors don't agree with that.

Mr. MCCRERY. Thank you, Mr. Levin.

Mr. LEVIN. Including Republican Governors with that kind of a Federal mandate.

Mr. MCCRERY. Mr. Ensign will inquire.

Mr. ENSIGN. Thank you, Mr. Chairman.

Mrs. Meyers, you brought up a little bit about deadbeat dads and trying to pursue them, and I think that all of us would agree that we want fathers taking responsibility for the children that they do father, financial responsibility especially.

I mean, obviously they are not taking any of the other kind of responsibility for them so at least we want to try to get them to have financial responsibility for their children. I don't know if you are familiar with any of George Guilder's works, but he mentions something in there and I think it is something that needs honest intellectual discussion, and that is when we pursue these deadbeat dads, do we then drive more of our economy underground because to avoid showing a \$20,000 income, do they start going to construction jobs that pay cash under the table? It is a legitimate concern I think in our economy, the more that we pursue, the more we end up hurting the overall system. Your comments?

Mrs. MEYERS. I think that is the next problem down the road. Right now I think what we really need to do is send a strong message to young men that they are going to be forever identified as the father of a child and that they cannot father five children with three different women and just walk away.

I think we need to make a strong national statement that we require the identification of that individual. I don't think men are monsters. I think if they think that they will forever be financially identified as the father of that child, many of them may decide to be the father of that child. It is going to require an alteration of behavior.

We have altered behavior tremendously in the last 20 to 30 years with our Federal policies, and I think we need to change it back to where you take responsibility for your own children. What you say may be true, but I am not as concerned about that as I am about the fact that people just walk away from their children. There is much evidence that indicates that young people, children who get a bad start in life—some of them, not all, but some have no structure—no father in their life, some don't have enough food and clothing, and they are the ones who cause the problems, as Mr. Talent indicated in his testimony. They have problems all their lives with education, health, and crime.

Well, what are our three big problems in this country? They are education, health, and crime.

Mr. ENSIGN. Right, there is nobody who wants to correct this problem more than I do. I grew up with a deadbeat dad who didn't pay child support. Mr. Chairman, I would like to yield the balance of my time to Ms. Dunn. She has a question, if that is OK.

Ms. DUNN. Thank you very much, Mr. Ensign.

Mr. Talent, you spoke with sensitivity about an issue that must be sensitively handled, but has really troubled me, and that is the issue of your suggestion to gently counsel young unwed mothers that they can give their child up for adoption. I just think that so many of our problems in this area start there, where the young girl in the effort to get away from her home has the child and then locks that child into this cycle of poverty and all the other negatives that we have been talking about. I just wonder if this sort of counseling is done now in a practical sense, and what are your thoughts on it?

Mr. TALENT. Well, very unevenly, and I would say nowhere near to the extent it should be. It is a win-win situation if it is done right. I mean, the statistics tell us what everyone knows, which is that the child's life expectancies and hopes go up by thousands of percent if the adoptions occur.

I agree with you and I think this will nudge the States in that direction because every time that a successful adoption occurs, the State has dealt with the problem then if for no other reason I think that they will encourage this kind of program. It has to be done carefully.

One other point I would make, it is part of changing the system so it starts sending a truthful and right message. These are the kinds of difficult, gut wrenching decisions you have to make if you are adopting the right attitude toward your children. You have to make these difficult decisions, and I think a teenager who decided to keep her child after clearly confronting the alternative of not doing it is in a much better position than to go ahead and understand, well, now I have made this decision, now I have to do this and this and so to be able to be a good parent.

Ms. DUNN. Thank you.

Mr. MCCRERY. Thank you, Ms. Dunn.

Mrs. Kennelly.

Mrs. KENNELLY. Thank you, Mr. Chairman. I would like to get into this debate for just a moment. As we sit here in this lovely room, it is easy to talk about counseling the young woman to put her child up for adoption and that, yes, in the long run that child could be very much better off, go to another home where there are more comforts, two parents working, but I think we have to bring a little reality into this. Sometimes, in fact often, with the history of the world, there have been unintended pregnancies. When a child, the 17 and under person, is pregnant and then has the baby, that child becomes a mother, and there is a life connection, and so I think we should be very careful that when we speak about adoption that we realize that it is not as easy a decision as taking a child, making the decision to give up your child, and that historically is a very difficult decision.

Mr. Talent, I am looking at your testimony, and you say since the act begins to tell young people the truth that parenthood means responsibility and sacrifice, not independence and security,

fewer teenagers would make the decision to become unmarried moms. Now, I just don't think there are too many teenagers around reading the statutes that we produce. What are your other suggestions for letting people know this now is the intent. Are you talking about education in the schools? Are you talking about Planned Parenthood help advising?

Mr. TALENT. Sure, the bill would allow the States discretion to try and deal with all kinds—

Mrs. KENNELLY. I am talking about you. You are very active in this, you have got testimony. We have a problem here, we have a terrible problem, young people having babies, how do you perceive getting the word to them so they end this activity?

Mr. TALENT. I am trying to answer your question. I was in the State legislature for 8 years. I was a strong supporter at the time of trying to make certain that sex education was abstinence-based, for example, to try to send this message through the schools. I don't think it is appropriate for me as a Federal officer to try to mandate that the schools do it and the States do it in that way, that is up to them.

That is the kind of avenue that I would pursue. In terms of letting them know about changes in the system, people don't necessarily read the statutes, but I think they do become aware rather quickly of the options that are available to them in terms of a public subsidy, and I think the word would get out rather quickly that the benefit packages have changed, that the States' expectations are different, that you now have to do thus and so and thus and so in order to get this kind of a benefit, so I think the word would get around pretty quickly. I certainly have no problem with suggestions about how to publicize it to make certain that people in that situation were aware of it.

Mrs. KENNELLY. So you are pretty well convinced that the reason for these teenage pregnancies is the fact there is a cash benefit?

Mr. TALENT. Yes, and the benefit package in general. I wouldn't say it is just that, but the availability—I think if you look at the position that young people in these circumstances are in and there are other options, I think we have made it rational in the short term for them to decide to have kids that they otherwise want to have before they would have, normally have the child and without being married.

I think that is what the benefit package does, it makes it appear to be rational to do that, and I don't think they are—in terms of the options they are facing, I am not even sure if I am saying they are making a mistake in terms of those options. What happens is they find out in the long term, having done this, that they are now set off on a road that is a dead end because, as Ms. Dunn said once, you have a child under those circumstances, you are not married, you don't have a work skill, then you really are in trouble, then you do have a couple strikes against you, and it is how you help people in that circumstance is very difficult, but what we ought to do is try to make sure to the extent we can we help them not get in those circumstances in the first place.

Mrs. KENNELLY. I agree with you, I think they are in trouble and the child has strikes against him and the mother has difficulty getting off welfare. The fact is this is not a new problem, we have had

it for a number of years, and that is why I don't want to have some—well, it is going to happen. Are you at all worried that we might increase the number of abortions?

Mr. TALENT. It is a concern I have, but after considering it, I am convinced that both in the short and the long term that this would result in a reduction, and in the first place the pool of people, it will result I think in the number of out-of-wedlock pregnancies, and whatever else we know about it, abortion, we know it is much more common among moms who aren't married when they get pregnant than among moms who are.

The second thing is the values that we are trying to change the system to send, the message that we are trying to change the system to send is, look, you don't have a child to get love, as understandable as that is, you don't have a child to meet any of your needs, as understandable as it might be. Having a child means you give, you sacrifice, and once we can infuse those values among people, I think that is inconsistent with the growth rate of abortion. But, yes, I have that concern.

Mrs. KENNELLY. One other point I just wanted to make before I finish is that that 4 to 5 percent, that is new cases each year, it is not of the whole, that is every year there is 4 or 5 percent new children in the system of teenage pregnancies, 17, 18 and under?

Mr. TALENT. That is about the best guess. Actually, the data is surprisingly imprecise on this, but I think the best guess we have is 4 to 5 percent of the new welfare moms each year are kids under 18. It is not a big part of the caseload.

Mrs. KENNELLY. But it is the new, that 4 to 5 percent isn't of the base, it is of the new each year?

Mr. TALENT. That is right.

Mrs. MEYERS. I just wanted to mention at the welfare meeting we attended this weekend, Governor Carper indicated he has sought a variance, and will not make payments to those under 18 after 1996, I believe, and he is publicizing it with public service announcements.

Mrs. KENNELLY. Public service announcements.

Thank you, Mrs. Meyers.

Mr. MCCRERY. Thank you, Mrs. Kennelly.

Mr. Collins.

Mr. COLLINS. Thank you, Mr. Chairman. I am glad you mentioned that, Mrs. Meyers. It is kind of a rule of thumb belief that the cash subsidy is an incentive, and if I understand Governor Carper, it is his intent that at a point in time down the road, those cash benefits will cease, that doesn't affect anyone who is in the system today, doesn't affect anyone who will come into the system until that date; is that the way I understood you?

Mrs. MEYERS. Yes, and in fact in my legislation, and I believe also in the Contract bill, these requirements that Federal money not be used for payments for those under 18 and until the father is identified are forward looking. We are not requiring States to go back in their caseload and require a woman who has been on welfare for 8 years to come up with the middle initial, date and place of birth of a man that she may not have seen for 6 years and didn't know very well. This is something which must be done ahead of

time. But we need to let people know that this requirement is going to be there.

Mr. COLLINS. But that is what I am saying, it is a point of time in the future that this would take effect, it would not affect people in the system today?

Mrs. MEYERS. Yes.

Mr. COLLINS. I think that is a point that really needs to be clear.

Mrs. MEYERS. That is correct. It would not affect those who are already collecting welfare. It is prospective, forward.

Mr. COLLINS. That is right. Also, you said it will help to identify the father, and that, too, is in the future, and, two, not giving those cash benefits to someone who is underage will encourage more parental responsibility in the future, too.

Mrs. MEYERS. I believe that strongly.

Mr. COLLINS. Now is it not true, also, though, that even though cash benefits will not be given, health care and nutrition would be available?

Mrs. MEYERS. In my bill they would be, in the Contract bill I think a great deal of flexibility is left to the States, and I presume they would be.

Mr. COLLINS. But all of it is in the future?

Mrs. MEYERS. Yes.

Mr. COLLINS. We are only talking about eliminating cash benefits, but continue giving health care and food stamps or nutrition?

Mrs. MEYERS. Yes.

Mr. COLLINS. Thank you very much.

Thank you, Mr. Chairman.

Mr. MCCRERY. Thank you, Mr. Collins.

Mrs. KENNELLY. Mr. Chairman, could I just make one more point?

Mr. MCCRERY. Sure.

Mrs. KENNELLY. I know Mrs. Meyers heard so much this weekend at the meeting at the White House, but I think I have been told that what Governor Carper did say was that the seriousness of changing the rules, that he was going to have public service announcements, he was going to make all sorts of effort to get the word out that it is over for teenage moms, but he didn't intend to come in with the end until 1999, not 1996.

Mrs. MEYERS. Oh, 1999, I see, all right. Well, I had the year wrong, and I thank you for correcting me.

Mrs. KENNELLY. That is my concern is getting the message out. You know, everyone in this room, I am sure knows this is not a good thing, but to get the word out into a society that has accepted this as ongoing behavior is fairly acceptable behavior is going to be a bit of a job.

Mrs. MEYERS. Thank you.

Mr. MCCRERY. Thank you all very much.

Our next panel is Mr. Stenholm, Mr. Clement, Mr. Deal, Mr. Tanner, and Mrs. Lincoln.

Mr. COLLINS [presiding]. Welcome. Nice to see you, Mr. Deal. It is always a pleasure to see a fellow Georgian. We will start with Hon. Charles W. Stenholm from Texas.

Mr. STENHOLM. I will defer to Mr. Deal.

Mr. COLLINS. You will defer to Mr. Deal. Mr. Deal from the Ninth District of Georgia.

**STATEMENT OF HON. NATHAN DEAL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF GEORGIA**

Mr. DEAL. Thank you, Mr. Chairman. It is my pleasure to be here and those of us who worked on this are pleased to be able to testify before your Subcommittee today and thank you for this opportunity.

I would like to briefly summarize the proposal that we have prepared and will be soon introducing. First of all, our bill has three very simple goals. The first one is to put emphasis on moving people off the welfare rolls and into the work force. Second, is to require a great deal of an increase in individual responsibility, and third is to give States greater flexibility.

We see several problems with our current system as it relates to that first goal of moving people off welfare into work. First of all, our current system exempts over half of the caseload and requires less than 12 percent of that caseload to participate in JOBS Programs, so the present system does not really put the emphasis on work, but encourages that continued dependence.

Second is, and one of the reasons for this is the States don't receive the necessary resources in order to move people into the job training part of the present plans. In fact, right now only 14 States draw down their total Federal allotment for this particular JOBS Program and 10 States draw down less than 50 percent of the funds that are available to them now because they don't have the additional resources necessary to do that.

Third is that the current system does not give any incentives to move off the welfare rolls and into work. Several reasons. Loss of health care, child care needs are not usually met, and there are disincentives for families built into our present programs.

Our bill addresses this issue of work in several ways. First of all, we believe that our reform bill will move more people into work programs than any other comprehensive bill that is going to be placed before you. In fact, we think that it will be over four times greater than those who are currently in the JOBS Programs.

Our bill provides incentives so that individuals will move from welfare to work, first by extending the transitional Medicaid benefits from 1 to 2 years, by giving States greater resources to provide child care facilities, and it allows States the option of eliminating the so-called 100-hour rule or any disincentives to a marriage situation.

Our bill also states that resources will be provided so that States can develop their own programs, and we do this by increasing the share of the current matching rates for the JOBS Program to 70 percent or the Medicaid rate plus 10 percent, whichever is greater.

The problems with our current system as it relates to the second area, that of individual responsibility, is that it places very little responsibility on the aspect of work and job search. Second, there are no time limits for welfare recipients who become dependent on welfare as opposed to those who would seek a job.

It also, as we know, we have seen tremendous increases in teenage pregnancy rates and the child enforcement provisions have

very little teeth in them. In fact, much of that goes uncollected. Estimates are that some 63 percent of absent parents contribute no child support and that there is an estimated \$34 billion of child support that goes uncollected each year.

Our bill addresses this area of individual responsibility in several ways. First of all, it requires that an individual engage in a minimum of 30 hours a week of activity, that at the beginning they sign an employability contract, and that they begin a job search immediately. Our bill would set a 2-year time limit on what we call the Work First Program and it gives States the options of providing community service as an additional alternative.

As far as teen pregnancy is concerned, it calls for a national campaign to prevent teenage pregnancy with funding for that program. It would prohibit minor mothers from public housing and require that minor parents live at home or with another responsible adult. It would give States the option to deny AFDC cash benefits for additional children.

As far as child support enforcement, we would place stronger requirements for paternity establishment. We would have penalties for those who do not pay child support, including wage withholding and reporting to credit bureaus. We would in fact hold grandparents liable for the support payments for minors if their children—if their children who are the parents are themselves minors. It would provide a State option to allow noncustodial parents, that is in most cases the male noncustodial parent, if he is 25 and under, to also participate in a public work off so that he could pay for the benefits of child support that he has not paid.

The flexibility of our current system is the third problem area. First of all, there is too much difficulty obtaining waivers through our present bureaucratic process; second, States don't have the ability to implement the work programs they might choose; and third, States don't have the option of dropping recipients who fail to cooperate.

Our bill addresses these very quickly in several ways. It allows States the option of developing their own work programs. It has a State option for the development of community service programs, and it consolidates child care programs into a block grant to give them flexibility there.

Mr. Chairman, very briefly, that is an overview of the program that we have proposed in legislation and will soon be introducing. There is a second element of that that Mrs. Lincoln will address as it relates to SSI. I would ask her to present that at this time.

[The prepared statement follows:]

TESTIMONY OF CONGRESSMAN NATHAN DEAL
SUBCOMMITTEE on HUMAN RESOURCES
HOUSE COMMITTEE of WAYS and MEANS

Hearing on Welfare Reform
January 30, 1995

Mr. Chairman, members of the subcommittee, I want thank you for scheduling this hearing on welfare reform, and providing me with this opportunity to testify regarding our panel's proposal.

We all know the current system is broken and is in need of repair. Too few people participate in work programs; teenage pregnancies are growing at alarming rates, both parents are not held responsible to care for their children; states do not have the flexibility to pursue innovative strategies in welfare reform; and welfare has become way of life for too many people. The proposal we will be introducing in the coming days addresses these problems and will truly provide for reform in our welfare system.

Work

Our bill creates Work First, a program designed to replace the current JOBS program. Our bill sets participation rates for the Work First program which will move more individuals into work programs than any other comprehensive welfare reform bill and provides sufficient funding for states to meet these participation rates. When fully implemented, our bill would require a participation rate four times greater than the current JOBS program.

There are disincentives in the current system for individuals to move off welfare and into work. Recipients who get jobs are in jeopardy of losing both health care and child care, thus making welfare more attractive than work. Our bill addresses these problems by extending Transitional Medical Assistance from one year to two years and by providing increased child care assistance. States will also be given flexibility to use federal funds to provide child care programs. In addition, states will have the option to eliminate the 100-hour rule that penalizes families.

Individual Responsibility

The current system places little responsibility on the welfare recipients with regard to work and job search. Work First would require individuals who participate in the program to sign an employability contract, begin job search immediately and engage in a minimum of 30 hours a week in a work related activity. Individuals who failed to comply with the requirements of the program would be sanctioned. In addition, there will be a two-year time-limit placed on each participant in the Work First program. If states exercise the option to develop community service programs, participants will be required to work a minimum of 35 hours per week with 5 hours devoted to job search.

Teenage pregnancy has become a national tragedy in our country. Too many teens are becoming parents and too few are able to responsibly care for and nurture their children. Half of all unmarried teen mothers receive AFDC within a year of the birth of their child and three-fourths receive AFDC by the time the child turns five. To combat these problems our bill does the following:

- Calls for a National Campaign on Teenage Pregnancy.
- Prohibits minor mothers from receiving public housing and requires them to live with their parents or a responsible adult.

The current child support system is at best ineffective. Today, approximately 63 percent of absent parents pay no child support. Studies show that \$34 billion in child support payments go uncollected each year. Our bill improves child support enforcement which is a critical part of reforming the welfare system. We believe that both parents should be required to support their children and we put in tough new provisions for parents who refuse to pay child support. These measures include the following: wage withholding, forfeiture of property and reporting child support arrearages to credit bureaus. In addition, we hold grandparents liable for financial support of the offspring of their minor children.

State Flexibility

Our bill would foster a federal-state partnership in welfare. States would be given the flexibility to pursue innovative approaches **and** would be given the resources to allow them to successfully implement their programs. We recognize that it is not enough to simply give states flexibility to reform welfare if the states do not have enough resources to move individuals off of welfare and into work.

Under the current system, states have to go through a bureaucratic waiver process which gives too much discretion to the Secretary of HHS to modify or deny state waivers. In essence, the current system places the burden of proof on the states to justify why their program is preferable to the system dictated by the federal government. Our bill would reverse this presumption and encourage states to develop their own plan. State plans would be guaranteed approval by the Secretary of HHS, provided they meet minimal guidelines set forth in this bill.

In 1988, Congress passed the Family Support Act, which was designed to make welfare a transitional system by providing education and job training assistance to welfare recipients. Unfortunately, only about ten percent of the caseload is required to participate. Only fourteen states currently draw down all of their JOBS money and ten states draw less than 50 percent of their allotments. Our bill would make it easier for states to draw down available federal funds, by increasing the federal share of these matching rates.

Our bill also provides states with greater flexibility and greater resources in child care. Currently, states provide child care assistance through four separate federal programs with different eligibility requirements and regulations. The states must move families from one child care assistance program to another -- with all the attendant paperwork -- every time the family's status changes. In addition, the funding provided by the federal government is not sufficient to cover all eligible families. The legislation we are proposing will consolidate these four major programs -- Child Care Development Block Grant, AFDC child care, transitional child care assistance and At-risk child care -- into a capped block grant within the Title XX program. The bill increases funding to accommodate the increased caseload that will result from this bill and to eliminate the existing shortfalls in coverage.

Our bill also includes the following provisions with respect to state flexibility:

- Consolidates the current child care programs into a block grant under the Title XX program.
- Gives states the option to have a Community Service program.
- Gives states the option to recycle up to 10% of the previous year's caseload back into the system.
- Gives states the option to deny AFDC benefits for additional children.

- Sets the state matching rate for the Work First program at 70% or ten percent above the Medicaid matching rate, whichever is higher.

Mr. Chairman, before I yield to Congresswoman Blanche Lincoln to discuss the Supplemental Security Income aspects of our bill, I want to thank you again for the opportunity to testify before your Subcommittee and we look forward to working with this Committee and the rest of our colleagues on welfare reform.

Mr. COLLINS. Mrs. Lincoln.

STATEMENT OF HON. BLANCHE LAMBERT LINCOLN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mrs. LINCOLN. Thank you, Mr. Chairman. I want to begin by thanking you for allowing this panel to testify today and for holding such comprehensive hearings on this very important subject.

Congressman Deal has done an excellent job of outlining our proposal to reform the Nation's welfare system and he, along with my colleagues here, as well as our staff, have worked hard, both this session and last session, to put together a comprehensive plan that will address that issue.

I wholeheartedly believe that our plan will fundamentally change the way the welfare system works by promoting work over dependence, strengthening individual responsibility and giving the States the flexibility that they need to be creative in their approach to solving these problems.

However, welfare reform is not limited to simply the AFDC Program. I am here to discuss an area of reform that has been the focus of much attention over the past several months, but an area that I have had an active interest in since coming to Congress 2 years ago: The Supplemental Security Income Program for Children, what some others have called crazy checks.

I became interested in this program after numerous constituents, including teachers, doctors, concerned citizens, came to me with concerns and allegations over SSI for Children. Their concerns were similar, if not identical, to those mentioned by Congressman McCrery last Friday in the hearing, allegations of parents coaching their children to misbehave in order to qualify for benefits, and a program so subjective and loosely managed that its integrity was constantly being challenged.

After a careful review of the program and after testifying before this panel under then-Chairman Ford's leadership last year, I requested, along with several of my colleagues in the House and Senate, that the GAO investigate the allegations of abuse as well as the overall soundness of this program. That report will be released in the coming weeks, but preliminary results from the GAO confirm really our worst fears: The SSI Program is out of control and the Congress must do something about it.

While the GAO has concluded that it is difficult to detect cases where coaching has occurred, they have raised serious concerns over the soundness of the program's structure, specifically with the individualized functional assessment or IFA process.

Mr. Chairman, I won't go over the evidence that was submitted during Friday's hearing, but I would like to point out one telling figure: In the past 5 years the number of children receiving SSI benefits has grown from 300,000 to nearly 900,000, a 300-percent increase. While I know that there are several legitimate reasons for growth in the program, including the *Zebley* decision and increased outreach efforts that were presented by the SSA, growth on such a substantial level suggests to me that either this program is in serious need of reform or America is experiencing nothing short of a full blown crisis in childhood disability.

I believe that the former is true, that this program needs fundamental reform. Specifically I believe that the IFA process is inherently flawed. In order to begin moving toward reform, this group proposes a very simple deadline under which to consider this extremely complicated problem.

We would propose that 90 days after the newly formed Commission on Childhood Disability submits its report to the Congress, funding for the SSI Program for Children will be capped at fiscal year 1994 spending levels, unless Congress acts on the Commission's recommendations or a substitute to those recommendations.

I want to make it abundantly clear that it is not the intention or the desire of any member of this panel to deny or reduce benefits to children who are truly disabled. On the contrary, we want to be helpful in finding a solution that will serve the truly needy and resupport public confidence in the program to make sure that the resources are truly getting to the disability of the child. We believe that this deadline gives Congress sufficient time to act. The Commission, which is chaired by former Representative Jim Slatery, has until November 30 of this year to present its findings. During that time, we fully intend to work with the Commission and with you, the Committee, and the Subcommittee, to find a viable solution. It would not be until 3 months after the submission date that our proposal would go into effect, well over 1 year from today. We believe that this Congress can achieve a solution before we reach that deadline.

As was noted in Friday's hearing, this is an extremely complicated problem. Some have deemed it one of the most difficult social welfare issues to come along in 20 years. Keeping that in mind, I would urge all Members who have an interest in reforming this program to proceed with caution and prudent deliberation. We do not want to harm those who—to whom we intend to be assisting. We want to correct the abuse so that those resources will be there for those who are truly disabled and that the resources go toward dealing with that disability.

In closing, Mr. Chairman, I again want to thank you for allowing us to testify today and we look forward to working with you on all of these issues.

Mr. COLLINS. And we thank you for that testimony. And the Friday hearing was a real interesting hearing too and it is one we have got to travel with caution on.

Mr. Clement.

STATEMENT OF HON. BOB CLEMENT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. CLEMENT. Thank you, Mr. Chairman. It is good to be here with all of you. I want all of you to know that we have worked diligently. I am speaking for the colleagues, as well as members of our staff, on a good bill and we expect it to go a long, long way and to become law.

I might share with you just recently, I have had the opportunity to meet with some welfare recipients, teenage mothers, and I spoke to them just frankly about their situation. All of them in high school, all of them with very, very young children. They want a new way of life, but they really don't know where to get started,

but I shared with them that in our bill, they are going to have to share the name of the father of the child if they want to be able to draw any kind of financial assistance. Are you willing to do that?

And I might share with you every one of them said, yes, we would, but then when I also asked them, I said, well, tell me something about the father of your children, since all of them were in high school and teenage mothers. All the fathers were 25 and over that are preying on young girls. You have got a club in Boston, Massachusetts that they call the 20/20 Club where it is a game to see if you can get 20 girls pregnant before age 20.

That is a sad commentary for all of us in this country when we look at welfare, which has made people more dependent, it has penalized marriage, it has defeated what we know of as the work ethic, but most welfare recipients want a better way of life, but they know also under the present system, if they take a job now, they are going to lose their welfare and what is the mother going to do with small children?

And that is where most of your welfare recipients are today. They are a mother with small children, and those are the ones we want to help. I don't think any of us want to penalize them at all. We want a program. We want a bill. We want some legislation that is passed in law that will help people help themselves, and that is what I like about our bill and—that we have worked together on very diligently and that is stressing work, number one; number two, individual responsibility; and number three, State flexibility, because the States need that flexibility in order to solve many of the welfare problems that we have today so we can prepare ourselves for the 21st century.

Thank you.

[The prepared statement follows:]



United States
Congressman
**Bob
Clement**

5TH DISTRICT, TENNESSEE

STATEMENT OF THE HONORABLE BOB CLEMENT BEFORE
THE HOUSE SUBCOMMITTEE ON HUMAN RESOURCES
January 30, 1995

Mr. Chairman, thank you for this opportunity to present our proposal to bring about an end to the welfare as we know it.

I believe restoring American's trust in government is the single greatest challenge facing this Congress. The American people are perilously close to losing their faith in this institution and its' members ability to effectively govern. We are each blessed with a wonderfully unique opportunity to serve in this body, as members of the greatest institution of its kind. We were sent here by the people, and it is the people's work that we are here to do. It is my opinion that some members of this government seem to be under the impression that their service is a guaranteed right. Public service is a privilege... not a right.

The American people feel we have been too consumed with preserving and promoting government rather than the will and liberties of the governed. Many have come to feel that the Washington Beltway which encircles this capital city has become a physical barrier and the embodiment of a learning curve.... and when left with no alternative they revolted.

One need look no further than our welfare system to find an illustration of the disconnect between the people and their government. Welfare recipients feel trapped in a system which penalizes marriage and robs them of their initiative, motivation, and self-esteem. Others look at welfare and see another wasteful government program plagued by abuse which promotes dependency and leaves them wondering why their hard-earned dollars continue to support this bureaucratic nightmare. The States, cities, localities and counties which administer the program are faced with the prospect of providing to a growing population while dealing with inflexible rules and regulations and a chronically insufficient supply of funds.

And what do I see?... I see all these things.
Government has failed.

Reforming welfare is not a revolutionary idea. Reform has been kicked around for more than a decade. In fact, significant reforms have been instituted as recently as 1988. But, any attempts to introduce meaningful changes to this system via simple reforms are destined to fail.

We propose to **replace** the current system based on income-maintenance with a partnership. An equal partnership which empowers the individual and guarantees the opportunity to become self-supportive in exchange for a commitment to personal responsibility, accountability, and hard work. A partnership which recognizes that it is the States and localities, those out

there on the front lines, that know best how to provide for the specific individual needs of their citizenry and allows them the flexibility to do so. And in exchange, we would require that every effort be made to move individuals from dependency to self-sufficiency.

Not just simple reforms but meaningful change.

Our proposal is based on three fundamental principles: **WORK, INDIVIDUAL RESPONSIBILITY, AND STATE FLEXIBILITY.**

The current JOBS program is woefully inadequate. Although there have been success stories in the JOBS program, they have been far too limited and far too scarce. Recipients tell of being shuffled from one training program to another, attending class after class, but never having worked or attended a job interview. Our bill places an emphasis on job placement rather than meaningless dead-end training programs. That is not to say that an individual cannot receive additional educational and technical assistance. Our bill provides such services; however, they will only be utilized in those cases in which it can be demonstrated that these services will lead to full-time gainful employment.

Under the federal work program, or Work First, recipients must participate in a required number of hours of work and job search each week in exchange for benefits during this two year period. Or, States may design their own work program provided they meet certain basic criteria.

We recognize that due to a number of circumstances such as economic hardships, a lack of available jobs, or an individual's need for more specialized assistance, there may be a number of individuals which have not been placed in a permanent position prior to the end of the two year Work First program. For this reason, we allow, but do not require, States to initiate a community service program. As in the Work First program, participation is limited to two years and individuals will be required to spend a specific number of hours working and looking for full-time employment each week.

Our second principle, individual responsibility, is based on the notion of tough love. I have two beautiful daughters. Elizabeth who is 13 and Rachel who is 11. My wife and I love our daughters dearly and have tried to instill good values in them. We have taught them the difference between right and wrong and trust they will make the right decisions. And we make every effort to nurture them and see that each receives the attention and encouragement they need. But, as every parent knows, no matter what you do, there comes a time when your children must be disciplined. Elizabeth and Rachel know that we have rules which must be followed, and that my wife and I have certain expectations of them. They also know that they will be held accountable if these guidelines are not adhered to.

Our bill takes this same approach. We make every effort possible to ensure that each recipient has a real opportunity to return to the workforce permanently. In return, we ensure that they are aware that there are specific expectations of them and that they will be held accountable for their actions and disciplined when necessary. These expectations do not simply apply to the recipients themselves but in some instances extend beyond the program participants to include the non-custodial parents and grandparents as well.

Our third principle reaffirms our belief that it is not the federal government but the frontline administrators of these programs which best know the needs in their area. For this

reason we give the program back to the States. But, unlike other proposals, we do not simply shift the burden to the States and run away. We believe that as it is a federally mandated program the federal government has a responsibility to ensure that the States have someone to turn to for support and assistance. Our bill includes general criteria to guide the States in developing their work programs; however, beyond the broad criteria, States are given a tremendous amount of flexibility. For example, we propose to eliminate the time-consuming, bureaucratic-laden waiver process. States would have the freedom to design their own programs, set penalties for non-compliance, and choose between a simple two-year time limit and an expanded community service component among other things.

Lastly, Mr. Chairman, there are single-working parents out there that struggle day to day just to keep their head above water and are just a paycheck, missed child support payment, or sick child away from welfare. Many of these individuals often work two or sometimes three jobs just to provide for their children and stay off of the welfare rolls. It would be easier for them to quit their jobs and accept welfare -- their children would have health care, they would get a lot more rest and he/she would have the security of knowing that every month they would receive a check. But these individuals have accepted responsibility and demonstrated that they are willing to do whatever necessary to avoid welfare. Mr. Chairman, the actions of these individuals have largely been ignored while less industrious individuals have been given access to government programs and assistance. Our bill recognizes the sacrifices these individuals have made and extends a helping hand and a gentle boost.

Mr. Chairman, I again want to thank you for allowing me to testify before this committee. We have a wonderful opportunity to make a real difference in the lives of thousands of individuals. The President, the Congress, and the person on the street all agree that the current system is not working.

I remind the members of this committee that the American people are watching. They are skeptical. Welfare reform provides a real opportunity to make meaningful changes and demonstrate to them that we can still govern effectively. We must not allow this golden opportunity to pass us by -- to do so would be a tragedy. I for one and committed to ensuring that we don't blow it... are you?

Mr. COLLINS. Thank you, Mr. Clement.
Mr. Tanner.

**STATEMENT OF HON. JOHN S. TANNER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TENNESSEE**

Mr. TANNER. Thank you, Mr. Chairman. I won't take long. I want to thank you all for having this hearing and allowing us to participate. I think from what we heard from the last panel and what our colleagues here today have already said, the present system has the wrong incentives in it. It is broken and the question all too often now has to do with what is necessary to qualify for a check rather than what is necessary to return to work and be productive. And how we move people from dependency to productivity, I think, is the major question here.

We believe this approach that we have taken is a centrist approach that certainly would commend itself to you all for study and consideration as we try to form a consensus on how best to, I think, fix a system that is wrongheaded, one that rewards irresponsible behavior rather than encourages personal responsibility as has been alluded to.

There is a woman that I spoke with in my district back in Jackson, Tennessee, Connie Putnam, who made it off of welfare and she indicates some of the problems with trying to get off welfare in the present system. We almost discourage people from saving any money to try to help themselves make the transition.

And so all of us know the problems with the present system and the reverse incentives that are there to help people, and again, I won't take a long time, but thank you very much for your allowing us to be here.

[The prepared statement follows:]

U.S. Rep. John Tanner
1127 Longworth HOB
Washington, D.C. 20515
8th District, Tennessee

Mr. Chairman, members of the subcommittee, distinguished guests, I want to thank you for allowing us to appear before you today. I want to commend this panel's diligence as the first round of hearings examining the future of welfare reform in the 104th Congress nears conclusion.

The vision behind welfare was simple and logical. When these programs were being put in place it was said they would be the vehicle that gives those who need it, a second chance. But the evolution of these programs has led people in many cases to broken families and lifelong dependency over generations.

That is surely not what welfare was intended to be then, now, or ever. And people like Connie Hooper Putman illustrate welfare's good intentions. Along with her two children she now lives in Madison County in our West Tennessee district. After more than 10 years of marriage and running the family household, Ms. Putman found herself divorced with two children to raise, bills to pay, and no immediate source of income. She needed a second chance.

So Ms. Putman contacted Larry Tilman and his staff at the local office of the Tennessee Department of Human Resources. She has completed her nursing class work in a continuing education program at Dyersburg State Community College. Her classes there were subsidized contingent on good grades. All that is left to complete is her clinical requirement, which she hopes to do this spring. And Jackson-Madison County General Hospital, rural West Tennessee's largest hospital, is one of the places she has applied to complete her clinical assignment. This will ultimately give her the tools to seek work as a full-time nurse.

Ms. Putman is now working at Jackson's UT Family Practice in its medical records section. Now only the completion of her clinical work stands between her and a job. Recently remarried, she has the promise of gainful employment and new opportunity in her hands.

We all agree that this kind of individual success is the goal of welfare. Welfare cannot be a way of life. It should be a second chance for an individual or a family; a bridge from dependency to productivity. Welfare should offer our citizens transitional assistance en route to a new job, self-sufficiency, and financial security, rather than subsidizing a way of life divorced from work, family, and personal responsibility.

Today's welfare programs spend nearly \$300 billion at the federal, state, and local levels of government and often trap those in the system in a cycle of dependency. Now the questions all too often have more to do with what is necessary to qualify for a check than what is necessary to quickly return to the workforce as a productive citizen. What's more, eligibility standards for welfare assistance seem to encourage many of the problems welfare is supposed to solve. More babies are being born out of wedlock in part because it pays. Single parent families are the rule because assistance eligibility depends on one parent living outside the home. And while recipients are enrolled in these programs they are effectively barred from saving much money for the future.

The incentives contained in current law are wrong headed and must be changed. Parenthetically, I personally believe this system is one factor in the explosion of violent juvenile crime in this country.

You will remember that President Franklin Roosevelt toward the end of the Depression, once said, "Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fibre. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit. . . . The Federal Government must and shall quit **this** business of relief."

That sounds distinctly like something he might say today if he could see what welfare in America has become because that is the exact effect of much of our welfare establishment.

And it is why we will be introducing our reform legislation in the next few days. Our approach demands personal responsibility for one's future. Our bill advocates time limited assistance, strong child support requirements, and wide flexibility for states to opt out of the federal network. In short, we demand work in exchange for assistance. Receiving a check solely because a recipient meets an eligibility requirement is no longer an option.

The question for welfare recipients should be what is required to return to the workforce as soon as possible. Moreover, the underlying principle for welfare policy should be an obligation to work rather than a right to income maintenance.

We place a two-year, lifetime limit on participation in a **Work First** program. For those who still have not found employment, a **Community Service** program would permit a two-year assistance extension. These time limits impose an incentive for recipients to take the necessary steps to move from welfare into the workforce. We require job search immediately upon entrance into the program and impose sanctions on those who do not comply with program requirements.

Our bill is about taking the steps necessary for those in the system to maintain their family units intact. We call for the disadvantages built into the current system that penalize marriage to be abolished, and demand that fathers must be identified at birth in exchange for benefits. Knowing who the father is will allow social services officials to better track dead-beat fathers and collect child support payments. Non-custodial parents should not have to be forced to take an active and responsible role in the lives of children they help bring into this world. Our bill sends a strong and clear message to non-custodial parents that failure to assist in the support of their children will not be tolerated.

Our bill does not deny minor mothers benefits as some other proposals do. But we do demand that they live with parents or guardians and complete their education in exchange for assistance.

And finally, we provide the states with great flexibility in terms of their own welfare programs and experiments. We would set up a federal model for those states with no established network, allowing those states that already have programs in place to easily opt out of the federal model.

More than half of the states -- including my home state of Tennessee -- have proposed reforms or sought waivers from the federal government to change welfare at the state level. Our states are the great laboratories available to help find out what works and we should take better advantage of their ingenuity. This bill lets us do just that.

I would commend this legislation to you for your consideration as I believe there is significant room for common agreement to move this debate forward.

Finally, many would agree, and some have suggested, that welfare reform cannot be driven by selfish, individual prejudices if it is to have any chance at all to be successful. Nor can it be derailed by a steadfast desire to maintain the same kinds of programs that have failed the very people they were intended to lift up. Any reform must move people from dependency to productivity through a community-minded desire to improve the quality of life we all seek for ourselves, our families, and our fellow citizens.

Mr. Chairman, thank you again for allowing me the opportunity to be with you and your distinguished colleagues today.

Mr. COLLINS. And we thank you too.

Mr. Stenholm, we go back to you. Do you have a statement or you just want to defer now to questions?

**STATEMENT OF HON. CHARLES W. STENHOLM, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Mr. STENHOLM. I have the written statement that I sent to the Committee last Friday. I should ask that it be inserted in the record and I stand ready to answer questions, Mr. Chairman.

Mr. COLLINS. Very good. Each statement will be entered into the record.

[The prepared statement follows:]

Testimony of
CONGRESSMAN CHARLES W. STENHOLM
before
Committee on Ways and Means, Subcommittee on Human Resources
January 30, 1995

Mr. Chairman, I appreciate this opportunity to testify before your Committee regarding the very important issue of reforming our current welfare system. I, like many Americans, feel that the time has come to seriously evaluate the structure of our system and provide constructive solutions to problems within it.

I come before you today with the hope that we can all work in a cooperative manner to develop a plan that transforms our current system into the type of program that it should be--a temporary helping hand for those who need a chance to get back on their feet again. To this end, I have been working with a group of concerned Members of Congress to develop a comprehensive reform proposal which we believe provides some middle ground in addressing many of the problems in our current welfare system.

I think we all agree that the focus of welfare reform should be getting people off of the welfare rolls and into work. It has become very obvious, however, that while we may agree on the goal, it is not as easy to agree on how to get there. Having said that, I feel that the welfare reform proposal we are developing incorporates many provisions from both sides of the aisle and provides a centrist approach to intelligently reforming our welfare system, without hurting those individuals who need a helping hand. We cannot take the limited view that welfare reform simply means cutting the cost of welfare. Welfare reform is not simply cutting services and denying benefits in order to have a budgetary fix. Welfare reform involves real people with real needs, which do not just disappear once the funds are cut. Their needs will continue, the same as before, unless we provide some of the necessary assistance to move them off of welfare into jobs.

I realize, too, that there are many instances of fraud and abuse in our system. As the former Chairman of the Agriculture Subcommittee on Department Operations and Nutrition, I have worked tirelessly to correct deficiencies in the Food Stamp program and I am well aware of the need for continued improvement. I am here today because I believe that we can continue to work together to make further improvements within the system.

The welfare reform proposal that we have developed addresses these basic problems by, first, emphasizing work over welfare. One of the basic tenets of the proposal is the establishment of the Work First program, which fundamentally reforms the JOBS segment of our current welfare system. The new Work First program requires participants to begin job search and job placement activities as soon as they enter the program, which provides individuals with the opportunity to immediately begin working their way toward self-sufficiency.

Second, we change the focus of welfare from a seemingly endless hand-out to a temporary hand up. The perception of our welfare system as a permanent way of life has evolved from years of providing benefits to recipients without a sensible plan for moving them off of the welfare system. Therefore, we propose a time limited assistance program that would empower individuals to move from welfare to work. As an incentive to work, the plan would provide transition assistance to make work pay more than welfare. States also would be allowed to deny recipients benefits if they do not have jobs after two years in a work program.

Third, we propose changing the perception that government bears all of the responsibility for those in need. Individuals also must accept their share of responsibility in providing for their families. In order to shift the focus to individuals, we strengthen child support enforcement and hold grandparents liable for financial support of children of their minor children. The proposal allows states to deny increases in AFDC funding to mothers who have additional children while receiving these benefits. It also requires minor mothers to live with a parent or a responsible adult.

Finally, we realize that a "one-size-fits-all" approach to welfare reform is impractical, if not impossible, because it does not take into account the wide range of needs and programs that exist. Therefore, we have provided states with the flexibility necessary to develop effective programs that meet their own specific needs. While the federal government has a role to play in setting broad guidelines in order to maintain a level playing field, state flexibility is the key to reforming our welfare system.

It is my hope that states, in developing their individual plans, will look to local entities to see what services they are currently providing, how they are providing them, and how much money they are spending on their programs. I would encourage my Colleagues to take an "inventory" at home, as I am, to hear from the front line administrators about what really is happening in our current welfare system. I began this project in my district a few weeks ago and have received a tremendous response. In contacting local program administrators, we are able to learn about each individual program as well as develop an understanding of the interaction among different organizations and agencies. I believe this is the first step to take in reforming our welfare system. Without the insight of the local people, we will have a difficult time finding the most appropriate solution to the problems they face everyday in providing basic services.

Furthermore, I believe it is very important for us to acknowledge the different problems encountered by rural and urban areas. We simply cannot allow rural areas to be overlooked in this debate; therefore, I am currently working to identify ways to protect rural interests and ensure them a place at the table in the overall welfare reform debate.

Reforming our welfare system, undoubtedly, is going to be a great challenge. It will require cooperation among federal, state, and local entities, as well as cooperation between Democrats and Republicans. I look forward to this challenge and I look forward to working together to find a resolution to this important issue.

Mr. COLLINS. Ms. Dunn.

Ms. DUNN. Thank you, Mr. Chairman, and welcome, ladies and gentlemen, and Blanche, I like your new name. I hadn't heard it before today. It is nice.

I wonder, so many of the points you make are considered to be terribly important by Republicans and Democrats alike and your program sounds like, at least a portion, a major portion of the program we proposed in the Contract With America.

I am wondering what areas you would find might come under discussion when you are dealing with us on proposing the final welfare proposal. What in your program is going to be distinctly different or is there anything?

Mr. DEAL. Well, I think ours is different in that it does not take the approach of putting everything back on the States initially. Our approach is to provide the funding to the States with overall guidelines and giving them great discretion in tailoring their programs as to how they think their State's needs are in concert with those overall guidelines and objectives.

We believe that our program will significantly put more people into the workplace than any of the proposals that are on the table. We believe that we do consolidate those Federal programs that should be consolidated, such as child care programs, are consolidated for funding and giving the States greater discretion as to how to use those. I think that is the major difference.

Our belief is that the problem, if it is a problem, was created through the Federal Government's programs, that we have a responsibility to try to straighten those programs out, while at the same time providing the revenue and the flexibility to the States to make distinctions as their needs exist.

Ms. DUNN. Thank you, Mr. Chairman.

Mr. COLLINS. Mr. Levin.

Mr. LEVIN. I don't really have any questions. I think the presentation has been most helpful and I think that Mr. Deal's response shows that there is a lot of room for finding an answer here that surely will have broad appeal or could have broad appeal within Democratic ranks, and I think might find some linkages to both parties. So I thank all of you for your constructive testimony.

Thank you.

Mr. COLLINS. Thank you.

Mr. McCrery.

Mr. MCCREERY. Thank you, Mr. Chairman, and thank all of you for giving us the benefit of your thoughts and your work on this very important subject. I think you have offered some very constructive ideas that we will take a close look at.

Just a general question for anyone on the panel. How do you think your proposal will be scored in terms of the budget?

Mr. DEAL. I will take a stab at it. Depending on some options that are still not totally in our final draft of it, it would probably include a cost figure somewhere in the \$15 to \$20 billion range over a 5-year period.

Our funding mechanism, which we have not addressed here, is very similar to other funding mechanisms. We would—we would think the scoring, with our primary funding source being immigration reform, would generate somewhere in the neighborhood of

\$20.3 billion which would be more than enough to cover us on the high side.

We would also have a cap on emergency assistance programs which CBO estimates would produce about \$800 million over the 5-year period. A phaseout of dependent child care in the \$70,000 to \$90,000 range would likewise produce about \$700 million over a 5-year period, and then the modification of the family day care with an income test on that program would be scored by CBO at about \$500 million over a 5-year period.

So we have the \$20.3 billion from immigration, \$800 million from the cap on assistance programs, \$700 million on the phaseout of child care dependency for upper income, and the means testing on the day care facilities with \$500 million. So we think that it not only is funded, but it is overly funded.

Mr. MCCRERY. Your \$20.3 billion savings from immigrants, is that reform of transfer payments to immigrants?

Mr. DEAL. It is an elimination of all social benefits for noncitizens with the exception of SSI—let's see if I can get them all correct—emergency medical, food stamps—excuse me. It would eliminate SSI, Medicaid benefits, except for emergency, which I think we all understand that, food stamps would be eliminated, AFDC benefits would be eliminated.

The primary distinction between ours and the Contract proposal I think is that you do not—I think it is asylees that you do not exclude out. We do have a 6-year exclusion period for asylees and refugees and for those that are 75 or older who have been citizens for 5 years, they are excluded, but that is the primary focus of it.

Mr. MCCRERY. So all your savings to pay for your new program come basically from within the welfare system?

Mr. DEAL. That is correct. We do not have any outside funding source other than the three I mentioned, which are minor. And those are really within the system, too.

Mr. MCCRERY. So net, you are going to create a savings, an overall savings for what we have come to know as our welfare system.

Mr. DEAL. Yes.

Mr. MCCRERY. Of maybe what, \$2, \$3, or \$5 billion over 5 years?

Mr. DEAL. At least.

Mr. MCCRERY. At least?

Mr. DEAL. Right.

Mr. MCCRERY. Charlie, did you have a comment?

Mr. STENHOLM. Mr. McCrery, I would like to share a personal thought along this line as we are all grappling for the solution to a very difficult problem.

It's something that we are trying to do at home in our own district right now. We are doing an inventory of all of the programs that we have in Abilene, Texas and San Angelo, Texas, two of my larger communities. As we have gotten into this discussion—and what brings us to you today with a recommendation—it became very apparent to all of us that there is no one in any community in the United States that can tell you all that is going on within that community. We have really no idea who is receiving what benefits from whom, or who is doing what to whom or for whom. Therefore, if you are going to solve a problem, it seemed to me also a little statement—I believe of fact—that the local people, the peo-

ple right there on the line that are delivering the services, have just as many problems with the State bureaucracy as they do with the Federal bureaucracy.

Therefore, we are a little bit nervous about just saying we are going to solve the problem by letting the State solve the problem, without talking to the local people to see whether or not they agree with the proposed solution. I think that will perhaps—and I say this with an if because this is just something that I am doing personally in my own district right now, but I found out after sharing this with others that others have tried this and, in fact, in some communities it is going on now—allow us to see if there is not a more efficient way of delivering better services by talking to the people on the firing line. I think the answer is going to be yes, but until we have had a little better chance to put it together with recommendations, we chose not to make this a part of our bill that we will be introducing. I think, however, it is an idea and a concept that we really need to take a hard look at and perhaps these savings within the system. I have read quite a few studies that strongly suggest that we can do a much better job of helping those truly needy by a more efficient administration of the program at the local level.

Mr. McCRERY. Thank you.

Ms. Lambert, I want to ask you another question, but feel free to—with your indulgence, Mr. Chairman, just 1 second.

On the SSI for Children Program, there is a lot of sentiment on this Committee to go forward with some reforms now and not wait on the Commission that was set up pursuant to legislation passed last year. So I would be interested to hear from you.

You don't have to go into it now, but I would be interested to hear from you any ideas that you have. I am sure you have thought about this, as to what reforms we could make now without doing damage to those children who truly need services and perhaps even cash payments, and—because I think we are going to try to move forward and include some SSI reform in the so-called Contract bill that is going to move through this Committee.

Mrs. LINCOLN. Well, my proposal in my bill, the capping at the 1994 levels is included in our welfare reform package, and it is a part of that.

If I could just step back for one moment and echo my colleagues here, when we talk about the differences perhaps from the Contract and what we have got, we have found that a great deal of the problems in the welfare reform area are programmatic in the sense that the programs themselves, and as Mr. Deal mentioned, that as opposed to just shifting the administrative burden to the States through block grants or other problems like that, we have to deal with the problems and the glitches that we have on the Federal level to actually correct the programs, and I think that that is what a lot of what we have tried to look at in this package, is to correct the wrongs that we may have made at the Federal level.

The other difference that wasn't pointed out is the child care in our package as opposed to the Contract. I think that is real important, when you look at putting, especially young mothers and women back to work, is making sure that that child care is a portion of what you are doing.

I know we have seen some real positive results in some of the expansion and the pilot programs in Head Start from zero to 2, making sure that those programs are only made available to young mothers who are in school or holding a job, and we have found that to be very productive in limiting what we are making available and tying that back to their schoolwork as well as their jobs.

On the SSI, it is very important that we move ahead, and I think that as I said in this hearing last year, that we have to be very cautious because we do not want to eliminate the benefits for those who are truly disabled.

One of the biggest problems, as I mentioned in my testimony, is the IFA process, and as we go through that IFA process, those two domains out of the five that are still very subjective, looking at the solutions of how we deal with that, because you do not—or I certainly do not want to indicate to anyone that there are not disabilities that coincide and come along with mental disabilities. There are mental disabilities that require assistance and they should, but as we go through that IFA process, which seems to be a big part of the problem, looking through that IFA process, those two domains produce too much subjectivity in calculating without giving the scientific verification of those illnesses that we actually need and that is why I say we should move with caution in dealing with the reform.

If we cap it at 1994 levels, it gives us time to make those studies more thorough. The GAO report that will come out in the following couple of weeks presents to us that problem, that if we do go in and change that entire process, we run a very strong risk of eliminating the assistance and the resources getting to those that are mentally disabled because they do fall into those two domains and those two categories.

So those have been my cautions, but I do think that we should move ahead. I would be more than happy to work with you all in coming up and using the knowledge and the background that I have gained.

Again, the block grants, we have concerns that we are just pushing, again, the administrative burden onto the States in that respect. And you have also spoken and mentioned, I think, about a Medicaid expansion. I just sat on the Health Subcommittee of the Commerce Committee, which that does fall under our jurisdiction, and would be delighted to be able to work through that element with you all and coming up with some real hard, fast solutions that will put us in the right direction.

Mr. MCCRERY. Mr. Chairman, I apologize, I said Ms. Lambert and it should be Mrs. Lincoln.

Mrs. LINCOLN. Have you ever in your life ever seen something cause so much confusion as a woman getting married and changing her name?

Mr. MCCRERY. We are pleased to have you. I would be interested though, Mrs. Lincoln, in some specific proposals for changes right now, if you have any, because frankly, this Member is not prepared to maintain the status quo for another year or another 2 years waiting on the Commission. I think we have enough evidence in to know that the program as currently structured is just broken and we need to at least make an attempt to fix it.

Then let the Commission come in and tell us how those changes are working and how we might add further changes to improve the program, but it is clear to me that this program is badly broken. We are spending too much money and we need to at least make a stab at fixing it, so any specific proposals you have for reform now, I would be interested in getting from you.

Mrs. LINCOLN. We will be glad to work with you, and I would just like to comment that the Commission does meet and has to come up with its report by November 30.

Mr. McCRERY. Yes, I am aware of that. I got that date changed from November 1996 to November 1995 when we considered that in this Committee last year, but I was—even at that time, I was not in favor of creating a Commission. I was in favor of action. So anything that you could get us now would be appreciated.

Mrs. LINCOLN. We will be glad to work with you.

Mr. COLLINS. I didn't interrupt the gentleman because those are some of the questions I want to get to do, so I just yielded him my time.

But we appreciate each of you with your testimony, we appreciate the fact that this is an issue that we all recognize needs to be addressed, and I believe we are going to travel forward with it. It is going to be traveled forward with a bipartisan effort.

Thanks again.

Ms. DUNN. Mr. Chairman, may I just ask one brief question before the panelists leave? I either missed it or I didn't hear it, or it is not in your proposal.

On your second point of increasing individual responsibility, do you include a deadbeat dad proposal?

Mr. DEAL. Yes, our proposal does include provisions for additional efforts for child support enforcement, yes.

Mr. COLLINS. Thanks again and our next panel will come forward.

OK, we will begin with Mr. Walsh from New York.

**STATEMENT OF HON. JAMES T. WALSH, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW YORK**

Mr. WALSH. Thank you, Mr. Chairman. It is a pleasure to appear before this Committee today and I appreciate your giving me the opportunity to do so.

My testimony is about Supplemental Security Income, commonly known as SSI. I want to tell you a personal experience that angered me and in fact moved me to testify here today.

Early last year, I met with several social workers in my Syracuse District office. They had requested the meeting. These are people of deep social conscience. They were worried and they were upset. The subject of their concern was the abuse of SSI that they witness firsthand, and ultimately, the effect that that abuse has on a system of support for families within the public school system.

I was moved by their comments. In a nutshell, they explained how easy it is for a child to become qualified for SSI, often fraudulently.

The reward is an additional \$400 per month. As I say—I say additional, because often the family is already receiving AFDC and Medicaid benefits. Very often the family has become entangled in

a government system which tempts them to deceive the government and discourages them from seeking work.

By the way, I served as a caseworker early in my career. To state the obvious, I am fully aware of the real needs of Americans who, without welfare, would be destitute and incapable of helping themselves.

Having said that, this hearing is not about punishing the poor. My testimony is not meant to belittle the needy. Our efforts are about fairness, to taxpayers, to law-abiding public assistance recipients, and to the children who are directly affected by the behavior of the adults who intentionally abuse the system.

Imagine hearing this as I did from social workers: Parents are coaching their children to act out in school. This behavior is considered a disability by the Social Security Administration.

This is something to make your blood boil. In one instance, they talked about a woman who had four children, and this was early on in their experience with this, so the mother came in with four children, asked that these kids be reviewed for disability.

They did that and they determined that three of them were perfectly normal, one had a slight learning disability. So they went back to the mother and they proudly proclaimed to the mother, you are the mother of three very healthy children and one with a slight reading disability. The mother immediately said, go find something wrong with the rest of them.

Even more galling is the fact that while the payment is made to the families, the remediation is already being done in the school district at no cost to that family. That is because the school district in New York State receives \$3,000 to \$4,000 per year per student determined to be disabled. Clearly the feeling among these dedicated workers, whose loyalty to the children is demonstrable and beyond question, is that money is being paid for bogus disabilities and that the waste is discrediting the overall good efforts of their colleagues.

The allegation from these social workers is that the direct payment is being used for material items, cars, televisions, and vacations. The people who are abusing the system know they will not be dropped from the rolls because their cases are never reviewed.

So I propose changing the system to meet this problem in three specific ways. First, I will propose that the definition by which a child qualifies for benefits be toughened. The court's decision may stand, but the requirements should be determined with counsel regarding additional medical and psychological testing.

Second, once a child qualifies, I believe there should be annual review of the child's progress. Unbelievably, the Social Security Administration presently conducts very few such progress reviews.

And third, the cash method of payment must be changed. Perhaps a voucher system to pay for remedial help not provided at the school will end the abuse. How can this happen? How could we have gone so wrong? Generally pervasive dependence on welfare has become a generational trait in some urban areas. Specifically, rulings such as the 1990 Supreme Court decision of *Sullivan v. Zebley* greatly loosened the requirements for eligibility. In *Zebley*, the court ordered the Department of Health and Human Services

to rewrite the definition of disabled so that children would more easily qualify for benefits.

The greatest concern that I have quite frankly is that an individual with supplemental income of \$400 per month, plus AFDC benefits, plus Medicaid and other Federal support income, will be far better off in many cases than a household with one or two wage earners.

This is not fair to the people we are trying to free from the cycle of dependence and to the taxpayers who expect us to institute a proper and decent support system for the truly needy in our country. The initial thrust of this program was to support adults with severe disability, like blindness, that prohibited them from full employment, to supplement their income. It should not be used for kids who can't sit still in class.

Again, Mr. Chairman, thank you very much.

Mr. COLLINS. And thank you.

Mr. Bunn.

**STATEMENT OF HON. JIM BUNN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF OREGON**

Mr. BUNN. Thank you, Mr. Chairman, Members. I am Jim Bunn, representing Oregon's Fifth District, and I just briefly want to share with you some concerns regarding support for teenage mothers as we deal with this question. As a prolife Member of Congress, I am concerned with requirements that I think would push girls toward an abortion and that—of anything that we do when we ask people to be responsible for their actions—is probably the least responsible action they could take, but I want to share the statements of one or bring to your attention the statements of one girl.

I met with a group of constituents, six girls in a crisis pregnancy center. One of those girls' father had died and the family simply was not in the position that we could say, go home, and it is all going to be fine. Another girl had been living in a storage unit. Another one of the girls, I asked her how long have you been on welfare. She said, I have been on welfare for 2 weeks and as I went through the background, Tracey Dreger had been working two jobs until the day before her due date.

This is a girl who the father of the child would take no responsibility and was in another State, and as much as we need to rework the laws and get tough on the deadbeat dads, here was a teenage girl who just couldn't make it without help. We have been providing the help.

She is the kind of girl that I think we need to look and say the welfare program was appropriate for. She doesn't like being on welfare. She is not proud of it. She is working very hard right now taking care of a newborn baby, but 60 days from now, she is going back to work. Her employer has agreed to take her back to work, but without public assistance, she would have a major problem with medical bills, she would have a major problem just surviving for that 2-week period, and so it is very easy to stereotype, but I think it is important to go back and start talking to the people that we are going to impact because I talked to six girls, all with very different circumstances, and even though it is nice to say there should be two parents in every home and the family should be a

strong unit, it doesn't always work that way, and I don't think that we are in a position that we can realistically demand that and then cut off support for somebody that doesn't fit that stereotype.

So I respectfully ask that you consider the input of some people who can't be here to share those, and Tracey Dreger is an example that I hope you can look at her testimony. I think it conveys a real need that we are meeting and that we shouldn't turn our back on.

[The prepared statement and attachment follow:]

**HUMAN RESOURCES TESTIMONY ON WELFARE REFORM
BY CONGRESSMAN JIM BUNN**

Mr. Chairman, I'd like to thank you and the Members of the committee for the opportunity to testify today. There are some who believe we are rushing to quick solutions about welfare, and I think these hearings provide ample evidence to the contrary.

It appears to me, Mr. Chairman, that we have reached a critical point in the national debate over welfare. Today, virtually everyone agrees that the system as it stands is failing. Liberals and conservatives, Republicans and Democrats... all of us recognize that there are serious problems, and that those problems are getting worse with each day.

The question, of course, is, "What are we going to do about it?" Too often in the past, Congress has answered that question without adequate input from the public.

In an effort to change that, I have tried to spend time with welfare recipients from my district. I must tell you Mr. Chairman, the people I visited with bore little resemblance to the "welfare queen" stereotypes that often come to mind.

I'd like to tell you about one of them. Miss Tracey Dreger, like many other welfare recipients, got pregnant as a teenager. She and her one month old baby girl, Kendra, receive assistance from the government through AFDC, WIC, and Healthy Start.

Abandoned by her boyfriend after becoming pregnant, and stranded in a small Oklahoma town with no prospects for work, Tracey chose to keep her child rather than have an abortion, or give her up for adoption. Instead, she came home to Oregon to live with her mother. Tracey did everything she could to take responsibility for herself and her coming child. She went to work right away, even taking a second job during her last month of pregnancy. Indeed, she worked those two jobs until the day before her due date.

However, after Kendra's birth she was no longer able to work. The full time job of taking care of an infant took precedence, as it should. So now she finds herself on welfare. She is not proud of it, and she wants to get back on her feet within the next two months.

Mr. Chairman, in my opinion, Tracey is exactly the kind of person the welfare system should be designed to serve. Like all teenagers, Tracey has made some mistakes. Unlike some, she has done all she could to accept responsibility for them. For that reason, I have serious concerns about blanket requirements to refuse benefits to teenage mothers.

As a pro-life Member of Congress, I worry that such proposals will force girls like Tracey to have abortions. If the goal of welfare reform is to encourage recipients to take responsibility for their lives, it must not push young women to undergo abortions... in my opinion, the ultimate denial of personal responsibility.

The revolution of the 1994 elections contained many messages. Voters demanded genuine reform of the welfare state. They also cried out for a government which views its citizens as more than numbers on a page.

When we make decisions about welfare reform, Tracey, Kendra and hundreds of thousands like them should be on our mind. We are not simply trying to save money, we are trying to restore basic human dignity and civic duty to the neediest among us. By demanding that welfare recipients find work, we can help recipients to build the personal framework that leads to success. By cutting off benefits to teenage mothers, I fear we will punish children, both born and unborn, for the youthful mistakes of their parents.

With that, I'd like to submit Tracey Dreger's statement for the record, and I'd be happy to take your questions.

STATEMENT FROM TRACY DREGER

My name is Tracey Dreger. I have a one month old baby girl named Kendra Dreger. Kendra has my last name because I never had any intention of marrying her father after I found out I was pregnant, and we are no longer together. Kendra was discussed but I never really thought it through until after I got pregnant. Then I decided that I didn't like the relationship I was in and I didn't want to be pregnant. Although I felt that way, I wanted to keep the baby because abortion was not ideal for me. Also, adoption was not a choice I favored. It has not been easy being a single parent and being financially challenged but I have stuck with it and it is all worthwhile.

I first got on assistance when I found out I was ten weeks pregnant. I got on the W.I.C. program and on medical assistance. I was not working and therefore had no medical insurance and no way to pay for a baby. The father was working but did not contribute to anything but himself. I was in the process of looking for a job but I was living in a very small town in Oklahoma and it was impossible to find a job. After a month of trying to figure out what I was going to do, I decided to move back to Oregon to live with my mother. My goal was to find a job and move out on my own. I didn't really want to live with my mom because her ex-husband and I didn't get along but I had no other choice. After I moved in, I got a job and she got divorced. After he moved, she was no longer able to pay the bills and try to support my brother, sister and I on one thousand dollars a month (when the rent is \$610.00 and groceries alone cost more than \$200.00 a month for five people. That doesn't include car payments, insurance, power, phone and other bills that we have. It was virtually impossible for my mom to support the household alone so we became roommates. I pay about half of everything with the wages that I make so we have a place to live and food on the table.

Throughout my pregnancy everything was O.K. financially up till Thanksgiving. Bills were starting to pile up and we didn't have enough money to pay for them so I got a second job for the last month of my pregnancy. It was difficult because I made too much money from one job to be on assistance, but I didn't make enough to pay the bills. I worked two jobs until the day before Kendra was born. My mother also worked two jobs the weeks before Christmas. After the baby was born, I faced a new problem which was how my mom and I were going to survive when I was unable to work because of maternity leave. The only option I saw was to go on public assistance. I only plan to be on public assistance for two months. This is the only way I can live because I have no income. I plan on going back to work and I want to. I don't want to "live off the system". I just need help for a short time. The father is not involved, by his choice, so I get no support from him financially, and as I said before, my mom doesn't make enough to support me.

Although I do not get financial support from anyone I have gotten a great deal of emotional support from the W.I.C. program, Healthy Start and Camp Fire. I have had representatives of these groups in my home to visit me which has helped me a great deal. They let you know that you are not alone and that not every one of is against you. I am very thankful for all the support I have gotten from all these institutions. Without them I would not have been able to make it as well as I have. Everyone needs some kind of support sometimes and when you are a new parent, still in your teen years, you get scared and don't know what to do. But, with the help of welfare, W.I.C., Healthy Start and Camp Fire you get reassurance and guidance which is very important to be a good parent.

Mr. COLLINS. Thank you, Mr. Bunn.
Michael Castle from Delaware.

STATEMENT OF HON. MICHAEL N. CASTLE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE

Mr. CASTLE. Thank you very much, Mr. Chairman. I appreciate the opportunity of being here and being able to share some thoughts with you. I had a chance to address the Governors yesterday at their meeting here in Washington and heard back from them some of their concerns too, and I am going to be talking mostly about State flexibility and options.

We all agree that our welfare system is broken, I think almost without exception in this country. Voters believe welfare programs now help too few, cost too much, encourage government dependency, discourage work, and penalize two-parent families. We recognize these flaws and others: The tendency to remain on the rolls for many years, the expanding number of overlapping programs and the recent explosion in out-of-wedlock births to teens and other unwed mothers.

But I suspect some voters also wonder whether Congress might go too far too fast in a zeal to streamline and redirect welfare and reduce and cap social spending. Thus, the Congress is confronted with the problems associated with trying to faithfully carry out their mandate to change the nature of welfare in a fair, compassionate, and fundamental way.

While I thought H.R. 3500 represented this approach in a fairly balanced way in the last Congress, I believe the Contract With America's Personal Responsibility Act could be moving too far, in certain areas at least, toward punitive and potentially problematic solutions that could create as many problems as they solve.

A couple of examples of this. The income disregard section in H.R. 3500 was dropped without discussion or reason, as far as I could ascertain, in order to retain the marriage disregard and the microenterprise sections. As these sections were State options in H.R. 3500, allowing the States to experiment without having to go through the time consuming waiving process, we should reconsider retaining experimental waiving sections like these and others and push to abolish the waiver process which was embraced by H.R. 3500.

The Personal Responsibility Act places greater emphasis on work over education and training than H.R. 3500, which is acceptable and right, but it raises the participation rates significantly from requiring 2.2 million as opposed to 1.2 million to be placed in jobs over 5 years. Will States be capable of placing this many additional welfare recipients into paying jobs when they protested the standards originally laid out in H.R. 3500?

In my view, while we should pursue a policy of education and training for up to 2 years, it shouldn't be a strict 2-year cutoff for those who are in school or qualifying for some criteria, which would allow that person to be exempt from a strict cutoff.

States should be afforded some latitude to address this based on strict standards, but without the need for waivers. We need to re-examine the so-called compromise that was reached in developing

the Contract over prohibiting AFDC cash benefits to children born to unwed mothers under age 18.

And it should consider returning it to the State opt out provision that was in H.R. 3500. This might return as a State option because the State, not the Federal Government, should ultimately decide when confronted with a situation of actually denying aid to the child born to an unwed teen parent for up to 18 years.

While H.R. 3500 denied AFDC to children born to women on welfare who had received welfare at any time during the 10 months prior to the child's birth as a State opt out, the Personal Responsibility Act mandates this provision. Until we have a better understanding of how States will address this issue, we should consider leaving this as an opt out.

The Personal Responsibility Act includes an automatic cutoff of AFDC benefits for those who received AFDC for 5 years with the option for the State to make it a 2-year cutoff. H.R. 3500, on the other hand, left it to the State's discretion to cut these benefits after 5 years. If the States will ultimately be responsible for those who will be cut off, does it not make sense for them to determine when that cutoff would be? The 5-year time limit would help those recipients unable to find employment.

In a number of fairly punitive ways then, the Personal Responsibility Act would prohibit States from providing AFDC to children or families in need. If it is true, I find disturbing estimates that if these provisions were fully in effect today, over 5 million children could have a shortage of benefits.

Of all the precepts regarding welfare reform, one of the overriding goals ought to be what is right for our Nation's children, reducing the cost of welfare, discouraging illegitimacy, preventing and punishing welfare fraud are all worthy and right goals, but they are secondary to the goal of improving the prospects of our next generation.

As Delaware's former Governor, I agree with the premise behind the goal to consolidate and streamline funding sources into super block grants and provide them to the States to create their own more efficient welfare delivery systems.

Congress needs to empower the States to devise systems to make work pay, apply standards of responsibility that promote the work ethic, provide entry level jobs and a partnership with business, and create welfare programs that take into account limited economic circumstances.

We also need to insure that we provide for State flexibility during economic downturns, maybe considering a restrained growth policy where some growth in the welfare rolls would be allowed, a rainy day count that would recognize States' economic differences or other inescapable problems.

As the welfare debate moves into high gear, Congress should try to avoid an oversimplified approach of dismantling existing welfare programs, be as constructive and fair as possible and make dramatic change where we can, insure State flexibility, but accountability, and still provide a minimum safety net for our children. A different tack, but we need to try to do it.

Thank you very much, Mr. Chairman.

[The prepared statement follows:]

REPRESENTATIVE MICHAEL N. CASTLE**HOUSE WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES**

JANUARY 30, 1995

MR. CHAIRMAN:

THANK YOU FOR ALLOWING ME TO TESTIFY BEFORE THIS SUBCOMMITTEE TODAY. I APPRECIATE HAVING THE OPPORTUNITY TO BRIEFLY SHARE MY VIEWS ON THE COURSE WELFARE REFORM HAS RECENTLY TAKEN, AND WHERE I BELIEVE IT SHOULD GO.

ALL OF US AGREE THAT OUR WELFARE SYSTEM IS BROKEN. VOTERS BELIEVE WELFARE PROGRAMS NOW HELP TOO FEW, COST TOO MUCH, ENCOURAGES GOVERNMENT DEPENDENCY, DISCOURAGES WORK AND PENALIZES TWO-PARENT FAMILIES. WE RECOGNIZE THESE FLAWS AND OTHERS: THE TENDENCY TO REMAIN ON THE ROLLS FOR MANY YEARS, ITS RISING COSTS AND EXPANDING NUMBER OF OVERLAPPING PROGRAMS, AND THE RECENT EXPLOSION IN OUT-OF-WEDLOCK BIRTHS TO TEEN AND OTHER UNWED MOTHERS. BUT I SUSPECT SOME VOTERS ALSO WONDER WHETHER THE CONGRESS MIGHT GO TOO FAR, TOO FAST IN ITS ZEAL TO STREAMLINE AND REDIRECT WELFARE, AND REDUCE AND CAP SOCIAL SPENDING.

THUS THE CONGRESS IS CONFRONTED WITH THE PROBLEMS ASSOCIATED WITH TRYING TO FAITHFULLY CARRY OUT THE MANDATE TO CHANGE THE NATURE OF WELFARE IN A FAIR, COMPASSIONATE, AND FUNDAMENTAL WAY. WHILE I THOUGHT H.R. 3500 REPRESENTED THIS APPROACH IN A FAIRLY BALANCED WAY IN THE LAST CONGRESS, I BELIEVE THE CONTRACT WITH AMERICA'S "PERSONAL RESPONSIBILITY ACT" COULD BE MOVING TOO FAR TOWARD PUNITIVE AND POTENTIALLY PROBLEMATIC SOLUTIONS THAT COULD CREATE AS MANY PROBLEMS AS THEY SOLVE. IN THIS SENSE, THE CONTRACT WITH AMERICA'S "PERSONAL RESPONSIBILITY ACT" *MIGHT* NOT STRIKE AN EQUITABLE BALANCE BETWEEN CHANGE THAT THE VOTERS WANT, THE GOAL OF FACILITATING SELF-SUFFICIENCY AMONG WELFARE RECIPIENTS, AND PROVIDING THE PROPER STATE FLEXIBILITY WHILE STILL ENSURING THAT MINIMUM FEDERAL STANDARDS BE MET.

FOR EXAMPLE, THE INCOME DISREGARD SECTION IN H.R. 3500 WAS DROPPED, WITHOUT DISCUSSION, IN ORDER TO RETAIN THE MARRIAGE DISREGARD AND THE MICROENTERPRISE SECTIONS. AS THESE SECTIONS WERE STATE OPTIONS IN H.R. 3500, ALLOWING THE STATES TO EXPERIMENT WITHOUT HAVING TO GO THROUGH THE TIME-CONSUMING WAIVER PROCESS, WE SHOULD RECONSIDER RETAINING EXPERIMENTAL INCENTIVE SECTIONS LIKE THESE OR OTHERS, AND PUSH TO ABOLISH THE WAIVER PROCESS, WHICH WAS EMBRACED BY H.R. 3500.

THE PERSONAL RESPONSIBILITY ACT PLACES GREATER EMPHASIS ON WORK OVER EDUCATION AND TRAINING THAN H.R. 3500, WHICH I THINK IS ACCEPTABLE, BUT IT RAISES THE PARTICIPATION RATES SIGNIFICANTLY FROM REQUIRING 2.2 MILLION AS OPPOSED TO 1.2 MILLION TO BE PLACED IN JOBS OVER FIVE YEARS. WILL STATES BE CAPABLE OF PLACING THIS MANY ADDITIONAL WELFARE RECIPIENTS INTO PAYING JOBS WHEN THEY PROTESTED THE STANDARDS ORIGINALLY LAYED OUT IN H.R. 3500?

IN MY VIEW, WHILE WE SHOULD PURSUE A POLICY OF EDUCATION AND TRAINING FOR UP TO TWO YEARS, IT SHOULDN'T ALWAYS BE A STRICT TWO YEARS AND OUT CUT-OFF FOR ALL WELFARE RECIPIENTS. INSTEAD, THE CUT-OFF SHOULD EXEMPT THOSE WHO ARE IN SCHOOL, TRYING TO WORK, OR QUALIFYING FOR SOME CRITERIA WHICH WOULD ALLOW THAT PERSON TO BE EXEMPT FROM A STRICT CUT-OFF. STATES SHOULD BE AFFORDED SOME LATITUDE TO ADDRESS THIS BASED ON STRICT STANDARDS, BUT WITHOUT THE NEED FOR WAIVERS.

WE NEED TO REEXAMINE THE SO-CALLED "COMPROMISE" THAT WAS REACHED IN DEVELOPING THE CONTRACT OVER PROHIBITING AFDC CASH BENEFITS TO CHILDREN BORN TO UNWED MOTHERS UNDER AGE 18, AND SHOULD CONSIDER RETURNING IT TO THE STATE OPT-OUT PROVISION THAT WAS IN H.R. 3500. THIS SHOULD RETURN AS A STATE OPTION BECAUSE THE STATE - NOT THE FEDERAL GOVERNMENT - SHOULD ULTIMATELY DECIDE WHEN CONFRONTED WITH THE SITUATION OF ACTUALLY DENYING AID TO THE CHILD BORN TO AN UNWED TEEN PARENT FOR UP TO 18 YEARS.

WHILE H.R. 3500 DENIED AFDC TO CHILDREN BORN TO WOMEN ON WELFARE, OR WHO HAD RECEIVED WELFARE AT ANY TIME DURING THE 10 MONTHS PRIOR TO THE CHILD'S BIRTH AS A STATE OPT-OUT, THE PERSONAL RESPONSIBILITY ACT MANDATES THIS PROVISION. UNTIL WE HAVE A BETTER UNDERSTANDING OF HOW STATES WILL ADDRESS THIS ISSUE, WE SHOULD CONSIDER LEAVING THIS AS A OPT-OUT.

THE PERSONAL RESPONSIBILITY ACT INCLUDES AN AUTOMATIC CUTOFF OF AFDC BENEFITS FOR THOSE WHO RECEIVED AFDC FOR 5 YEARS, WITH THE OPTION FOR THE STATE TO MAKE IT A TWO-YEAR CUTOFF. H.R. 3500, ON THE OTHER HAND, LEFT IT TO THE STATE'S DISCRETION TO CUT THESE BENEFITS AFTER FIVE YEARS. IF THE STATES WILL ULTIMATELY BE RESPONSIBLE FOR THE FATE OF THOSE WHO ARE CUT OFF, DOES IT NOT MAKE SENSE TO ALLOW THEM TO DETERMINE WHEN THAT CUT-OFF WILL BE? THE FIVE-YEAR TIME LIMIT APPARENTLY WOULD HAVE NO EXCEPTION FOR THE INCAPACITATED, CHILDREN, OR THOSE RECIPIENTS UNABLE TO FIND EMPLOYMENT.

IN A NUMBER OF FAIRLY PUNITIVE WAYS, THEN, THE PERSONAL RESPONSIBILITY ACT WOULD PROHIBIT STATES FROM PROVIDING AFDC TO CHILDREN OR FAMILIES IN NEED. IF IT IS TRUE, I FIND DISTURBING ESTIMATES THAT IF THESE PROVISIONS WERE FULLY IN EFFECT TODAY, OVER FIVE MILLION CHILDREN COULD HAVE A SHORTAGE OF BENEFITS. OF ALL THE PRECEPTS REGARDING WELFARE REFORM, ONE OF THE OVERRIDING GOALS OUGHT TO BE WHAT IS RIGHT FOR OUR NATION'S CHILDREN. REDUCING THE COSTS OF WELFARE, DISCOURAGING ILLEGITIMACY, PREVENTING LONG-TERM WELFARE DEPENDENCY, AND PUNISHING WELFARE FRAUD ARE ALL WORTHY GOALS, BUT THEY ARE SECONDARY TO THE GOAL OF IMPROVING THE PROSPECTS OF OUR NEXT GENERATION.

AS DELAWARE'S FORMER GOVERNOR, I AGREE WITH THE PREMISE BEHIND THE GOAL TO CONSOLIDATE AND STREAMLINE FUNDING SOURCES INTO SUPER-BLOCK GRANTS, AND PROVIDE THEM TO THE STATES TO CREATE THEIR OWN, MORE EFFICIENT WELFARE DELIVERY SYSTEMS. CONGRESS NEEDS TO EMPOWER THE STATES TO DEVISE SYSTEMS TO MAKE WORK PAY, APPLY STANDARDS OF RESPONSIBILITY ON BOTH THE STATE'S AND THE RECIPIENT'S PARTS, PROVIDE ENTRY-LEVEL JOBS IN A PARTNERSHIP WITH BUSINESS, AND CREATE WELFARE PROGRAMS THAT TAKE INTO ACCOUNT LIMITED ECONOMIC CIRCUMSTANCES. WE ALSO NEED TO ENSURE THAT WE PROVIDE FOR STATE FLEXIBILITY DURING ECONOMIC DOWNTURNS -- MAYBE CONSIDERING A "RESTRAINED GROWTH POLICY" WHERE SOME GROWTH IN THE WELFARE ROLLS WOULD BE ALLOWED, OR A "RAINY DAY ACCOUNT" THAT WOULD RECOGNIZE STATES' ECONOMIC DIFFERENCES OR OTHER INESCAPABLE PROBLEMS.

ALTHOUGH H.R. 3500 ALLOWED STATES TO CHOOSE BLOCK GRANTS AS AN OPTION -- A COURSE I MIGHT HAVE CHOSEN AS GOVERNOR, I'M NOT INTERESTED IN SIMPLY SHIFTING RESPONSIBILITY FROM ONE BUREAUCRACY TO FIFTY. WE NEED TO BE VERY CAREFUL THAT OUR INTENTIONS, HOWEVER GOOD, NOT END UP JEOPARDIZING SUPPORT FOR THOSE WHO ARE MOST DISADVANTAGED. BECAUSE A MAJORITY OF THE STATES HAVE NOT YET EMBRACED THE BLOCK GRANT PROPOSAL, IT'S IMPORTANT TO CONTINUE TO LOOK AT THE GOALS AND AIMS OF H.R. 3500 THAT PROVIDED THE FLEXIBILITY, YET ENSURED THAT THE NEEDS OF THE MOST DISADVANTAGED WOULD BE MET.

PERHAPS CONGRESS SHOULD CONSIDER AN INITIAL POLICY OF ALLOWING A CHOICE BETWEEN RECEIVING FEDERAL WELFARE DOLLARS EITHER IN A CASH PAYMENT OR CONTINUE THE CURRENT SYSTEM THAT GUARANTEES THROUGH ENTITLEMENTS WELFARE ASSISTANCE TO QUALIFYING FAMILIES, WHILE GRANTING STATES MORE FLEXIBILITY TO ADMINISTER THEIR PROGRAMS MORE EFFICIENTLY. H.R. 3500 ESSENTIALLY EMBRACED THIS CONCEPT.

AS THE WELFARE REFORM DEBATE MOVES INTO HIGH GEAR, CONGRESS SHOULD TRY TO AVOID AN OVERSIMPLIFIED APPROACH OF DISMANTLING EXISTING GOVERNMENT WELFARE PROGRAMS, BE AS CONSTRUCTIVE AND FAIR AND MAKE DRAMATIC CHANGE WHERE WE CAN, ENSURE STATE FLEXIBILITY BUT ACCOUNTABILITY, AND STILL PROVIDE A MINIMUM SAFETY NET FOR OUR CHILDREN.

THANK YOU.

Mr. COLLINS. Thank you, Mr. Castle.

Ms. Norton, Delegate from the District of Columbia.

**STATEMENT OF HON. ELEANOR HOLMES NORTON, A
DELEGATE IN CONGRESS FROM THE DISTRICT OF COLUMBIA**

Ms. NORTON. Thank you, Mr. Chairman. My testimony is about meshing our goals with pragmatic solutions. I would like to excerpt from my longer testimony how the Federal Government's neglect and nightmarish bureaucratic malpractice have played major roles in the failure of the welfare system.

The Congress and the executive branch are directly responsible for allowing one of the great New Deal innovations of the thirties to finally collapse into the worst failure of government in the nineties. The major flaw in the present system is found in its operations, not its recipients.

The guardians of the system failed to change the program from a passive checkwriting system as the post-World War II American economy and society were transformed. We have taken the cheap, easy, and harmful way out by sending a below subsistence check to young women in the prime of their lives, while offering almost no realistic encouragement or vehicle for becoming independent.

In the process, the government has saved billions of dollars. The country, however, has paid an incalculable price. The price includes decadence, the only word I can summon for a system that has lost its moral underpinning by disqualifying recipients who try to work and actively encouraging indolence and harmful conduct. Mr. Walsh's comments, I think, vividly illustrate one such example.

There are, I think, three fallacies, however, in the way we are going about welfare reform in this Congress: Confused and contradictory goals, shifting and uncertain ground concerning the appropriate division between Federal and State responsibilities, and unrealistic and impractical solutions.

First, the goals of welfare reform have become confused and muddled. We see the influence of Charles Murray in the insertion of a radical orphanage notion to deal with children who have suffered no abuse except the absence of jobs for mothers willing to work or who indeed may be working in public service jobs.

This kind of notion contradicts and could overwhelm the stated goal of the Personal Responsibility Act that enjoys almost unanimous public support, requiring parents, whether divorced, separated or single, to work and take care of their own children.

Another contradictory notion is the increasing reliance of some on charity for policy discrepancies in the bills. Surely the Congress wants to send an undiluted message that work is the only alternative to welfare. Replacing the welfare dole with the charity dole confuses the poor and confuses our stated mission to reform the welfare system by encouraging independence and requiring parental responsibility to provide for one's own children.

Moving to clarifying the appropriate responsibility between ourselves and the States, almost gullibly, some have accepted the proposal of some of the Governors to make the Federal Government functionally a passthrough for a mission of national importance, the support of impoverished children.

Unless we are willing to recede from the Federal interest in relieving the burden of poverty on children, we must much more thoughtfully lay out the Federal, the State, and the local interest and responsibilities.

To accomplish their purpose, the Governors have set up an equation of apples and oranges. They want to exchange block grant flexibility for the elimination of poverty programs as entitlements. Clearly States can be granted maximum flexibility while maintaining welfare and food stamps as individual entitlements for the poor and the working poor. The tradeoff between block grant flexibility and entitlement to benefits to individuals is a false match. I don't believe the Governors would have suggested such a risky tradeoff if they did not believe that the Federal Government has itself reached inflexible cost-cutting imperatives.

I want to commend Chairman Shaw for trying to respond to the challenge of apportioning State and Federal responsibility fairly. I want, however, to encourage the Committee to ask itself some hard questions about which obligations should be expressed as national standards and which are better off left to the States?

Let's take time limits. Suppose a State established a 1-month time limit. Orphanages for children. Suppose the State sets up orphanages for well cared for children whose mothers are working for their checks in rural areas and inner cities with few jobs. What is your answer to those hypotheticals? They will become more than hypothetical if the present bill simply passes.

My greatest fear is that we will put in place a national system before getting answers that will avoid a sea of unintended consequences at the expense of children. At the very least, I hope that we will include some safety valves for what we don't have answers to, such as demonstration projects on some of the most controversial and uncertain changes before going national with them.

If I could offer a few suggestions of what I believe are reality-based answers that have practical resonance. One, requiring immediate work for many recipients, even before beginning any time limit in private part-time employment, as a realistic way to get people, many of whom will be hard to place into the work force and have small children. A period of subsidy from welfare checks, if required, would be well worth it to get these people in the work force.

Two, the incentive of keeping part of the welfare check could be offered to recipients eligible only for low-wage jobs, otherwise they won't be able to make a living when they get off of welfare.

Three, rather than cut food stamps, allow them to grow because they supplement or can supplement part-time or full-time, low-wage work and allow parents to leave welfare for available jobs. Furthermore, since most welfare recipients themselves leave the system in 2 years, we should identify the reasons that they return and focus on eliminating these particular reasons in order to make permanent the self-help welfare recipients already engage in when they leave the rolls.

Finally, Mr. Chairman, I ask only that the pragmatism that has been the central feature of every American success story become more central to our own proceedings.

Thank you very much.

[The prepared statement follows:]

**TESTIMONY OF CONGRESSWOMAN ELEANOR HOLMES NORTON
ON THE CONTRACT WITH AMERICA'S PERSONAL RESPONSIBILITY ACT
BEFORE THE SUBCOMMITTEE ON HUMAN RESOURCES**

JANUARY 30, 1995

Before we reconstruct any government program or mission, it is essential to try to understand why it has failed. No physician would prescribe a remedy without first diagnosing the disease. The metaphor is especially applicable to our work on welfare reform. The federal government's neglect and nightmarish bureaucratic malpractice have played major roles in the failure of the welfare system. The Congress and the Executive branch are directly responsible for allowing one of the great New Deal innovations of the 1930's to finally collapse into the worst failure of government in the 1990's.

The welfare system has traveled the full distance from a perfect fit into the family structure and economy of the 1930's and 40's to a total misfit in the family life and economic realities of the 1990's. The federal government has presided over and been the prime mover in shaping a system that first became dysfunctional for virtually all it served and now has become decadent for many trapped within confines drawn by the federal government.

The major flaw of the present system is found in its operations, not its recipients. The guardians of the system failed to change the program as social and economic realities changed. The passive system of the 1930's that offered grants to poor women with no other means of support made sense when most women were house wives and the economy was unreceptive to working women. This same passive federal program made less and less sense as post World War II American society was transformed.

Long ago we should have repaired the welfare system to reflect the modern work-centered reality of men, women and even teenagers that became necessary to preserve the American standard of living. Instead we have waited until the program is beyond repair and until Americans have justifiably rebelled against a system that has taken the cheapest, easiest, and as it has turned out, the most harmful way out. The cheap, easy and harmful way has been to send a below subsistence check to young women in the prime of their lives while offering almost no realistic encouragement or support for becoming independent. In the process the government has saved billions of dollars. But the country has paid an incalculable price.

That price includes decadence, the only word I can summon for a system that has lost its moral underpinning and actively encourages harmful conduct in some. Here I am not speaking of "illegitimacy" a change against the welfare system that is in dispute. All I know for sure is that for most women and girls, of every background, having a baby without a husband or father to help is one of life's most dreaded experiences. What is not in dispute are other phenomena that system has encouraged. Let me name just a few: working off the book because of the hardship of living on a welfare grant which, now at XX% of what it bought XX years ago, is less than subsistence for many children and mothers; exploitation by unemployed welfare fathers, victims of the whole sale flight of jobs from cities and rural areas, who now sometimes victimize others, including their own children whom they fail to support sometimes living on the welfare grant as well; and most tragically, a shot gun marriage between the poverty culture and the drug culture who live in the same environment sometimes feeding off of each other.

This, Mr. Chairman is indeed a system reduced from a high purpose to decadence. This is decadence in which the federal government has moved from enabler to active participants.

I recite this sad history of costly failure for a purpose. I fear that we are at another turn in the road of welfare reform failures. We have done enough damage without compounding it. I would like to be specific by discussing what I believe are three fallacies of welfare reform that have emerged and then offer some suggestions for eliminating them. The fallacies are 1) confused and contradictory goals; 2) shifting and uncertain ground concerning the appropriate division between federal and state responsibilities; and 3) unrealistic and impractical solutions.

First, the goals of welfare reform have become confused and muddled. If we do not define our mission we can make even a very bad situation even worse.

The Personal Responsibility Act is itself substantially different from the Republican bill of last year, HR 3500. The new bill reflects the apparent influence of Charles Murray, who advocates the elimination of welfare altogether. This influence is seen most radically in the adoption of Murray's orphanage idea to deal with children who suffer no abuse except the absence of jobs for mothers willing to work. Murray's orphanages are meant as a punishment and a deterrent for out-of-wedlock child-bearing. Murray's orphanage notions have been a distraction from the consensus issues in the Personal Responsibility Act and lift the impression that eliminating illegitimacy is the primary purpose of the welfare reform bill. Part of Murray's all-out-elimination approach have clearly found their way into the Contract, and they contradict and could overwhelm another stated goal of the Personal Responsibility Act to require parents -- whether divorced, separated, or single -- to work and take care of their own children.

The influence of Charles Murray and contradictions that have resulted are further demonstrated by the increasing reliance on charity for policy discrepancies. Leave aside for the moment the knowing evasion of the fact about the actual amount of available charity dollars and the wide range of activities unrelated to the poor that depend on charities. Surely, the Congress wants to send an undiluted message that message that work is the only alternative to welfare. Replacing the welfare dole with the charity dole confuses the poor and confuses our stated mission to reform the welfare system by encouraging independence and requiring parental responsibility to provide for one's own children.

A second and related fallacy of welfare reform is the shifting ground between what is appropriate at which level of government. Here we see a particularly move away not only from the Republican bill of last year but also from the Personal Responsibility Act and the Contract itself. Quickly and with little mapping of the consequences, we are switching toward a state-based system different in each of the 50 states and the District of Columbia. This stunningly abrupt change appears to be driven by a legitimate desire of the states to be free of federal bureaucratic interference on one hand and an illegitimate desire for a "free lunch" on the other. The free lunch is direct access to federal money raised through federal taxes with no strings of any kind attached. Almost gullibly, some have accepted the proposal of some of the governors to make the federal government functionally a passthrough for a mission of nation importance, the support of impoverished children. Unless we are willing to irresponsibly recede from the federal interest in relieving the burden of poverty on children, we must much more thoughtfully lay out the federal, the state, and the local interests and responsibilities. Otherwise, we appear to condone raiding the federal treasury without requiring anything in return, including baseline federal standards. One can surely understand what the states are attempting and why. If "the feds" appear to be open to giving out federal money without more, who could be expected to refuse it?

To accomplish their purpose the governors have set up an equation of apples and oranges. They want a deal -- block grant flexibility to ? AFDC, food stamps, ??? as they please -- for entitlement benefits for all who qualify. In light of the inevitable consequences, the irresponsibility embraced in the block grant proposal is difficult to

overstate.

This shortsighted proposal only reinforces why we have entitlements at all. No government easily allows the draw down of money from its treasury as an entitlement apart from the national interest in reducing poverty. AFDC and food stamps are entitlements in part because of national phenomena. One of these is the permanent characteristic of a cyclical economy that leaves states vulnerable to national economic trends. A second reason why welfare is an entitlement is the freedom of movement that allows poor people to take their poverty with them across state lines. The federal contributions mediates unfair costs that would otherwise leave state and local tax payers to pay entirely for this important freedom that binds the states together in a federal union?

When confronted with the obvious problem of appropriation -- limited block grants, transparently inadequate, even fallacious responses have been offered. For example, we are told that administrative savings from discarded federal regulations will take up the slack. This is much like the fraud -- waste -- and -- above answer to the need for cuts in programs. Estimates predict an almost immediate 15% shortfall compared to the best estimate for administrative savings of 2 to 3%. The governors desperate to be free of regulations should not be put in the impossible situation of trading off funds for deregulation. The need to face the state of overregulation is the sine qua non of reform itself. The case against much AFDC regulation is overwhelming. Indeed beginning in the 1970s, instead of engaging in a thoroughgoing reform to reduce the rolls, regulation was actually increased to make it more difficult to qualify! Clearly, states can be granted maximum flexibility while maintaining welfare and food stamps as entitlement. The trade off between block grants and flexibility is a false match. Surely governors should not suggest it if they did not fill the federal government's cost-cutting imperatives.

Some in Congress, particularly Chairman ---, are trying to respond to the challenge of apportioning state and federal responsibility for welfare. This effort is to be applauded with the caution that if a block grant approach remains, we must devise a realistic safety net, immediately responsive to needs. Federal funds that depend on triggers and data that build in lag time and get to states after a recession is over in the emergency has passed, deepen rather than relieve a crisis. This, of course, is the lesson of the history of government benefits and a good part of the reasons welfare and food stamps are entitlement in the first place.

Today's debate has left confusion as to what, if any, rational standards are appropriate and what should be left to the states. This is a difficult apportionment to make, but we can't avoid the necessity to do so by covering it with a block grant. The problems of no funds for eligible people will not go away. The necessity to raise state and local taxes to support the poor when the federal funds run out will remain. The fact that 10% of Americans are on food stamps today and that half of those are working people -- people who have recently lost their jobs cannot be wished away.

Beyond the apportionment of funds is the sharing of obligations for a responsibility with profound state as well as national implications. Which parts of the Personal Responsibility Act should be national standards and which are better left to the states? Time limits? Suppose a state put a 2-month time limit? Orphanages for abuse children? Suppose a state set up orphanages for well-cared for children whose mothers were working for welfare in low income areas with few jobs?

Not only do we not have the answers to such dilemmas. We have not begun a systematic effort to look for the answers.

My greatest fear is that we will put in place a national system before getting answers that will avoid a sea of unintended consequences at the expense of children.

Is a 100 day agenda a political hubris that is worth such mistakes. If some reform, any reform no matter how incompletely thought through is the response, then. I hope that we will build in some safety measures. One might be to do demonstration projects on some of the most controversial and uncertain changes. What must be avoided at all costs is making large changes in a large system that produces large mistakes.

This, of course, leads to the third fallacy of welfare reform, the most dangerous of the three. Unrealistic and impractical "solutions" have become legion. Increasingly there is pressure at the federal level to do welfare reform on the cheap.

For example last year's Republican bill and this year's Personal Responsibility Act focus on day care have been all but displaced by unrealistic notions of block grants and the end of entitlement. The catch word of welfare reform is jobs yet there is denial about the economic of hard pressed cities and rural areas with high unemployment where there are no jobs. AFDC and food stamps are not among the rapidly xx and most costly entitlement. Yet the plan is to cut them --xxing declining federal support with increasing state obligations.

XX and impractical solutions to welfare spring almost entirely from emotion and ideology. Both can xx the search but they cannot provide the answer.

We need to start talking about answers that have practical resonance. Here are some examples:

1). Part time jobs are the only jobs that are growing rapidly. They are also the jobs welfare mothers, many of them poorly skilled who have small children are likely to qualify for. To succeed with work, welfare reform must fit market trends in job creation. Requiring work immediately even part-time private sector employment with a period of subsidy from welfare checks is a realistic way to get many of the hard to place off of welfare before the beginning of the two year limit wherever possible. Once a parent gets into the work places she is much more likely to progress from there to better jobs.

Other recipients eligible only for low wage jobs the incentive of allowing them to keep part of the welfare grant as indicated by family size and need. The point is to get people private sector jobs because it is much easier to spin them off of welfare into permanent jobs once they have job experience and a record of working.

Rather than cut food stamps, now is the time to allow them to grow because they supplement part time or full time work and allow parent to leave welfare for whatever jobs are available.

Food stamps are keeping many working poor families working and many unemployed families from eviction because of the limits unemployment compensation. Cutting food stamps guarantees discrimination against the working poor and temporarily unemployed, who will often be the last to qualify because they are less likely to need food stamps on the longer term basis of welfare recipients

4) Since most welfare recipients themselves leave the system in less than two years, we should identify the reasons the return and focus on eliminating them in order to make permanent self help welfare recipients already xx to leave the rolls.

Pragmatism has always been at the center of everything Americans have done to xx the building of American industry to the solutions devised in the New Deal -- establishing and then acting on what works has been the premise of this country. The search for welfare reform has been distinctly different. It has been characterized by finger pointing, raw emotion, xx xx the present system, and philosophical and ideological debates. It is time to reform to what has always worked for -- the realistic evaluation of a problem and the pragmatic search for a solution.

Mr. COLLINS. Thank you, Ms. Norton.
Mr. Greenwood.

STATEMENT OF HON. JAMES C. GREENWOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. GREENWOOD. Thank you, Mr. Chairman. I would ask unanimous consent that the statement that we submitted on Friday, including the attached Congressional Research Service study on need-tested benefits and Federal income tax liabilities by State be inserted into the record, and then I would just like to offer a few comments if I may.

Coincidentally, like the gentleman from New York, Mr. Walsh, I served as a caseworker for several years during the late seventies. I worked with abused and neglected children of all ages, including a fair number of teenage women who were pregnant. I also served in the Pennsylvania Legislature where I was the Chairman of the Children's Caucus. I have spent many years advocating for children.

With that as background, let me tell you that I believe wholeheartedly that it is a cruel mistake for the Federal Government ever to provide direct cash assistance or food stamps to minors— young women 13, 14, 15, 16, 17 years of age—simply by virtue of the fact that they have conceived a child.

Having said that, I think we need to be very clear about the fact that we do not have to be forced into this false choice that some of the pundits and some of the uninformed members of the media might try to force on us. They believe that we have to choose between the status quo in which we essentially neglect these young women, providing them cash assistance and allowing them to live by themselves, frequently in squalor, frequently without any guidance, often without the ability to raise their own infants, and the opposite extreme, which is if a young woman under the age of 18 conceives a child out of wedlock, we will ignore her altogether.

What I think we need to do is use the child welfare model for these young women. If a young woman, again, 13, 14, 15, 16, 17 is pregnant or has had a child, and she comes to the attention of the welfare system, she should be diverted first to the child welfare system. She should be taken back to her home for an interview with the caseworker and her parent or parents if they exist and are available. A determination should be made as to whether or not it is safe and appropriate for her to remain in that household.

She may be able to live in that household with her family of origin, perhaps with some assistance from caseworkers. But if in fact that family situation is so brutal, so inadequate, perhaps nonexistent that it is unsafe for that young woman and her infant to live in her home of origin, then she should be taken to the proper children and youth officials. A petition of dependency should be prepared for the court of local jurisdiction, and she should be placed with her child in the custody of the county children and youth agency. They could then find an appropriate residential setting for her. Foster care would probably be preferable, but in the absence of foster care, a group home.

I think in that setting we can assure that the young woman will be provided with the adult supervision that she requires, as will

her child or children. She can be encouraged to complete her education, encouraged to become self-reliant. No longer would we simply be sending direct cash benefits to that young woman and allowing her, almost predictably, to fail.

The other comment that I would like to make has to do with the notion of returning the resources to the States. There is a concern among the Governors that we may block grant these welfare programs and then reduce the amount of the block grants over time leaving them stranded with the responsibility but without the resources.

Perhaps not in the first 100 days, but perhaps later on in this session, I would like to see us seriously consider the notion of never taking those resources from the States to begin with. The CRS study that I requested demonstrates that on one end of the scale, 50 cents on every dollar sent by the residents of Louisiana to the Federal Government is returned to them in needs-based programs. That goes down to a low of 8.7 percent for Nevada for a nationwide average of about 20 percent.

I would envision a time when we would have a tax credit available to the residents of each State, and if a State, through its Governor or legislature, chose to shoulder the full responsibility for paying the cost of these needs-based programs, then their individual residents could take as a tax credit an amount proportional to the savings to the Federal Government. By virtue of that State's actions, those resources would never come to Washington, but would remain available for the State officials to use to shoulder that burden.

Thank you.

[The prepared statement and attachment follow:]

**TESTIMONY OF CONGRESSMAN JAMES C. GREENWOOD
HOUSE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON HUMAN RESOURCES**

Chairman Shaw and Members of the Committee, I am pleased to have the opportunity to testify today about what I believe is one of the central public policy issues facing the Congress -- welfare reform. While I am a member of both the Economic and Educational Opportunities Committee and the Speaker's Advisory Group on Welfare Reform, it is my previous career experience as a social worker that brings me here today and perhaps gives me a unique perspective on this issue.

Prior to my service in the state legislature and the Congress, I was a caseworker for the Bucks County Children and Youth Social Service Agency in Pennsylvania. I removed abused children from parents and placed them in foster homes or group settings. I have also worked for a residential facility called the Woods Schools for mentally retarded and emotionally disturbed children and adults. I have been on the front lines and have witnessed firsthand the failures of our current welfare system.

As policy makers we simply must redesign this system to promote responsibility and self sufficiency among parents and to provide a safe and nurturing environment for the children. I would take my time this afternoon, first, to share my views on how we can provide assistance while promoting responsibility among unmarried, minor parents, and second, to share my thoughts on the future direction of welfare policy, after our work in these first one-hundred days is completed.

Under the current AFDC program, the government provides cash assistance directly to unmarried minors. This, in my view, is irresponsible. The government does not allow a fifteen-year old girl to drive or vote, yet if she has a baby, we are willing to treat her as an adult, and send her welfare checks and food stamps, regardless of whether she is living in a safe environment with adult supervision or is capable of effectively budgeting this money to care for herself and her child.

Our current system is not adequately serving these teenage mothers or their children. I believe, for this population, we need to follow the model of the child welfare system. I would envision it working as follows: If a minor, unmarried woman is pregnant and in need of assistance, she would report to the local county assistance office. One of the first questions asked would be, "Where do you live? Are you safe there?" If it is determined that the young woman lives with her parents and there is no evidence of abuse or neglect, then the parents would be responsible for the young mother and her child. Assistance could be given to the young woman's parents based upon an assessment of the entire family's financial need, and they, in turn, would be responsible for supervising her care and that of her baby.

Unfortunately, during my career as a social worker I saw far too many cases where the teenage mother's home was not a safe place at all. Often the instability of her home environment has contributed to her out-of-wedlock pregnancy in the first place. She may be sexually or physically abused at home. Her family members may be drug users. She may have been abandoned by her family and living on the streets. In these cases, the best alternative may be to place the teenager and her baby in a foster care setting. If foster care is not available, then I believe the teenager and her baby should be placed in a group home for minor parents. If the mother is placed in foster care or a group home, it is critical that the parents of the teenage mother be assessed child support for her, and the father of the baby be assessed child support for the child.

In the 103rd Congress, I proposed legislation (HR 5039) entitled the Children's Homes for a Nurturing and Caring Environment Act or CHANCE. This bill required unmarried minors who are parents or pregnant to live under adult supervision as a condition of receiving certain welfare benefits. It also provided funds for the establishment of state-licensed, private residential facilities for the teenagers. These facilities could be operated by church or charitable organizations which would be required to match the funding from the government. In addition to providing a safe and stable environment, the homes would be

used to provide education in basic parenting skills. The young parents would be required to attend school or receive assistance in obtaining a General Equivalency Degree (GED).

This approach would eliminate the incentives for teenagers to use out-of-wedlock pregnancy and welfare as a means to independence. The goal of this legislation is to provide a caring and nurturing environment for the teen parents and their babies and to break the cycle of dependency. The children of single, teenage, undereducated mothers are the most at risk in our society of being poor, suffering from neglect or abuse, and later living a life characterized by criminal behavior and chronic dependency. It is critical for society that these babies grow up in a healthy, safe environment where they can be protected and where their mothers can receive the education and training they need to become economically self-reliant. While it may cost more under this approach in the short-term, clearly we can reap tremendous savings to society if we can break the chain of dependency.

In my view, the CHANCE homes are a model that can be followed whether the federal government or the state governments administer the welfare programs. The Personal Responsibility Act as introduced would provide grants to the states to establish and operate closely-supervised residential group homes for unmarried mothers. I also support the agreement the Republican leadership has been working out with the Republican governors which would combine a number of welfare programs, including Family Assistance funding, Child Care funding, and Child Protection funding into block grants to the states. It is simply more efficient and effective to administer programs at the state or local level. It is the issue of block grants that leads me to the second point I wanted to make here today.

We have committed to passing comprehensive welfare reform legislation within the first 100 days, and this hearing today is part of that process. But I think most of us would agree that while The Personal Responsibility Act is far-reaching and unprecedented, our work will not be done even when this legislation is signed into law. If the block grant approach is implemented and works well, then I think we need to ask the next logical question which is, "Why should the federal government collect the money in the first place?"

Currently, the federal government collects more than \$500 billion in federal income tax from the residents of our fifty states. In turn, we send nearly \$105 billion of that money back to the states in the form of Medicaid, AFDC, AFDC-related child care, and food stamps. In Louisiana, for example, over half of all the revenues collected from federal income taxes is returned to the state in the form of welfare payments. Surely, this is not a very efficient method of governing.

If we truly want to return power and responsibility to the states and reduce the role of the federal government, we should return the tax base to the states. One of the reasons that the federal government has grown too big is that we have monopolized the tax base. We should lower federal tax rates and allow the states to raise the revenues themselves to carry out the necessary assistance programs. At this point, Mr. Chairman, I would like to ask unanimous consent to include in the record a study by the Congressional Research Service that I requested on the Need-Tested Benefits and Federal Income Tax Liabilities, by State.

Obviously, there is a wide variation by state in the amount of federal income tax payments collected and welfare dollars expended. The federal expenditures for need-tested programs in Louisiana, Mississippi, and West Virginia account for about half of all federal income tax liabilities reported for those states. In contrast, these federal payments accounted for only about one-tenth of federal income tax revenues from Virginia and Nevada. While there may be a need to provide some equalization among the states, I still believe that we need to consider returning the tax base to the states and localities if we truly want to

redistribute the power within our federal system and make our government assistance programs more effective and accountable.

In conclusion, Mr. Chairman, I believe it is incumbent upon us to create a welfare system that promotes responsibility. A responsible welfare system would require that teen mothers have proper adult supervision in order to receive benefits. This supervision can be in their home, a foster home, or a group home. Our systems should not simply provide unmarried, minor mothers with cash, but rather with parenting skills and education needed to be good parents who are self-sufficient and responsible for themselves and their children. Finally, if we are going to return to the states the responsibility of establishing and administering welfare programs, we should also return the tax base and allow them to raise the revenues necessary to fund these programs.

Thank you, Mr. Chairman, for the opportunity to testify here today. I look forward to working with you in the days and weeks ahead to enact meaningful reforms to our welfare system.



Congressional Research Service · Library of Congress · Washington, D.C. 20540

January 25, 1995

TO : Honorable James Greenwood
Attention: Susan Spencer

FROM : Gene Falk
Specialist in Social Legislation
Education and Public Welfare Division

SUBJECT : Need-Tested Benefits and Federal Income Tax Liabilities,
by State

This memorandum responds to Congressman Greenwood's request for a table showing Federal payments for certain need-tested benefits as they relate to Federal tax liabilities by State. Table 1 shows Federal payments for Medicaid, Aid to Families with Dependent Children (AFDC), Child Care programs related to AFDC,¹ and food stamps for fiscal year 1992, as a percentage of Federal income tax liabilities reported on Federal tax forms for tax year 1992. The use of 1992 data was required because that is the most recent year of available Federal income tax data by State. States are ranked by the share of their Federal income tax liabilities accounted for by the Federal payments for the selected need-tested benefits programs.

The table reports the Federal share of spending for Medicaid, AFDC, child care, and food stamps only; State spending on these programs was not included in the table's calculations. The Federal Government and the States share the cost of Medicaid, AFDC, and child care benefits and administration; the Federal Government pays 100 percent of the benefit cost of food stamps, but only a share of the costs of administering the Food Stamp program.

¹The programs in this category are: child care for AFDC recipients, transitional child care for former AFDC recipients, and child care for those "at-risk" of becoming dependent. Excluded from this category was spending under the Child Care and Development Block Grant (CCDBG), because of concerns that the available data for CCDBG was not comparable with the other expenditure data shown in table 1. However, CCDBG and child care programs are small relative to the other programs shown in the table, and the exclusion of the CCDBG should not materially affect table 1's basic patterns.

TABLE 1. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, and Food Stamps as a Percent of Federal Income Tax Liabilities, by State, 1992

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total programs
Louisiana	36.0%	2.5%	0.1%	11.6%	50.2%
West Virginia	33.4	4.3	0.1	11.5	49.4
Mississippi	30.9	2.7	0.1	15.3	49.0
Kentucky	25.7	3.2	0.2	8.6	37.8
Maine	26.3	4.2	0.1	6.2	36.7
Arkansas	23.4	1.7	0.1	7.1	32.3
New Mexico	18.5	4.0	0.2	9.1	31.8
South Carolina	23.1	1.9	0.1	6.3	31.4
Rhode Island	22.6	3.8	0.2	3.9	30.5
District of Columbia	20.2	4.1	0.2	5.0	29.5
New York	21.5	3.5	0.1	4.0	29.2
Tennessee	19.5	1.8	0.2	6.8	28.2
Alabama	18.2	1.2	0.2	7.8	27.4
Oklahoma	17.3	3.1	0.5	6.5	27.4
North Dakota	19.5	2.3	0.2	4.0	26.0
Vermont	16.8	4.6	0.3	4.3	26.0
Montana	17.4	3.1	0.3	4.9	25.7
New Hampshire	22.2	1.2	0.2	1.9	25.5
Ohio	15.1	3.2	0.2	5.9	24.4
Missouri	16.2	2.1	0.2	5.2	23.6
North Carolina	15.3	2.3	0.3	4.4	22.2
Arizona	12.6	2.8	0.3	6.5	22.0
Pennsylvania	15.0	2.5	0.2	4.3	22.0
South Dakota	15.8	1.8	0.1	4.1	21.8
Georgia	13.5	2.4	0.2	5.7	21.8
Indiana	16.1	1.6	0.0	3.9	21.5
Michigan	12.3	4.0	0.1	5.0	21.4
Texas	12.7	1.1	0.1	6.8	20.7
Massachusetts	15.4	2.8	0.2	2.3	20.7
Utah	13.2	2.5	0.3	4.2	20.2
Wisconsin	13.6	3.2	0.2	2.8	19.9
Iowa	13.5	2.6	0.1	3.4	19.6
Oregon	10.9	2.8	0.2	4.7	18.6
Idaho	13.1	1.4	0.1	3.6	18.3
Minnesota	12.2	2.6	0.2	2.7	17.8
California	9.3	5.1	0.1	3.1	17.6
Nebraska	12.1	1.8	0.4	3.1	17.3
Washington	9.8	2.9	0.2	3.1	15.9
Kansas	10.7	1.7	0.2	3.1	15.7
Wyoming	9.9	2.3	0.3	3.3	15.7
Hawaii	7.1	2.9	0.0	5.2	15.3

TABLE 1. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, and Food Stamps as a Percent of Federal Income Tax Liabilities, by State, 1992

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total programs
Florida	8.5	1.6	0.1	4.9	15.1
Alaska	7.8	3.5	0.2	3.1	14.6
Illinois	8.4	1.8	0.1	4.2	14.5
Maryland	8.7	1.6	0.2	2.9	13.4
New Jersey	9.7	1.5	0.1	2.1	13.4
Connecticut	10.0	1.9	0.1	1.3	13.3
Delaware	7.8	1.5	0.2	3.0	12.5
Colorado	7.7	1.4	0.1	3.1	12.3
Virginia	6.2	1.0	0.1	3.3	10.6
Nevada	5.6	0.7	0.1	2.3	8.7
U.S. Total	13.5	2.7	0.2	4.4	20.8

Source: Table prepared by the Congressional Research Service (CRS). Medicaid, AFDC, and child care data are from the U.S. Department of Health and Human Services (HHS). Food stamp data are from the U.S. Department of Agriculture. Federal income tax liability data are from the U.S. Department of Treasury, as reported in *Statistics of Income (SOI)*. Expenditure data are for fiscal year 1992; tax data are for tax year 1992.

The table shows wide variation by State in the share of Federal income tax payments accounted for by Medicaid, AFDC, child care, and food stamps. For example, Federal payments in Louisiana for these need-tested programs accounted for about half of all Federal income tax liabilities reported for that State. In contrast, these Federal payments accounted for only about one-in-ten dollars of Federal income tax liability in Virginia and Nevada.

As we discussed, such a wide variation was to be expected. Generally, States with low incomes relative to the national average ranked high in table 1, while higher income States ranked low in the table. This is because lower-income States:

- have lower Federal income tax liabilities, because the lower the total income in a State the lower the total Federal income tax liability in that State;
- tend to have larger low-income populations, raising spending devoted to low-income assistance programs; and
- receive a greater matching rate for spending on Medicaid, AFDC, and child care. As discussed, the Federal Government and the States share the cost of these programs. The lower the per-capita income in a State, the higher the Federal share of these program's cost. In 1992, the matching rate varied from 79.99 percent in Mississippi to 50 percent in States with per-capita income at or below the national average.

CRS-4

There are some exceptions to the overall pattern. For example, the District of Columbia and New York have relatively high per-capita incomes, but also relatively high welfare spending. Therefore, these two jurisdictions rank relatively high in the table. Additionally, because Medicaid is the largest program shown in the table, the rankings for the total of these programs is greatly affected by how the States rank relative to Medicaid. There are large variations in how States operate Medicaid, that could affect these rankings irrespective of State per-capita income.

Federal income tax liabilities represent the amount reported on Federal individual income tax returns. Federal payments for need-tested programs include spending on administrative expenses.

Table 2 provides the data underlying the percentages reported in table 1. I hope this information is helpful to you. If you have any questions, or need further help with your work, please call me at 707-7344.

TABLE 2. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, Food Stamps and Federal Income Tax Liabilities, by State, 1992
(\$ in thousands)

State	Medicaid	AFDC	AFDC-related child care	Food stamps	Total	Federal income tax liabilities
Alabama	1,117,327	72,649	11,940	478,859	1,680,776	6,125,911
Alaska	116,916	52,170	2,869	46,913	218,868	1,503,898
Arizona	766,495	169,225	15,268	394,510	1,345,498	6,106,740
Arkansas	724,882	51,315	2,073	220,860	999,130	3,091,503
California	5,788,545	3,170,622	90,950	1,959,681	11,009,798	62,480,237
Colorado	569,102	101,035	7,731	229,435	907,303	7,365,916
Connecticut	1,088,136	201,929	9,816	145,639	1,445,520	10,845,781
Delaware	117,082	22,163	2,754	45,574	187,573	1,503,656
District of Columbia	314,519	63,817	3,730	77,841	459,907	1,559,238
Florida	2,354,554	448,297	36,382	1,358,679	4,197,912	27,732,223
Georgia	1,600,750	287,083	24,906	673,145	2,585,884	11,878,283
Hawaii	175,766	71,066	1,097	129,543	377,471	2,471,607
Idaho	207,699	21,941	1,256	57,659	288,554	1,580,096
Illinois	2,254,018	485,714	18,428	1,123,776	3,881,936	26,720,247
Indiana	1,617,750	156,285	3,709	388,953	2,166,696	10,065,794
Iowa	608,611	114,736	5,976	151,750	881,073	4,496,274
Kansas	489,052	79,339	10,972	139,985	719,348	4,569,806
Kentucky	1,362,065	171,982	12,601	457,606	2,004,254	5,296,868
Louisiana	2,154,912	151,475	6,634	696,468	3,009,489	5,991,970
Maine	481,678	77,115	980	114,532	674,305	1,834,891
Maryland	995,750	188,011	17,428	327,691	1,528,880	11,401,480

TABLE 2. Federal Payments for Medicaid, AFDC, AFDC-Related Child Care, Food Stamps and Federal Income Tax Liabilities, by State, 1992
(\$ in thousands)

State	AFDC-related					Federal income tax liabilities
	Medicaid	AFDC	child care	Food stamps	Total	
Massachusetts	2,234,474	411,464	28,240	331,590	3,005,767	14,551,007
Michigan	2,197,025	721,817	15,527	887,323	3,821,692	17,823,074
Minnesota	1,117,398	241,223	16,589	250,307	1,625,518	9,148,758
Mississippi	885,323	77,719	2,442	439,593	1,405,077	2,865,198
Missouri	1,460,598	185,816	15,115	470,061	2,131,589	9,036,554
Montana	203,251	36,313	2,949	57,327	299,840	1,164,913
Nebraska	324,733	47,962	9,670	83,557	465,922	2,691,268
Nevada	194,681	25,149	1,739	79,916	301,486	3,456,067
New Hampshire	561,350	29,352	3,789	48,362	642,854	2,524,778
New Jersey	2,156,384	325,749	22,876	479,991	2,985,000	22,328,150
New Mexico	393,035	84,337	3,649	192,611	673,631	2,119,288
New York	9,296,658	1,524,631	63,141	1,720,463	12,604,894	43,143,682
North Carolina	1,702,542	250,685	28,030	491,867	2,473,125	11,136,838
North Dakota	188,055	21,724	1,941	38,184	249,904	961,973
Ohio	2,982,873	638,423	33,387	1,155,195	4,809,878	19,741,190
Oklahoma	789,516	140,705	21,480	295,185	1,246,886	4,555,657
Oregon	558,519	144,153	12,861	242,064	957,597	5,144,589
Pennsylvania	3,505,609	577,158	41,385	996,242	5,120,394	23,306,223
Rhode Island	424,172	71,338	3,704	74,215	573,429	1,879,901
South Carolina	1,158,871	95,017	5,767	315,489	1,575,145	5,014,184
South Dakota	178,712	20,086	1,195	45,856	245,849	1,128,960
Tennessee	1,702,491	155,290	13,237	593,908	2,464,926	8,726,800
Texas	4,157,110	364,102	46,635	2,221,889	6,789,737	32,855,399
Utah	332,551	63,120	8,374	105,422	509,467	2,524,189
Vermont	159,500	43,550	2,466	40,400	245,916	946,909
Virginia	823,154	130,758	16,026	442,201	1,412,139	13,334,312
Washington	1,166,932	343,818	25,905	366,007	1,902,662	11,940,219
West Virginia	756,382	96,777	3,219	261,307	1,117,684	2,262,697
Wisconsin	1,246,909	296,113	18,072	257,809	1,818,902	9,137,285
Wyoming	88,256	20,234	2,507	28,161	140,158	894,814
Totals	67,852,674	13,342,556	759,415	22,232,601	104,187,246	500,967,295

Source: Table prepared by the Congressional Research Service (CRS). Medicaid, AFDC, and child care data are from the U.S. Department of Health and Human Services (HHS). Food Stamp data are from the U.S. Department of Agriculture. Federal income tax liability data are from the U.S. Department of Treasury, as reported in *Statistics of Income (SOI)*. Expenditure data are for fiscal year 1992; tax data are for tax year 1992.

Mr. ENGLISH [presiding]. Thank you, Mr. Greenwood. The Chair recognizes the—

Mr. BUNN. Mr. Chair, if I could apologize, I have constituents I need to meet with so I am going to leave before questions.

Mr. ENGLISH. Certainly, Mr. Bunn. Thank you very much.

The Chair recognizes for a statement Hon. Carlos Romero-Barceló, Resident Commissioner for Puerto Rico.

**STATEMENT OF HON. CARLOS A. ROMERO-BARCELO, A
RESIDENT COMMISSIONER IN CONGRESS FROM THE
COMMONWEALTH OF PUERTO RICO**

Mr. ROMERO-BARCELO. Thank you, Mr. Chairman. I would like to thank you for the opportunity to share with you some of our thoughts on welfare reform. I want to just at the outset mention the fact that I am a disenfranchised representative of the largest number of constituents, 3.7 million, which is about 6 times the constituents represented by any other Member of Congress. I was even stripped of my right to vote in the Committee of the Whole. I can only vote now in the Committees and Subcommittees, so my participation in this hearing is of utmost importance for us.

Probably everyone is in agreement that the welfare system must be revamped, and that full reform is in order. We disagree, of course, on the methods and the fine print necessary to achieve real changes that will help those in need to break the cycle of poverty or those who need a second chance. As a former mayor of a large city, San Juan, and former Governor of Puerto Rico, I have experienced on a firsthand basis the benefits of some programs and the dangers of others.

However, today I must concentrate and call to your attention the particular dilemma facing my district, since I am afraid that once again Congress will continue to condone an apartheid system. I must use this strong word, "apartheid," because that is precisely the situation that the citizens living in Puerto Rico face, notwithstanding that they are citizens by birth and that Puerto Rico has been a part of the United States for almost 100 years.

To illustrate this de facto apartheid situation, consider the following facts facing American citizens living in Puerto Rico: AFDC is inapplicable in Puerto Rico. The island has been getting a limited partial block grant for many years. The current annual amount, about \$80 million, has not changed in almost 10 years, and has not even been adjusted for inflation.

The average monthly AFDC equivalent benefit in Puerto Rico is about \$32 per recipient, notwithstanding that the cost of living in Puerto Rico is similar or higher than most places around the Nation. Full AFDC participation by eligible beneficiaries would put AFDC expenditures in Puerto Rico at over \$400 million per year. The earned income tax credit is inapplicable on the island because we are not fully integrated into the Nation's tax laws. That is the most effective program to keep people off welfare, poor wage earners, and it is not applicable.

Title I funds designated to foster educational opportunities for the poor and disadvantaged students are capped at about 45 percent of otherwise full applicability of this program. In the same

fashion, the Food Stamp Program is capped at about 60 percent, and the SSI is inapplicable in Puerto Rico.

To compound the problem, many in Puerto Rico are at the mercy of a second-rate health care system. This is so because Medicaid is inapplicable in the island.

We get a block grant that amounts to about 10 to 15 percent of what Puerto Rico would get under full participation in Medicaid. This translates into an onerous financial burden on public health facilities, resulting in a de facto apartheid medical system.

Those with private insurance and those who can afford it use private physicians and facilities, but those with limited resources or with no resources must use a public health care system that is underfunded, overburdened, and one that lacks appropriate and sufficient medical personnel and resources. What is the genesis of this inequitable dilemma for the American citizens of Puerto Rico?

The Federal Government's reverse Robin Hood socioeconomic policy toward the island. Let me explain this remark. Robin Hood stole from the barons and the wealthy people to give to those that were very, very poor. Now, each year the Federal Government in Puerto Rico, through section 936 of the Internal Revenue Code, grants billions, and I emphasize billions of dollars in tax credits to multinational corporations doing business in Puerto Rico. Meanwhile it denies participation of children, handicapped, and aged U.S. citizens in critical Federal programs, programs that notwithstanding their merits or deficiencies do in fact constitute the basis of our Nation's safety net.

Thus, in essence, the Federal Government is taking from the middle class, the working poor, and the indigent in order to grant exemption from Federal corporate income taxes to the wealthy multinationals. The crux of the dilemma is that section 936 of the Internal Revenue Code is generally used as the excuse for not bringing Puerto Rico up to par in Federal policies and programs.

Perhaps this exclusion policy is understandable for some, but it is an absurd policy because section 936 is an extremely inefficient and costly way of promoting job creation. According to the latest estimates of the Joint Tax Committee, section 936 will cost U.S. taxpayers almost \$20 billion in the next 5 years.

GAO has estimated that section 936 credits amount to an annual subsidy to section 936 companies of over \$70,000 for each worker on their payroll. The figures are astounding, but the American citizens in Puerto Rico indeed pay a higher price. Why?

Just look at the statistics. The average per capita income on the mainland is approximately \$17,000, while the island's per capita income is about \$6,000. If the existing trend in applicable policies continue, Congress is in effect condoning an apartheid society, one which condemns several millions of U.S. citizens in Puerto Rico to an unbreakable cycle of poverty and would continue to increase the difference in the per capita income between Puerto Rico and the rest of the Nation, instead of closing that gap.

What is the solution to this dilemma?

We must look at the big picture. We cannot separate individual programs from others as they are interconnected. More importantly, we cannot separate taxation policy from the issue of welfare reform.

Secretary Rubin has said that the Tax Code is an instrument of social policy, and indeed it is. I have consistently maintained throughout my years in public office that in order to share the benefits of the Nation we must be willing to share in the responsibilities, as well. Therefore, it is time for Congress to put an end to the reverse Robin Hood socioeconomic policy for Puerto Rico.

To achieve this quid pro quo process must be put in place so that an orderly transition begins as soon as possible, a transition that will phase out the 936, implementing Federal income taxes in Puerto Rico in exchange for full participation in the programs I mentioned and the others where we are denied either participation or have capped grants. Common sense and recent actions by the Congress and the administration indicate that section 936 is not and should not be a perpetual Federal entitlement for wealthy corporations.

I guess I have run out of time.

Mr. ENGLISH. If you wish to summarize.

Mr. ROMERO-BARCELO. Yes. What I am trying to explain here and you will see from my testimony is that we should be taxed and at the same time given the same opportunities in Federal programs. That would be a good business both for the Federal Government and for Puerto Rico. The Federal Government would collect taxes that would be more than the additional benefits that will be forthcoming to Puerto Rico, and at the same time it would increase the level of income in Puerto Rico, would create additional demand for goods and services, create further jobs, and take a lot of people out of welfare.

[The prepared statement and attachments follow:]

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Hon. Carlos Romero-Barceló
Statement for the Record
Committee on Ways & Means
Subcommittee on Human Resources
Hearings: Welfare Reform
January 30, 1995

Mr. Chairman and fellow colleagues of this Subcommittee:

My name is Carlos Romero-Barceló and I am the disenfranchised representative in this Congress of 3.7 million American citizens, which is approximately six times the number of constituents represented by any other Members of Congress. At the beginning of this congressional session I was stripped of my vote in the Committee of the Whole. Now I only vote in the Committees and Subcommittees on which I serve. I thank you for the opportunity to share with you today some of my thoughts concerning the issue at hand: Welfare Reform.

Probably everyone is in agreement that the welfare system must be revamped and that meaningful reform is in order. Nevertheless, the differences in opinion arise on the methods and fine print necessary to achieve real changes that will help those in need to break the cycle of poverty or those who need a second chance.

As a former mayor of a large city, San Juan, and former governor of Puerto Rico, I have experienced on a first hand basis the benefits of some programs and the dangers of others. However, today I must concentrate and call to your attention the particular dilemma facing my district, since I am afraid that once again Congress will continue to condone an "apartheid" system.

I must use this strong word — apartheid — because that is precisely the situation that the citizens living in Puerto Rico face, notwithstanding that they are citizens by birth and that Puerto Rico has been a part of the United States for almost 100 years.

To illustrate this de facto "apartheid" situation consider the following facts facing American citizens living in Puerto Rico:

AFDC is inapplicable in Puerto Rico. The Island has been getting a limited partial block grant for many years. The current annual amount, about \$80 million, has not changed for almost 10 years and has not even been adjusted for inflation. The average monthly AFDC-equivalent benefit in Puerto Rico is about \$32 per recipient, notwithstanding that the cost of living in Puerto Rico is similar or higher than most places across the Nation. Full AFDC participation by eligible beneficiaries would put AFDC expenditures in Puerto Rico at over \$400 million per year.

The Earned Income Tax Credit is inapplicable on the Island because we are not fully integrated into the Nation's tax laws.

Title One funds, designed to foster educational opportunities for poor and disadvantaged students, are capped at about 45% of otherwise full applicability of this program.

In the same fashion, the food stamps program is capped at about 60% and the SSI program is inapplicable in Puerto Rico.

To compound the problem, many in Puerto Rico are at the mercy of a second rate health care system. This is so because Medicaid is inapplicable on the Island. We get a block grant that amounts to about 10 to 15% of what Puerto Rico would get under full participation in Medicaid. This translates into an onerous financial burden on public health facilities resulting in a de facto "apartheid" medical system. Those with private insurance and those who can afford it, use private physicians and facilities. But those with limited resources, or with no resources, must use a public health care system that is underfunded, overburdened and one that lacks appropriate and sufficient medical personnel and resources.

What is the genesis of this inequitable dilemma for the American citizens of Puerto Rico?: The federal government's "Reverse Robin Hood" socio-economic policy towards the Island.

Let me explain this remark.

Each year, the federal government, through Section 936 of the Internal Revenue Code, grants billions, I emphasize...billions of dollars in tax credits to multinational corporations doing business in Puerto Rico. Meanwhile, it denies participation of children, handicapped and aged U.S. citizens in critical federal programs. Programs, that notwithstanding their merits or deficiencies, do in fact constitute the basis of our Nation's social safety net. Thus, in essence, the federal government is "taking" from the middle class, the working poor and the indigent, in order to grant exemption from federal corporate income taxes to wealthy multinationals. The crux of the dilemma is that Sec. 936 of the I.R.C. is generally used as the excuse for not bringing Puerto Rico up to par in federal policies and programs.

Perhaps this exclusion policy is understandable for some, ~~but it is an absurd policy~~ because Sec. 936 is an extremely inefficient and costly way of promoting job creation. According to the latest estimates from the Joint Tax Committee, Sec. 936 will cost U.S. taxpayers almost \$20 billion in the next 5 years. GAO has estimated that Sec. 936 credits amount to an annual subsidy for Sec. 936 companies of over \$70,000 for each worker on their payroll. The figure is astounding but the American citizens in Puerto Rico do indeed pay a larger price.

Why? just look at the statistics. The average per capita income on the mainland is approximately \$17,000, while the Island's per capita income is little over \$6,000. If the existing trend and applicable policies continue, Congress is in effect condoning an apartheid society, one which condemns several million of U.S. citizens in Puerto Rico to an unbreakable cycle of poverty.

What is the solution to this dilemma?

We must look at the big picture. We cannot separate individual programs from others, as they

are interconnected. More importantly, we cannot separate taxation policy from the issue of welfare reform. Secretary Rubin has said that the tax code is an instrument of social policy and indeed it is.

I have consistently maintained throughout my years in public office that in order to share in the benefits of the Nation, we must be willing to share in the responsibilities as well. Therefore, it is time for Congress to put an end to the Reverse Robin Hood socio-economic policy for Puerto Rico. To achieve this, a quid-pro-quo process must be put in place so that an orderly transition begins as soon as possible. A transition that will phase-out Sec. 936, implementing federal income taxes in Puerto Rico, in exchange for full participation in the programs I mentioned and the others where we are either denied participation or have capped grants.

Common sense and recent actions by Congress and the Administration indicate that Sec. 936 is not, and should not be, a perpetual federal entitlement for wealthy corporations. During 1993, when the President proposed reductions to Sec. 936 benefits by tying them to direct jobs generated by these companies (i.e., wage credits), the powerful Sec. 936 companies lobbied strenuously against any changes. I do not blame them, they have one of the best-kept secrets in this town, in the words of Senator David Pryor, "Sec. 936 is the mother of tax loopholes". secretary Reich called Sec. 936 "Corporate Welfare". It is indeed the single largest welfare program in Puerto Rico.

In response to a costly and incessant lobby campaign by the entrenched special interest lobby, the changes to Sec. 936 enacted in June of 1993, were less than the changes proposed by the President. Nevertheless, Congress has to keep in mind that for the first time ever, the federal Treasury began collecting last year corporate income taxes from these companies in Puerto Rico. Sec. 936 taxes will likely exceed \$600 million for 1994 and by the end of 1998, the federal government will have probably collected \$5 billion.

Any changes to Sec. 936 will be zealously attacked by the 936 lobby, in particular by the pharmaceutical sector. But I urge you to look at the facts. For example, during the 1993 "936-debate" the affected companies predicted a doom scenario for the manufacturing sector in Puerto Rico if 936 was altered. A year and half after the changes, Puerto Rico has now its lowest unemployment rate in twenty years (still very high at about 12%). Meanwhile, 936 jobs have remained practically stagnant for more than 10 years.

Puerto Rico and its workers have much to offer and their productivity is as good as or better than that found anywhere else. Our quality controls are A-1. Our local economy cannot continue to be at the mercy of a regressive tax policy that fosters an economic dilemma for Puerto Rico, and one that inhibits the attraction of venture capital and research & development investments.

Puerto Ricans are ready for a quid-pro-quo approach. Prominent local political and business leaders, including the Governor, have publicly indicated that they would support changes to Sec. 936 if they result in a better quality of life for the citizens of Puerto Rico. For the reasons I just indicated, there is no doubt that an orderly phase-out will indeed translate into a better economic future for all of us.

As we enter into a new century, this Congress and Puerto Rico must be able to face the challenges of a new era. We cannot leave behind a group of citizens that are and should continue to be an integral part of this great Nation. Puerto Ricans are willing to share in their

responsibilities in order to share better economic opportunities and a chance to participate in the American dream.

Furthermore, contrary to public perception, residents in Puerto Rico have indeed a heavy local taxation burden, higher than in many jurisdictions in the Nation even when taking into consideration all federal and local taxes. In addition, people in Puerto Rico are already subject to an array of federal taxes and user fees including Social Security taxes, unemployment taxes, custom duties, certain excise taxes, and even certain income taxes. In fact, IRS collected \$2.5 billion in federal taxes from Puerto Rico in 1993. This amount will exceed \$3 billion for 1994.

Thus, these taxes, the new revenue already generated through Sec. 936 and any further reductions or modifications to Sec. 936, must be taken into consideration by this Committee when allocating programmatic resources and tools for Puerto Rico and for the rest of the Nation, and vice versa.

In brief, I urge you to put together all the pieces of the economic and welfare puzzle as they currently adversely affect Puerto Rico, in order to make applicable and available to them not only the same opportunities and tools available to their mainland fellow citizens, but the same responsibilities as well.

Let us please end the course of economic "apartheid" and bury the existing counter-productive "Reverse Robin Hood" socio-economic policy.

Thank you for your interest and attention to my statement and I look forward to working with you on this and other issues.

Attachments:

CRB's statement on Welfare Reform, Committee on Educational & Economic Opportunities (1/18/95).

CRB's statement on Welfare Reform, Committee on Education & Labor (8/2/94).

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REGULAR AND
INTERNATIONAL AFFAIRS

Hon. Carlos Romero-Barceló
Opening Statement for the Record
Committee on Economic & Educational Opportunities
January 18, 1995 (RE: Welfare Reform)

Mr. Chairman and fellow colleagues of the Committee, once again we meet to discuss issues surrounding welfare reform. I am sure that everyone here favors welfare reform, the differences among us may lie on how to best achieve meaningful changes that make government programs work in a fairer and more efficient manner. In our deliberations, we should not lose sight of the fact that welfare programs should equip the poor with tools and opportunities to lift themselves out of poverty.

I will focus on the dilemma facing my district -- Puerto Rico -- home to 3.7 million American citizens. I take the opportunity to reintroduce for the record my remarks given during a hearing on this subject last year. They explain the socio-economic dilemma faced by citizens in Puerto Rico, a situation caused by inconsistent and contradictory federal policies towards the Island.

I use the word dilemma because statistics show that the income gap between the Island and the mainland continues to widen and the trend indicates that the gap will continue to grow. The average per capita income on the mainland is approximately \$17,000 while the Island's per capita income is about \$6,000. If the existing trend and applicable federal policies continue, Congress is in effect condoning the creation of an apartheid society, one which condemns several million of U.S. citizens in Puerto Rico to an unbreakable cycle of poverty.

I am confident that many will agree with Tommy Thompson, the Governor of Wisconsin, who has said in that in order to achieve meaningful welfare reform, we must be willing to make long time investments to bring about change.

Congress and successive administrations have for years supported what I call the "Reverse Robin Hood Policy" for Puerto Rico. This is so because the federal government grants billions, I emphasize...billions of dollars in tax credits to multinational corporations doing business in Puerto Rico while it denies participation of children, handicapped and aged U.S. citizens in critical federal programs. In essence, the federal government is "stealing" from the middle class, the working poor and the indigent, in order to give what amounts to exemption from federal corporate taxes to wealthy multinationals. The tax exemption, known as Section 936 of the Federal Internal Revenue Code, is generally used as the excuse for not bringing Puerto Rico up to par in federal policies and programs.

For example, the working poor, the elderly, children at risk and families in need are at a disadvantage if they reside on the Island. This is so because of the following:

The Supplemental Social Security Income program (SSI) is inapplicable in Puerto Rico.

The Earned Income Tax Credit is inapplicable.

Title One funds, designed to foster educational opportunities for poor and disadvantaged students, are capped at about 45% of otherwise full applicability of this program.

In the same fashion, the food stamps program is capped at about 60% and AFDC is capped at about 20%.

To compound this lamentable situation, many in Puerto Rico are at the mercy of a second rate health care system. This is so because Medicaid is inapplicable on the Island. We get a block grant that amounts to about 10 to 15% of what Puerto Rico would get under full participation in Medicaid. This translates into an onerous financial burden on public health facilities resulting in a de facto "apartheid" medical system. Those with private insurance and who can afford it, use private physicians and facilities. But those with limited resources, or with no resources, must use a public health care system that is underfunded, overburdened and one that lacks appropriate medical personnel and resources.

Thus, I have been consistent throughout my 30 years in public life, in that in our struggle to obtain equal participation in the resources of the nation, we must be willing to share equally in the burdens and responsibilities also -- and we are. However, we do not have a say in this matter. Congress has absolute power and discretion over the affairs of Puerto Rico. Therefore my colleagues, and with all due respect, it is up to you to take corrective action and reverse the socio-economic dilemma faced by American citizens in my district.

Treasury Secretary Rubin has said that "the tax code is an instrument of public policy", and it certainly is. I am working with Members of the Budget and Ways & Means Committees, and with the Executive branch, in order to eliminate the "Reverse Robin Hood" policy. But I also need your support in order to achieve mutually beneficial changes.

As the distinguished Chairman of this Committee has indicated, all programs are under scrutiny and on the table. Thus, those programs and policies adversely affecting Puerto Rico must be on the table also.

Give us equal rights and responsibilities, because as I said before, poverty demoralizes not only the one who suffers from it, but also demoralizes the society that tolerates it or worse, tries to ignore it.

Attachment (CRB's remarks 8/2/94)

Hon. Carlos Romero-Barceló
Committee on Education and Labor
(Remarks)
August 2, 1994

RE: H.R. 4605 "Work & Responsibility Act of 1994" (Welfare Reform)

I COMMEND THE PRESIDENT FOR HIS LEADERSHIP IN ATTEMPTING TO BRING ABOUT MEANINGFUL CHANGE TO OUR NATION'S WELFARE SYSTEM, LIKE HE SAID -- "TO END WELFARE AS WE KNOW IT".

MY COLLEAGUES IN THE FRESHMAN CLASS HAVE ALSO TAKEN THE INITIATIVE OF ADDRESSING THE NEED FOR WELFARE REFORM, AND WE DID ENGAGE IN A THOROUGH PROCESS THAT CULMINATED IN A DOCUMENT THAT LAYS OUT THE CONSENSUS OF THIS GROUP.

AMONG THE KEY ASPECTS OF OUR RECOMMENDATIONS IS THE FIRM BELIEF THAT THE REFORM'S GOALS MUST AIM AT PROMOTING SELF-SUFFICIENCY AND THAT THE SHORT-TERM EXPENDITURES NECESSARY TO IMPLEMENT THE REFORM MUST NOT BE FINANCED BY THE POOR. WHATEVER AMOUNT WE INVEST IN WELFARE REFORM THIS YEAR MUST BE INVESTED IN SUCH A WAY THAT IT WILL RENDER MUCH GREATER BENEFITS TO OUR SOCIETY AS A WHOLE IN A FEW YEARS THAN THE PRESENT PROGRAMS HAVE BEEN ABLE TO.

THE NATIONAL CONSENSUS IS CLEAR IN ITS CONCLUSION THAT THE WELFARE SYSTEM IS BROKEN AND THAT IT NEEDS A MAJOR OVERHAUL. THEREFORE, WE MUST BE WILLING TO COME-UP WITH A MEANINGFUL STRATEGY AND WITH THE INNOVATIVE PROGRAMS NEEDED TO FIX THE PROBLEMS AND IMPLEMENT THE SOLUTIONS THAT WILL ULTIMATELY REWARD WORK, SELF-SUFFICIENCY, FAMILY UNITY AND RESPONSIBILITY.

NEVERTHELESS, LET US NOT FORGET THAT WE WILL ALWAYS HAVE A SMALL PROPORTION OF OUR POPULATION THAT FOR VALID REASONS WILL NOT BE ABLE TO ATTAIN FULL SELF-SUFFICIENCY. THOSE INDIVIDUALS AND THEIR FAMILIES WILL NEED SOME TYPE OF ASSISTANCE FROM THE GOVERNMENT: FOR EXAMPLE, PEOPLE WITH CHRONIC DISABILITIES, INDIGENT SENIOR CITIZENS, CHILDREN AT RISK AND WOMEN WITH CHILDREN WHO MUST TAKE CARE OF THEM PERSONALLY.

WE ALSO REITERATE THAT THE REFORM EFFORT MUST ENVISION A COMPREHENSIVE WELFARE STRATEGY WHICH WILL RESULT IN CAREFULLY

DESIGNED PROGRAMS THAT WILL HELP PEOPLE PULL THEMSELVES OUT OF POVERTY. THUS, THE PRESIDENT'S PLAN MUST CONSIDER THE POSSIBILITY OF EXTENDING WELFARE RESOURCES AND RESPONSIBILITIES TO GROUPS THAT HAVE BEEN TRADITIONALLY EXCLUDED OR UNDERSERVED BY WELFARE MECHANISMS.

A CASE IN POINT IS WHAT IS HAPPENING IN MY OWN DISTRICT, PUERTO RICO, HOME TO OVER 3.6 MILLION AMERICAN CITIZENS BY BIRTH, WHERE A LARGE SEGMENT OF THE POPULATION HAS BEEN CONDEMNED TO A PERMANENT UNDERCLASS OF POVERTY BY INCONSISTENT AND TOTALLY CONTRADICTORY FEDERAL POLICIES TOWARDS THE CITIZENS IN PUERTO RICO.

FIRST-TERM MEMBERS OF CONGRESS HAVE CONDEMNED THE GEOGRAPHICAL DISCRIMINATION TOWARDS THE CITIZENS LIVING IN THE TERRITORIES. IN THE PARTICULAR CASE OF PUERTO RICO, I AM APPALLED BY THE RECOMMENDATIONS OF THE ADMINISTRATION, WHICH SEEM TO DISREGARD ISSUES THAT I HAVE ATTEMPTED TO BRING TO THE TABLE. THE PROPOSED LEGISLATION DOES NOT ADDRESS AT ALL THE CAUSES AND ROOTS OF POVERTY IN PUERTO RICO, THE POOREST PER-CAPITA JURISDICTION IN THE ENTIRE NATION. AS A MATTER OF FACT, IN PUERTO RICO IT DOES JUST THE OPPOSITE, THE WELFARE REFORM INCREASES THE DIFFERENCE IN RESOURCES AND OPPORTUNITIES TO THE POOR, THE ELDERLY, ABANDONED MOTHERS, THE HANDICAPPED AND CHILDREN.

UNFORTUNATELY, THE INCOME GAP BETWEEN THE MAINLAND AND PUERTO RICO CONTINUES TO WIDEN WITH THE PASSING OF THE YEARS AND THE ISLAND'S PER CAPITA INCOME IS THREE TIMES BELOW THE NATIONAL AVERAGE. THIS RESULT IS BROUGHT ABOUT BY THE GEOGRAPHIC DISCRIMINATION AGAINST THE U.S. CITIZENS IN PUERTO RICO.

THE WHITE HOUSE TASK FORCE HAS MERELY PROPOSED A 25% INCREASE TO THE ALREADY EXISTING ARBITRARY CAP APPLICABLE TO PUERTO RICO, A CAP THAT HAS NOT BEEN SIGNIFICANTLY TOUCHED IN THE LAST 15 YEARS! THE CAP WILL AMOUNT TO \$102.5 MILLION, UP FROM THE CURRENT \$80 MILLION. DO YOU HONESTLY BELIEVE THAT THE \$20.5 MILLION INCREASE WILL HAVE ANY SIGNIFICANT EFFECT TO HELP MORE THAN 50% OF THE 3.6 MILLION U.S. CITIZENS IN PUERTO RICO WHO LIVE IN POVERTY LIFT THEMSELVES OUT OF POVERTY? HOW CAN ANYONE RATIONALIZE SUCH A POLICY DECISION?

THE GOALS AND BENEFITS THAT WELFARE REFORM WILL RENDER TO THE POOR AND UNDER-PRIVILEGED IN THE 50 STATES ARE NOT IN THE HORIZON FOR PUERTO RICO AND THE OTHER TERRITORIES. THIS SITUATION CANNOT BE TOLERATED IN A FIRST RATE DEMOCRATIC NATION LIKE OURS. THE

ADMINISTRATION IS PLAINLY IGNORING THE ISSUE IN ITS TERRITORIES. ARE THE LIVES OF U.S. CITIZENS IN THE TERRITORIES LESS IMPORTANT THAN THE LIVES OF U.S. CITIZENS IN THE 50 STATES?

TO GIVE YOU AN IDEA ON HOW INCONSISTENT THE FEDERAL POLICIES TOWARDS PUERTO RICO ARE, CONSIDER THE FOLLOWING: ELDERLY POOR AND/OR DISABLED CITIZENS ARE NOT ELIGIBLE FOR SUPPLEMENTAL SECURITY INCOME ASSISTANCE. A FAMILY OF THREE ELIGIBLE FOR AFDC PAYMENTS (AID TO FAMILIES WITH DEPENDENT CHILDREN) RECEIVE ONLY A MONTHLY AVERAGE PAYMENT OF \$98, THIS SAME FAMILY LIVING IN THE MAINLAND WOULD RECEIVE APPROXIMATELY \$450 PER MONTH.

TO COMPLICATE MATTERS FURTHER, THIS SAME FAMILY NOT ONLY LACKS OF ADEQUATE RESOURCES TO STAY AFLOAT, BUT IN FACT FACES A CATCH-22 SITUATION SINCE SUCH A FAMILY IN PUERTO RICO CANNOT TAKE ADVANTAGE OF THE EARNED INCOME TAX CREDIT — A PROGRAM SPECIFICALLY DESIGNED TO PROVIDE INCENTIVES FOR THE WORKING POOR — WHICH IS INAPPLICABLE IN PUERTO RICO.

THE EARNED INCOME TAX CREDIT IS A CRITICAL COMPONENT OF THE WELFARE REFORM EFFORTS AND WE THANK THE PRESIDENT AND MANY MEMBERS OF THIS HOUSE FOR HAVING EXPANDED THIS PROGRAM IN A SIGNIFICANT WAY LAST YEAR. BUT IN PUERTO RICO — TO THE WORKING POOR IN MY ISLAND — THE EXPANSION NOT ONLY DOES NOT HELP IN ANY WAY, BUT ON THE CONTRARY, IT HELPS ONLY TO WIDEN THE INCOME GAP BETWEEN THE U.S. CITIZENS IN PUERTO RICO AND THE CITIZENS IN THE 50 STATES.

HOWEVER, INSTEAD OF ADDRESSING THE CRITICAL NEEDS OF THOUSANDS OF CITIZENS IN MY DISTRICT, CONGRESS AND THE FEDERAL GOVERNMENT HAVE OPTED FOR GIVING TO WEALTHY CORPORATIONS IN PUERTO RICO EXTREMELY GENEROUS TAX BREAKS, AMOUNTING TO BILLIONS OF DOLLARS EACH YEAR, YES BILLIONS — WITH A "B" AS IN BARBARIC — AND NOT TAXING THOSE OF US WHO CAN PAY, AND THEN DENY THE NEEDY CITIZENS THE BENEFITS THEY SHOULD BE ENTITLED TO.

AS A COLONIAL DELEGATE WITHOUT THE POWER OF THE VOTE IN THIS HOUSE, I CAN ONLY BRING TO YOUR ATTENTION THE NEED FOR MEANINGFUL CHANGES LONG OVERDUE FOR YOUR FELLOW CITIZENS IN PUERTO RICO. I CANNOT VOTE, BUT MY COLLEAGUES CAN, AND THE POWER TO CHANGE THINGS RESTS ON THEM AND ON THE PRESIDENT.

THE POOR DO NOT PAY TAXES AND THEY SHOULD NOT BE CONDEMNED TO A PERMANENT UNDERCLASS. WE MUST AGGRESSIVELY PROMOTE POLICIES THAT BREAK THE POVERTY CYCLE. THERE ARE OVER 140,000 CHILDREN LIVING IN

POVERTY IN PUERTO RICO. WHAT SHALL I ANSWER THEM WHEN THEY OR THEIR MOTHERS ASK ME WHY THEY WERE EXCLUDED?

THE POOR, WHEREVER THEY ARE IN OUR NATION, SHOULD HAVE MEANINGFUL OPPORTUNITIES THAT WILL ENABLE THEM TO PROGRESS AND BREAK THE CYCLE OF POVERTY. POOR PEOPLE IN PUERTO RICO IN NEED OF NUTRITIONAL ASSISTANCE CAN ONLY OBTAIN 2/3 OF WHAT THEIR COUNTERPARTS IN THE 50 STATES RECEIVE BECAUSE THE FOOD STAMPS PROGRAM IS ALSO CAPPED. EVEN POOR CHILDREN ARE SHORTCHANGED IN THEIR EDUCATIONAL OPPORTUNITIES SINCE FEDERAL ASSISTANCE UNDER THE CHAPTER ONE PROGRAM, WHICH IS DESIGNED TO ASSIST POOR SCHOOL CHILDREN, IS ALSO SEVERELY CAPPED AT ABOUT 45% OF WHAT IT WOULD BE IF WE WERE A STATE.

POVERTY DEMORALIZES NOT ONLY THE ONE WHO SUFFERS FROM IT, BUT ALSO DEMORALIZES THE SOCIETY THAT TOLERATES IT.

THUS, I CALL ON THIS CONGRESS AND ON THIS ADMINISTRATION TO SERIOUSLY CONSIDER THE REPERCUSSIONS OF TOLERATING DISCRIMINATION AGAINST NEEDY U.S. CITIZENS. GEOGRAPHIC LOCATION SHOULD NOT BE A BARRIER TO BETTER OPPORTUNITIES. LET US PROVIDE THE APPROPRIATE TOOLS AND RESOURCES AND MOST PEOPLE WILL HELP THEMSELVES.

THERE IS NO JUSTIFICATION FOR THE AFDC CAP CONTAINED IN THIS BILL AND I URGE MY COLLEAGUES TO SUPPORT ME IN SEEKING ITS REMOVAL.

MR. CHAIRMAN I ASK FOR UNANIMOUS CONSENT TO REVISE AND EXTEND MY REMARKS AS I WILL BE SUBMITTING FOR THE RECORD SEVERAL ADDENDUM WHICH WILL EXPAND ON THE POINTS I HAVE JUST MENTIONED AND WHICH MAY INCLUDE ADDITIONAL QUESTIONS ADDRESSED TO ADMINISTRATION OFFICIALS.

I THANK THE ADMINISTRATION FOR FOSTERING A CAREFUL ANALYSIS OF THE WELFARE ISSUE AND FOR SEEKING A CONSENSUS ON SOLUTIONS THAT WILL BENEFIT ALL OF US HOWEVER, I MUST CRITICIZE ITS UNWILLINGNESS TO ADDRESS THE WELFARE POLICY DILEMMA THAT AFFECTS HUNDREDS OF THOUSANDS OF AMERICAN CITIZENS IN PUERTO RICO. THANK YOU.

Mr. ENGLISH. Thank you. Thank you, sir.

Mr. ROMERO-BARCELO. Thank you.

Mr. ENGLISH. We will move to questions.

Ms. Dunn will inquire.

Ms. DUNN. Mr. Chairman, I want to thank the panel for coming before us. I apologize for the few Members who are here to listen to you. It is because we have a very long day today, and we are fitting a lot of Members in.

If it were a typical hearing day we would spend a great deal with each of you to take advantage of your personal knowledge at the same time that you are representing a large constituency before the Congress, so I hope you will allow us to make use of you as a resource, each of you as we move through this whole thing.

The impression that I get from this panel and ones that have preceded is that we are very, very lucky to have folks on both sides of the aisle with such great knowledge and that this is an area where if we are very thoughtful about our input as you have been we can come together with a bipartisan plan to replace the current welfare system.

I have one brief question, Mr. Greenwood. I wonder if you could quickly summarize for us the table that you have included in your testimony, table 1, Federal Payments for Medicaid and so forth for us, and how it affects a State, for example, Washington.

Mr. GREENWOOD. Certainly, thank you for your interest. Overall the individuals paying Federal income tax payments are forwarding to the Federal Government on the order of about \$500 billion per year. The Federal Government then sends back to the States a little over \$100 billion in means-tested programs—Medicaid, AFDC, food stamps. The point of this exercise is to suggest that perhaps we can short circuit that process since 20 percent of the Federal tax dollars are coming to Washington and turning right around and going back with strings attached. If we simply gave States the option of fully financing their own welfare programs, then we could give tax credits directly to the individuals in those States in an amount proportional to what their State has historically been receiving from the Federal Government.

Let me see if I can find Washington State on here. Washington State receives back from the Federal Government approximately 15.9 percent of all of the Federal income tax dollars paid by individual citizens of Washington State.

In other words, if your State chose to finance those programs entirely with State dollars, your residents could then take a 16-percent credit against their obligation. Those dollars would never come to Washington, and your State officials would have them available to use for these programs. If the States are efficient and creative, they would probably not need to take all of that 16 percent back.

Ms. DUNN. Governor Castle, could you respond to that? Is that a good idea?

Mr. CASTLE. It is a good idea for Delaware. We are even lower than Washington State. I think it would depend to some degree on your vantage point from what State, but the concept is an excellent idea. I think what Congressman Greenwood is saying in part is that we create expenditures by—and regulation and complexity by

having moneys flow through to Washington then back out to the States and then to individuals, which is really what these entitlement-type welfare programs are, regardless of whether they should be cut off or not, that is really what they are.

And if you could have it directly within the States, you might give the States a greater flexibility, you eliminate the bureaucracy in Washington, there would be a fairness issue in terms of what you are paying in and what you are getting back, and I think ultimately it could work. It would obviously take a lot of work to get it to a point where it is something that everybody could accept and to see how it could pertain, but it is certainly a very interesting and potentially viable idea.

Ms. DUNN. Ms. Holmes Norton, does that do anything toward solving your point of the bureaucratic confusion back here?

Ms. NORTON. It does, but I am wondering about its impact on large cities, and the first thing I thought about is that I would like to see a copy of Mr. Greenwood's chart. Indeed, Ms. Dunn, one of the great missing elements in this debate has been word from the mayors and the county executives who live closest to the welfare recipients, and I would like to see Mr. Greenwood's notion sent through their prism, far closer to these expenses than the Governors have been. I take particular note of what Mr. Castle has had to say because he comes from a small State which has forced him even as Governor to live very close to these problems.

Mr. GREENWOOD. If I may, the District of Columbia receives back from the Federal Government 29.5 percent of every tax dollar paid by individuals, and obviously it is a fairly short trip in this town. You could probably take the receipts about two blocks one direction and then two blocks back in the other direction. I would submit, however, that even in that short physical trip here in the District, a lot of that 29.5 percent gets consumed in Federal bureaucracy. If the District of Columbia were to say that they would pay for all of its welfare programs, every resident of the District would get a 30-percent tax credit. The District could itself choose how to obtain the revenues needed to fund its programs.

Ms. DUNN. Thank you, Mr. Chairman.

Mr. ENGLISH. Thank you very much.

Mr. Greenwood, you have an unusual background to bring to this debate, having served prior to becoming a legislator as a social worker, having served in the State legislature in Pennsylvania as one of the leaders in an ongoing fight for welfare reform, and I wonder with that perspective could you amplify on your suggestion of the creation for unwed mothers of a petition of dependency. I know that in the debate on welfare reform all too often there has been a tendency in the media to hijack the discussion into a controversy over orphanages, but you brought up, I think appropriately so, that in certain situations foster homes and group homes can provide a better climate in which young people could be raised.

Could you please comment on that and what has the track record been with these sorts of institutions?

Mr. GREENWOOD. Thank you, I would be happy to. The reality is we have a good system in this country for kids who don't have good homes. Whenever a child is brought to the attention of school offi-

cials, physicians, or nurses, there is an investigation that occurs, and if the child does not have a good home, then we have a system to provide one for him or her.

The county government obtains custody of that child if the situation can't be worked out. If it is a marginal case, we can try to keep that child at home and provide social services. But if it is really a dangerous place for that child or if there is literally no place for that child to go, then the caseworker drafts a petition saying this is a dependent child, that his parents either abuse, neglect or reject him. The court then holds a hearing where the parents are entitled to testify. If the judge says yes, that is a dependent child, the county finds a good home for that child—in most cases it is a foster home.

My suggestion is simply that the mere fact that a teenager has conceived a child doesn't make her any less of a child herself. In fact, it makes her more in need of adult supervision.

I would simply suggest that we get away from this ridiculous notion that if we stop paying cash benefits to teenagers that they and their children will all end up in orphanages. That is not the point. The point is if they themselves are out seeking public resources because they don't have a good home, then we need to find them a good home. I think ideally we should find them a home with their infant, and we should take that time and use our resources wisely to enable them to become self-reliant themselves.

The status quo is the most brutal you could imagine. Under the current system we allow very young women to live in hovels and basements and cold, miserable excuses for habitat, and then just because they produce a child we mail them a check, and we mail them food stamps once a month. They don't have the financial resources to really make it, and they have no adults in their lives to assist them, and the results are predictable. They often abuse their children, neglect their children and turn to a lot of the behaviors that people turn to when they are in despair. They frequently are stuck in a cycle of poverty for all their lives.

Mr. ENGLISH. Thank you. Congressman Castle and Congressman Greenwood, both of you have come to Congress out of State government having had extensive careers there. There has been a general concern expressed by some opponents of welfare reform proposals that have been offered here that if there is an end to entitlements, for example in AFDC, and a movement toward block grants that many States might stage a retreat from their commitment to providing assistance for our poorest people.

That recently has been extended to include concerns about changes in SSI. My question to the two of you is that given your experience and given your familiarity with the people in State government all over the country, do you feel this is a legitimate concern or with a shift to block grants do you think that the States are going to continue to make an effort to provide for their poorest citizens?

Mr. CASTLE. Mr. Chairman, I think it is a legitimate concern, perhaps one we can match. I think initially if we went to block grants that we build in some inflationary factor in virtually all these programs, although it gets more difficult with Medicaid, I think you will probably see a fairly good reaction in terms of man-

aging the problem both from the Federal Government and the State governments, because in my judgment there probably is some tightening which could go on in this system, but at some point after a few years or a couple years and you have done some of that, and all of a sudden you are looking at the same block grants without growth, you could have a problem.

I have suggested in my testimony the possibility of a rainy day fund. There is no question that welfare rolls in this country are affected by unemployment rates or poverty, but the fluctuation may be measured by unemployment rates and other poverty rates as an indication of how various geographical areas are doing.

By the way, sometimes it isn't how the country is doing, you may have the Midwest not doing well and the rest of the country—the East Coast and West Coast are doing well or vice versa. This happens also.

I think to have a system that would be completely inflexible would really be a problem. I do like the idea of block grants, which isn't that far unrelated from what Congressman Greenwood was testifying to earlier, that is, have the money flow directly back to the States as opposed to worrying about all the details of the per se entitlement for each person in the country. The States could make up their own methodologies for doing this.

You suggested something else. It suggests the possibility of different States cheating a little bit here or there. There might be some minimum standards that would have to be imposed in order to prevent that, some States that don't have a particular welfare problem, that don't have a big welfare population next to it might to some degree try to play games in the circumstance or even those who are competing with each other might try to get below the other one to encourage welfare recipients to move. I don't see as much of that as sometimes we hear.

That could happen as well, so there are problems in block granting, without a doubt, but the concept is not all bad because it is a simplification of something which has become extraordinarily complex. As we get away from the entitlement, pure entitlement concept and we get to the time-measured cutoffs in some way or another, and I suspect because of what the President has said, what some of the moderate conservative Democrats have said because of what Republicans are saying, we are looking at some time cutoff.

I don't know if it would be 2 years. I would urge a little more flexibility, but some kind or another that these are the kinds of things that we should be looking at, so the block grants should be explored but very carefully, not just in one sentence in a piece of legislation. We really need to understand it thoroughly, I believe.

Mr. ENGLISH. Mr. Greenwood.

Mr. GREENWOOD. Very briefly because the time has elapsed. I think 40 years ago the Federal Government did exactly what it needed to do, and that is usurp powers from the States because the States were systematically denying the rights of American citizenship to minorities and others. That was the right thing to do because at the same time those States were denying minorities access to the political system to change the governments within their States.

I think since then we have, through a lot of Federal actions, empowered people in every State to be strong advocates, and they have demonstrated their political powers. Every group and subgroup you can imagine has done that. Now I think it is time for political maturity in this country.

I think the tools are there and available in every State. Advocates for the poor, advocates for the elderly, and advocates for the children can go to their State capitols, and push hard for the kinds of programs they want and throw out of office the people that they don't think show the compassion.

Ms. NORTON. Mr. Chairman, could I say one word on that because I think nobody impugns the motives of State officials or lobbyists who go and put pressure on State officials. I think the appropriate question is what happens if you reach the end of a block grant and you are in a recession?

Of course, the Governor and the mayor will do what they can, but understand what that means. It probably means raising taxes at the local and/or State level, a regressive tax to take care of a national problem. That is what I mean by denial, not going that extra step and understanding that is what would happen.

Mr. ENGLISH. Thank you, Ms. Holmes Norton. I appreciate your remarks. I have taken some of the testimony presented before this Committee to suggest that State officials might retreat from their recent commitment to poor people. That is something I wanted clarified here.

Thank you very much for taking time out from your very hectic schedules to participate in this hearing today and offer your own unique perspectives.

Mr. WALSH. Mr. Chairman, just one last word if I might beg your deference.

This issue of block grants, if that is the direction that this Committee determines to head in, be very sure that there is a vehicle set up for annual adjustments to this program because once Congress loses control of the program on a national basis, you are going to have to look to the Governors to determine what the appropriations are going to be.

Mr. ENGLISH. Thank you, Mr. Walsh. We will introduce the next panel now.

The Chair is delighted to welcome to testify before the Subcommittee today, Hon. Michael Bilirakis, Member of Congress from Florida, Hon. John Myers, Member of Congress from Indiana, who is accompanied by Hon. Dean Young, State representative from Indiana, Hon. Nydia Velázquez, Member of Congress from New York, and Hon. Karen Thurman, Member of Congress from Florida. Welcome.

Thank you for coming today to offer your expertise and to present testimony. We would prefer that you limit your remarks here today to 5 minutes. But you are also welcome to submit written testimony for the record.

Thank you very much. I would like first of all to recognize Representative John Myers of Indiana.

**STATEMENT OF HON. STEPHEN E. BUYER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF INDIANA, AS PRE-
SENTED BY HON. JOHN T. MYERS, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF INDIANA**

Mr. MYERS. Thank you, Mr. Chairman and Ms. Dunn, thank you very much for the attention you are giving to a very important problem. I am appearing as a substitute for Representative Buyer and will not testify.

Today we have Indiana State Representative Dean Young, who has been on the leading edge of welfare reform for the State of Indiana. He has introduced legislation in both the 1993 and 1994 sessions dealing with AFDC, term limits for recipient mothers, and fraud in welfare.

Also at this time I would like to insert a statement from our colleague Steve Buyer, who intended to be here but attended a funeral in Indiana this morning. I request that Representative Buyer's testimony be submitted for the record, as well as the written comments from Indiana Senator Luke Kenley.

[The prepared statements follow:]

TESTIMONY OF HON. STEVE BUYER
A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Mr. Chairman, I thank you and the members of this Committee for allowing Indiana Representative Dean Young and me the opportunity to discuss welfare reform. This issue is of tremendous importance to my District, the State of Indiana, and our nation.

I am proud to introduce Representative Dean Young, who travelled from Indiana to discuss welfare reform initiatives within the State of Indiana, and the need for flexibility to the states. As a Representative in the Indiana General Assembly, Mr. Young introduced welfare reform plans in 1993 and 1994, and has been a leader in welfare reform within the State of Indiana. Representative Young has ideas which could further reform the welfare system in Indiana by reducing bureaucracy and costs, thereby lowering the tax burden already placed on Hoosiers in Indiana's Fifth District and across the State.

Mr. Chairman, I believe welfare reform can take place at the state and local level if we provide states with the proper flexibility. By enacting reforms at the Federal level we will poise the states to further adjust our flawed system, and transform it into one that functions as it was originally intended to -- as a means of temporary assistance. Last year, constituents from across my District, from Lake to Blackford Counties, told me that welfare reform is one of the most pressing social issues of our time. They are irritated by big government programs which continue to expand and take money out of their pockets, while the number of successes from such expanded programs continues to lag disproportionately.

In regard to welfare initiatives within the State of Indiana, it is important to note that while Indiana was recently granted Federal permission to begin to implement plans for effective reform, a total of 42 Federal waivers had to be approved (after a substantial waiting period). Thus, after these plans were formulated at the state level, yet another level of bureaucracy had to be conquered. We should allow states the flexibility to determine how to best meet the needs of the welfare system.

As stated earlier, Indiana has already started to reform its system by formulating plans to attack the roots of welfare dependency, and by helping individuals to acquire the skills to remain independent of government assistance. Such reforms include: the establishment of a 24-month lifetime limit for Aid to Families With Dependent Children (AFDC) while parents look for work, a requirement that all AFDC applicants sign a Personal Responsibility Agreement that requires AFDC parents to agree to certain requirements, such as ensuring their children will attend school, stiff penalties for welfare fraud whereby individuals found to have abused the system are permanently ineligible for benefits, and the requirement that minor parents reside with a parent or adult thereby highlighting the importance of the family unit, just to name a few. Many of these ideas are contained in the welfare reform plan contained in the Contract With America, H.R. 4, the Personal Responsibility Act. I am proud to see the leadership which the State of Indiana has already taken on this issue.

The problem with increasing welfare rolls is clear. Comparing figures from fiscal years 1993 and 1994, food stamp issuance in the State of Indiana increased by approximately 5 percent. While some counties in my District showed decreased numbers, those numbers were countered by increases in other counties. For example, Pulaski and Warren Counties had food stamp issuance decreases of 5.4 percent and 9.4 percent respectively. For the same time period, Newton and Marshall Counties showed increased food stamp issuance by 5.7 percent and 30.2 percent respectively. This is just one example of an expanding program, which means increasing welfare rolls, and increasing costs.

We need to do more than shift our broken welfare system to the states. We need to fundamentally change the system from one of disincentives to empowerment and opportunity, while emphasizing the importance of the state flexibility in meeting the specific economic needs of the citizens within each state.



State of Indiana

Senate

Senator Luis Kenton
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Committees:
 Finance
 Taxation Subcommittees
 Judiciary
 Planning & Public Services
 Corrections, Criminal & Civil Procedures, P.M.

January 30, 1995

Dear Congressman Buyer and members of the Committee,

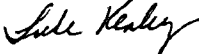
Thank you for the opportunity to share some thoughts regarding welfare reform as you deliberate on this subject. State Representative Dean Young and I filed a comprehensive welfare reform bill here in the State of Indiana in November of 1993, and have been fighting to bring sense to this system since that time. Let me share a few brief thoughts with you regarding our efforts:

1. Implementing even the simplest of reforms at the state level has been virtually impossible, since a federal government waiver is required at every turn.
2. Federal decision makers who grant waivers resist even the simplest reforms at every turn, refuse to consider statistical information regarding issues which show that current federal practices are rewarding the wrong values and promote benefit programs designed to keep people on the dole instead of trying to make it on their own. It is clear that they think they are in charge of our values and goals and are willing to ignore not only factual arguments from the states, but I strongly sense that they are thwarting the intent of the federal Congress, because they have a different viewpoint from that of the Congress. This has been true even prior to the last election.
3. The federal waiver granters in the Executive Branch are determined to make Medicaid the basis of universal health care, even though Congress last year resoundingly defeated this concept at the request of the American people. Waivers regarding the Medicaid program are uniformly denied if the granters sense that eligibility standards will be lowered.
4. Economics have no meaning to the waiver granters. Cost control is not part of their evaluative equation. It appears that they are determined to spend more on welfare regardless of whether anyone is being helped to get off welfare or not. Their mission seems to be to get people dependent on government.

5. The number of programs providing assistance and the amount of bureaucracy created to deliver benefits is astronomical. I am sure we could cut costs of the entire system in the states and federal programs by 20% by streamlining administration, combining and eliminating programs, and still provide 100% of the benefits we are giving recipients (which we don't need).
6. State government, being closer to the recipient and the taxpayer, has been administering federal concepts for some time. As the shop manager could often tell the owner of a business many simple ways to improve operations, the states are at a point in history where they can help the federal government to improve the management of the welfare program.
7. Government welfare systems must have as their goal the intent to make every person independent of government, proud to be self-determinative, and free to make their own success in life. Our current federally driven system destroys any such ideals and operates on the premise that people are incapable of directing their own lives.

Thank you for the opportunity to share these thoughts. In the news, many state leaders are asking for block grants, saying "Give us the money, don't tell us how to spend it, and we will do a better job on welfare than you do." I am not so foolish as to believe that those people who provide the money are not going to control the use of that money. Block grants may have some validity in the short run, but in the long run the federal government should reduce taxes, reduce programs, and let the states deal with this problem. Federal government has proven that it cannot successfully create and manage an assistance program for the poor - witness the disastrous results of the current state of affairs in this area. Good luck in your deliberations. Please give us an opportunity to reclaim our rightful responsibilities in our federalist system.

Sincerely yours,



Luke Kenley
Indiana State Senator

LK\jp

Mr. ENGLISH. Thank you very much.

Mr. Young, we look forward to your testimony. It is wonderful to have a perspective from the statehouse as we deliberate the design of welfare reform.

**STATEMENT OF HON. DEAN A. YOUNG, STATE
REPRESENTATIVE, STATE OF INDIANA**

Mr. YOUNG. Thank you very much, Mr. Chairman and Members of the Committee.

I bring you greetings from the State of Indiana and a message from them with respect to welfare reform. We have intensely debated that issue over the last 3 years, and of course on that issue, as with any issue, there is a wide divergence of opinion on how best to address it. That divergence includes such plans and programs that perhaps it would be best, since the welfare system we all agree is broken, that we repair that system by additional programs of job training and job education. Then on the opposite end of that divergence of opinion are those, and they are increasing in number, who believe that the welfare system is not broken but rather it never did work, and that therefore you cannot repair something that never did work and that the only good that can come from our welfare system is from its ending.

But there are basically two points that all of us in Indiana who have been involved in the debate agree upon, and the first point is that welfare reform is the single most important social issue of our time. The second point is that any possible hope for reform of that welfare system must come from the State and local level, and so I am going to suggest to you what I am sure many have who have presented testimony here to you throughout this process, and namely that States need as much flexibility as possible in order to implement the reforms that must take place in order for any type of welfare system to have any measure or opportunity for success.

What I fear that has happened in this partnership over the last 30 years between the State and Federal Governments in the delivery of welfare is that we have developed an environment of one size fits all, that we develop categorical needs and categorical funding for those needs, and we put people into certain pigeonholes and classifications. We cannot distinguish or discriminate between the truly deserving and the free rider, which has often produced such unintentional results as, for example, individuals can be convicted of welfare fraud and after the court and the judge is through with them, they requalify for benefits.

As a prosecuting attorney for 10 years before I was first elected to the General Assembly in Indiana in 1992, I witnessed this on not too rare of an occasion. Additionally, individuals who are already on welfare would have additional children and receive additional subsidies for those children without any responsibility in return, and this causes real damage to our society, and our culture.

Our culture teaches us that you should not have children that you cannot afford and that those children you do have should be within the institution of marriage, but our government tells us that it is OK if you do so and pays you subsidies for your effort. An additional thing which I witnessed often as a prosecuting attorney was parents of children would separate those children between

themselves or other members of their family in an effort to create additional welfare-eligible families.

These types of things destroy us, so we have proposed some 42 waivers that have been part of a collaborative effort between the legislature and our Governor's office in the summer and fall of 1994. These are things that we believe will empower our State to make significant changes in this area. It was individuals who were involved in that process who had very divergent opinions, as I spoke to you about earlier, but it took us 6 months to secure those waivers, those that we did secure, and those that we did secure came with numerous terms and conditions for the 42 waivers we sought we received back 23 pages, single spaced, typewritten terms and conditions that the Federal Government imposed in exchange for the right to implement, or try and implement those particular proposals, I respectfully suggest to you that we can do what we have done best throughout the years, and that is take care of our own.

In Indiana we have always taken care of our poor. We have a trustee system at the local level that extends the length of time that we have been a State where we take care of those people who cannot take care of themselves. We ask you for the opportunity to continue that effort. Our system in Indiana was not broken before we were called upon to fix it some 30 or more years ago. I am asking here today on behalf of the people of the State of Indiana, the Indiana General Assembly, and our Governor that we be allowed to continue to address those efforts with as much flexibility as we possibly can.

Thank you for the opportunity to be with you here today.
[The prepared statement and attachment follow:]

Statement of Indiana State Representative Dean Young
Before the House Ways and Means Subcommittee on Human Resources

United States House of Representatives

January 30, 1995

Thank you Mr. Chairman and members of the committee. I bring greetings from Evan Bayh, Governor of the State of Indiana; Paul Mannweiler, Speaker of the Indiana House of Representatives; Robert Garton, President Pro-tem of the Indiana Senate; and from the people of the State of Indiana. I welcome the opportunity to share with you some of the measures undertaken in the State of Indiana in the area of comprehensive welfare reform.

I am here to discuss some of the major proposals offered by Governor Bayh, the Indiana House of Representatives and the Indiana Senate on this most critical issue. The approaches to resolving the welfare crises are as diverse as the issue is complex. In Indiana, proposals range from the elimination of state and federal welfare programs to the creation of new programs and the expansion of existing ones. Indiana is poised to reform the welfare system within the state. Please help us in this reform effort by allowing greater flexibility to the states to ensure that the particular economic needs of the citizens of Indiana can be properly addressed.

We must end a system of government that does not and cannot work efficiently. The federal government's "one size fits all" approach to welfare reform is no longer the best means to solving welfare issues in cities and towns across the country. The time has come to allow greater state flexibility so as to foster the formulation of targeted solutions suited to particular socioeconomic needs within the state.

There is room for compromise on this issue, and we in the state legislature believe compromise can be reached; however legislation which increases by one the number of recipients on the welfare rolls is not compromise. We need a system that will empower individuals and facilitate opportunity.

Such a system will allow elected officials at the state level to reform the system with proposals which can target those in need of skills; can provide temporary assistance to those in need; and can encourage individuals to pursue a life independent of government assistance. The Indiana State legislature has already started to attack the welfare system for effective change. Last session, the State of Indiana had to apply for 42 waivers from the federal government in order to begin to implement these reform plans, but was prevented from expeditious implementation of these plans for six months while waiver applications were processed.

Indiana is a leader in welfare reform. Attached you will find a list of many of the proposals pending in the state legislature. The welfare reform measure that I introduced in 1993 included many of the reforms listed below, and could have saved the State of Indiana \$200 million.

- The suspension of driver's licenses and prohibition of the issuance of driver's licenses to individuals who are delinquent in the payment of child support;
- The establishment of a budget cap for spending on welfare programs;
- The prohibition of the issuance of AFDC assistance to a person convicted of welfare fraud;
- Requiring a dependent who is a parent to reside with a parent, legal guardian or adult relative (subject to certain allowances);
- Limitations on the additional benefits which may be granted for a dependent child born more than 10 months after a family qualifies for assistance. Establishes a 24 month lifetime cap on the receipt of welfare assistance;
- Requiring qualifying recipients between the ages of 7 and 19 years to attend school.

In 1965, the year in which the Great Society came to dinner and refused to go home, unemployment in our nation was 4.5 percent. And there was no welfare system in place. Thirty years later our nation experiences a similar unemployment rate, but such figures are despite our welfare system, not because of it. In an effort to help the poor, our government declared war on poverty. By 1969 poverty in the nation had decreased to 12 percent. This reflected a period of constant decline in poverty over the previous 30 year period. Today, after spending \$5 Trillion, an amount nearly equal to our national debt, 14.5 percent of our nation live in poverty.

I hope each of you takes the time to review the various proposals which are now before the Indiana General Assembly. Without waivers from the federal government none of these proposals can become the law in our state. We in the states must be free to experiment creatively in the area of welfare in an effort to promote the highest quality of life for all of our citizens.

Ladies and gentlemen of the committee, the time for true welfare reform is now. As I have stated, the State of Indiana is ready to charge ahead in this effort. Already we have formulated reform proposals to address the specific needs of Indiana residents. We in Indiana respectfully request your support in addressing this flawed system.

Respectfully submitted,

Dean Young
State Representative
Indiana House District 31

Attachment to Testimony Submitted to the
House Ways and Means Subcommittee on Human Resources
by Dean A. Young

SUMMARY OF WELFARE REFORM LEGISLATION PROPOSED IN INDIANA

Suspend the driver's licenses and prohibit the issuance of driver's licenses to individuals who are delinquent in the payment of child support.

Further defines the private insurance demonstration project involving the AFDC Medicaid population.

Allows the establishment of pilot welfare programs if such programs can be funded within the welfare spending cap.

Prohibits the issuance of AFDC assistance to a person convicted of welfare fraud.

Allowing certain exceptions, requires a dependent child with a child to reside with the dependent child's parent, legal guardian, or adult relative.

Grants one year of assistance to legal aliens, forbids the issuance of assistance to illegal aliens, and establishes the guidelines for assistance to the children of aliens.

Limits the additional benefits which may be granted for a dependent child born more than 10 months after a family qualifies for assistance. Establishes a 24 month lifetime cap on the receipt of welfare assistance.

With certain exceptions, requires qualifying recipients between the ages of 7 and 19 years to attend school.

Restricts benefits for individuals voluntarily leaving employment.

Establishes the personal responsibility agreement under which a recipient would have to agree to comply with certain provisions in order to receive benefits.

Concerns the federal targeted jobs tax credit program.

Provides exemptions in certain cases from the various provisions of the personal responsibility agreement.

Adds requirements concerning the establishment of paternity.

Creates "workfare" program.

Requires the application of a resource standard in the determination of the eligibility of an applicant.

Additional language concerning welfare fraud.

Makes those who are ineligible for AFDC under the paternity provisions ineligible for Medicaid as well.

Grants one year of Medicaid to legal aliens, forbids Medicaid benefits for illegal aliens, and establishes the guidelines for Medicaid for the children of aliens.

Concerns payments under the Indiana Medicaid insurance demonstration project.

Establishes the Indiana Medicaid Insurance Demonstration Project providing private insurance for the AFDC Medicaid recipients.

Grants the ability to a township trustee to deny benefits to an individual or a member of their family who has been denied assistance by the State. Adds township trustee reporting requirements.

Adds several provisions to statutes concerning the establishment of paternity.

Suspends the licenses of practitioners who are delinquent in the payment of child support. Also, prohibits the issuance of licenses to these individuals.

Additional adoption, paternity, and child support provisions.

Makes the mother and father responsible for the expenses paid by Medicaid for prenatal care, delivery, hospitalization, and postnatal care.

Places a maximum 10 year time limit for the filing of an action to enforce a child support obligation.

Directs the FSSA to draft a personal responsibility agreement.

Establishes the Electronic Benefit Transfer (EBT) pilot program.

Directs FSSA to establish rules concerning the granting of exemptions under the rules to comply with the personal responsibility agreement.

Directs the FSSA to seek additional federal reimbursement for services and assistance provided by the township trustees.

Concerns the application for necessary waivers, as well as the implementation of these various proposals.

Pay AFDC checks directly to employers who return money back to the recipient in the form of wages.

Require immunization for children.

All appeals regarding food stamp denials must be in writing.

Remove categorical spending requirements dictated by the federal government.

Employers can use AFDC diversion money for training and education, and not just wage subsidies.

Remove requirement that imposes a 100 hour per month maximum work restriction for able bodied adults in the home.

Earn up to 100 percent of the federal poverty level without losing welfare benefits.

Mr. ENGLISH. Thank you, Mr. Young. Thank you for taking the time to join us.

The Chair recognizes Hon. Michael Bilirakis of Florida.

STATEMENT OF HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. BILIRAKIS. I, too, thank you and the other Members of the Subcommittee, Mr. Chairman. And as we all know, the Contract With America includes a number of provisions which are designed to improve the well-being of our Nation's children by strengthening the enforcement of child support. Such action is urgently needed because our Nation's system for enforcing child support orders has failed miserably.

In fact, almost 75 percent of custodial mothers who are entitled to receive child support either lack a support order or fail to receive full payment. Of those who have a child support award, not even half actually collect what is owed. In the United States, Mr. Chairman, child support has historically been governed entirely by State law and enforced through State courts.

State agencies provide free enforcement services to families on welfare, and also assist nonwelfare families with low-cost services. Unfortunately, State agencies have had an abysmal track record. These agencies established paternity in less than half the necessary cases, and less than 20 percent of the cases resulted in collection of any support at any time during the year.

In addition, Mr. Chairman, the time involved in processing cases is extensive. Even those parents who ultimately obtained a support order typically waited more than 6 months to obtain it, and 79 percent waited more than another month to receive the first payment.

To address these concerns, I strongly support legislation proposed by Representative Henry Hyde to create a more federally based child support enforcement system. Chairman Hyde's proposal which was designated as H.R. 773 in the last Congress would create a national registry of child support orders in the Internal Revenue Service.

Under that bill, the States would be required to transmit copies of all child support orders to the IRS for collection through wage withholding and distribution to the appropriate individual. Support orders would be enforced by the IRS in a manner similar to that used for tax evasion.

I understand that Chairman Hyde plans to reintroduce similar legislation in this Congress, and I certainly intend to lend my full support to the measure. We must recognize that the end result of any delinquency in child support is a lack of financial assistance designed to ensure the health and well-being of the child who is by definition an innocent victim.

Individuals who neglect that obligation simply transfer the cost to the rest of society, and they should not be rewarded for such action. For that reason I sponsored legislation in the last Congress which went through the Congress successfully and was enacted into law in the form of an amendment to the Small Business Reauthorization Act. When this Congress convened on January 4, I introduced what I called the Subsidy Termination for Overdue Payments or "STOP" Act.

This legislation would deny a broad range of Federal benefits to individuals who willfully refuse to pay child support. The legislation which I sponsored last year was limited to applicants for small business subsidies or loans from the Federal Government. The STOP Act would require applicants for Federal financial assistance to certify that they are not more than 60 days delinquent in the payment of child support or if delinquent that they are in compliance with the terms of an approved prepayment agreement.

In introducing this bill, my intent is twofold: First, to encourage payment of child support; and second, to preclude the use of Federal taxpayers' dollars to assist individuals who neglect their children. Under the bill, the Federal agency involved is not required to research the applicant's status.

Rather, an applicant for assistance must make a simple affirmative statement of compliance. The requirement will be enforced through existing provisions of Federal law which establish penalties for fraud in obtaining financial assistance.

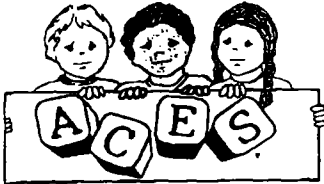
Quite simply, the measure is designed to emphasize that payment of child support is a fundamental civic responsibility. Passage of the STOP Act will ensure that persons who fail to satisfy their most basic parental obligation are not rewarded for such action, and I am pleased that the proposal has been endorsed by the Children's Defense Fund and the Association for Children for Enforcement of Support or ACES.

Mr. Chairman, a letter from the ACES president tells me that the statistics on child support are appalling. According to ACES, there are 23 million children in America who are owed \$34 billion in unpaid support. Nine out of 10 children on welfare are entitled to support and do not receive payments.

If each of these children received the average child support payment, approximately \$3,000 per year, it would exceed the amount which most of them currently receive in welfare benefits. In fact, a Columbia University study found that almost 40 percent of all children on welfare could become self-sufficient if they received the support to which they are legally entitled. Mr. Chairman, with all the problems that we have in trying to solve the welfare crisis, it certainly would behoove us to concentrate on enforcing child support. If we could cut our welfare rolls by 40 percent, I think we all would welcome that opportunity.

Thank you very much, sir.

[Attachments to the prepared statement follow:]



The Association for Children for Enforcement of Support, Inc.

January 27, 1995

Congressman Michael Bilirakis
2240 Rayburn House Office Building
Washington, DC 20515

Dear Congressman Bilirakis:

ACES appreciates your efforts to improve child support enforcement in the U.S. We support H.R. 104, Subsidy Termination for Overdue Payments Act (STOP). It is time that we stop rewarding those who fail to support their children.

ACES believes H.R. 104 will encourage payment of child support while precluding the use of federal taxpayers' dollars to assist individuals who neglect their children. Provisions that require a 60-day delinquency and allow a "good cause" exception make sure that the bill is fair to those who are truly attempting to meet child support obligations.

There are 23 million children who are owed \$34 billion in unpaid child support in America. Nine out of ten children on welfare are entitled to support and do not receive payments. If these children received the average amount of child support, about \$3,000 per year, it would be more than most currently receive in welfare benefits. A Columbia University study found that almost 40% of those on welfare could become self-sufficient if support was paid by parents who have an ability to do so.

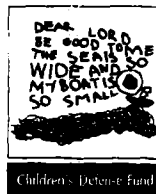
- Passage of STOP will emphasize that payment of child support is a fundamental civic responsibility.
- STOP will ensure that persons who fail to satisfy their most basic parental obligation are not rewarded for such action.

Thank you for your efforts for children entitled to child support.

Sincerely,

Geraldine Jensen
Geraldine Jensen
National President

OJ:rg



January 30, 1995

The Honorable Michael Bilirakis
 United States House of Representatives
 2240 Rayburn House Office Building
 Washington, D.C. 20515

Dear Representative Bilirakis:

The Children's Defense Fund appreciates your leadership in exploring ways to build on last session's legislation restricting availability of funds under the Small Business Act for parents who are delinquent on child support. Your new proposal, the "Subsidy Termination for Overdue Payments Act of 1995," expands this principle to other forms of federal financial assistance, and makes an important statement about how seriously government regards parents' responsibility to support their children.

Child support reform is critical. Our current child support system is failing our children. According to Census Bureau data, of those single mothers owed child support, only half get the full amount due; a quarter receive only partial payment; and a quarter receive nothing at all. The child support problem cuts across race and income lines, and plagues children in every community.

As a nation, we have failed to send a message that paying your child support is a fundamental civic responsibility, and that failure to do so has serious consequences. Efforts such as yours to reinforce that message are extremely helpful, and play a useful role as part of a broader effort to reform child support enforcement. We look forward to working with your staff to fine-tune the proposal to ensure that it collects the maximum support possible for children while at the same time maximizing the ability of non-custodial parents to generate income that can be used for child support and preserving subsistence benefits for every poor non-custodial parent and other dependents. We especially appreciate your ongoing commitment to this issue, and congratulate you for your continuing concern.

Very truly yours,

A handwritten signature in cursive script that reads "Nancy Ebb".

Nancy Ebb
 Senior Staff Attorney

Mr. ENGLISH. Thank you, Mr. Bilirakis.
The Chair recognizes the gentlelady from New York, Ms. Velázquez.

STATEMENT OF HON. NYDIA M. VELAZQUEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Ms. VELAZQUEZ. Thank you, Mr. Chairman. Good afternoon. I would like to thank the Chairman for convening this hearing, and I ask unanimous consent that the entirety of my testimony be placed in the record to be followed by a report by the Tufts University Center on Hunger, Poverty and Nutrition Policy.

Mr. ENGLISH. Those materials will be included.

Ms. VELAZQUEZ. Thank you.

[The report had not been received by the time of printing.]

Ms. VELAZQUEZ. Mr. Chairman, I want to make it clear that local and national evidence demonstrates that neither current welfare programs nor many of the proposed solutions will solve the problem of poverty or increasing welfare rolls. New York's experience with the BEGIN Program and Tufts University's comprehensive study on poverty demonstrate that we have wasted too much time looking for character flaws in poor people as opposed to flaws in our economic policy. It is not that welfare recipients are lazy, irresponsible.

In fact, 70 percent of new AFDC recipients leave the rolls within 2 years, and most AFDC recipients are children, 67.7 percent. Recipients who are adults only account for 32.3 percent.

In 1988, New York City implemented the Begin Employment Gain Independence Now Program. BEGIN, run by the New York City Department of Social Services and the Human Resources Administration, provides education and training for welfare recipients and helps them get child care and other benefits as they move from welfare to work. BEGIN is required to enroll 50 percent of New York's welfare recipients.

To date, BEGIN has met its participation requirement and will receive \$157 million for fiscal year 1995. Well, if BEGIN has met its requirement, the program must be a success, right? Not exactly. The more important information lies in the outcomes.

The question must be asked how successful is BEGIN at moving people from welfare to work? It is this question that prompted the New York City Council to act. The New York City Council's Finance Division conducted a study of a random sample of 927 adults who were on AFDC in 1991. Half of the sample participated in BEGIN and half did not.

The study found that for the sample as a whole BEGIN did not significantly increase a participant's chances of leaving AFDC when compared to a nonparticipant; 19 percent of BEGIN participants left the AFDC rolls after 2 years, while 13 percent of nonparticipants left the rolls, hardly remarkable results.

The New York City Council concluded, and I agree, that the program model is faulty. Training programs assume there is something wrong with the supply side of the labor market. Evidence from history shows that welfare dependency is an unemployment problem which must be addressed through job creation and economic development. This is supported by the fact that women cycle

on and off welfare because they cannot find jobs with adequate wages and health care.

A recent study by the Tufts University Center on Hunger, Poverty and Nutrition Policy provides national data to support the findings of the New York City Council. Tufts concluded that the prevailing wisdom about welfare is wrong. There is virtually no causal link between welfare and single-parent families.

Tufts researchers found that contrary to popular opinion, welfare benefits have been decreasing while single-parent families and out-of-wedlock births have been increasing. Moreover, they have found that other nations provide more welfare benefits but have lower rates of out-of-wedlock births and single-parent families than the United States.

The Tufts study also reveals that single-parent families are not the primary cause of poverty but rather a number of factors contribute to poverty. They include the decline in the number of well-paying jobs and the structure of the economy which has made it difficult for both married and single parents to maintain or improve their economic status. Beyond explaining why existing anti-poverty programs are not working, we can also infer from the Tufts study that many of the current proposals to reform welfare are misguided and simply will not work, proposals like the Personal Responsibility Act, which will change food programs to block grants and eliminate aid for millions of single mothers, are a prescription for disaster.

To do this we run the risk of drastically increasing the number of hungry and homeless families. For example, if the Personal Responsibility Act were enacted today, about 349,000 New York children would be denied benefits.

What is the answer to the problem of poverty? The answer is job creation and investment in our infrastructure. We must then educate and train people for the jobs. The Progressive Caucus, of which I am a member, has a plan to change this idea into reality.

The major part of the strategy is the Job Creation and Investment in America Act. We will inject \$130 billion in the economy to create at least 1 million new jobs a year by improving our infrastructure. The bill is paid for by closing corporate tax loopholes and increasing taxes on the wealthiest Americans.

The other part of the strategy is to change the welfare system from one of despair to one of hope by educating and training poor residents for the jobs which will be created from our job creation bill. The plan will ensure that no family goes hungry, increase the minimum wage, expand the earned income tax credit, and improve our Nation's child support collection efforts.

I strongly urge my colleagues to join us as we work to find real solutions to the problem of poverty.

Thank you, Mr. Chairman.

[The prepared statement follows:]

WAYS AND MEANS SUBCOMMITTEE ON HUMAN RESOURCES
TESTIMONY BY CONGRESSWOMAN NYDIA VELAZQUEZ
JANUARY 30, 1995

Good afternoon. I would like to thank the Chairman for convening this important hearing and ask unanimous consent to have a report by the Tufts University Center on Hunger, Poverty and Nutrition Policy entered into the record immediately following my testimony.

Mr. Chairman, I want to make it clear that local and national evidence demonstrates that neither current welfare programs nor many of the proposed solutions will solve the problem of poverty or increasing welfare rolls. We have wasted precious time looking for character flaws as opposed to flaws in our country's economic policy. The evidence is not there to support many of the current assumptions about families on welfare, and I would like to illustrate that point by giving you a brief overview of New York's experience with implementation of the 1988 Family Support Act and evidence from a Tufts University dispelling the myths about the causes of poverty.

In 1988 New York State developed its own plan for welfare reform in response to the Family Support Act. This plan was the Job Opportunities and Basic Service Law, which required each county to make available all of the mandatory and optional JOBS components. New York City's implementation of state and federal obligations was the Begin Employment Gain Independence Now (BEGIN) program.

The BEGIN program, coordinated by the Department of Social Services and the Human Resources Administration, offers a variety of training and educational programs, helps the clients get child care and provides transitional benefits as the client moves from welfare to work. BEGIN was required to enroll 15 percent of New York City's welfare population. To date, BEGIN has met its participation goals and will receive \$157 million Fiscal Year 1995.

At this point one could ask, what is the problem? The program sounds like a success, at least in meeting its participation rate. The problem lies in the outcomes and in the fact until now, there has been no study of the program's success in moving people from welfare to work. This prompted the Finance Division of the New York City council to act.

The study utilized a random sample of 927 adults who were on AFDC in the fall of 1991. About half of the sample participated in BEGIN and half did not. The study compared age, race, gender, primary language spoken, number of children, age of youngest child and presence of an additional adult in the household. The study found that for the sample as a whole, BEGIN did not significantly increase a participant's chances of leaving AFDC when compared to a non-participant. 19 percent of BEGIN participants left the AFDC rolls after two years, and 13 percent of non-participants left the rolls -- hardly remarkable results. The study also revealed the BEGIN program was most effective with older clients in general, younger clients with access to day care, and households with an additional adult in the household.

The New York City Council concluded that the problem with BEGIN was not the program but the model on which the program is based. It found that training programs assume something is wrong with the supply side of the labor market as opposed to the demand side of the market. The Council also reported that, in looking at other training programs around the country, the results are the same. Welfare dependency must be seen as an employment problem, which is effectively addressed by job creation and economic development.

Even beyond the problems with the program model, there are equity problems with the provision of the services. For example, the Puerto Rican Legal Defense and Education Fund has filed a class action lawsuit against the New York City and State Social Services Departments for discrimination against Latinas in welfare programs. The lawsuit arose from the failure of the New

York City JOBS program to provide literacy classes to Spanish-speaking Latinas who cannot read or write. Latinas in the program were routinely sent to short, part-time "English as a Second Language" classes which teach some basic language skills then forces them to look for a job. By contrast, English speaking welfare recipients are offered literacy, high school classes, and an array of vocational classes to prepare them for the workforce.

The findings of the New York City Council and anecdotal evidence from program participants themselves mirror those in areas around the country and support my contention that current programs and ideas are not working to change the lives of the majority of the poor.

To further illustrate, we must examine some facts about the poor population on a national scale.

Tufts University Center on Hunger, Poverty and Nutrition Policy recently released a study on the connection between single-parent families and welfare and current causes of poverty in general. The Tufts University Center concluded that "the 'prevailing wisdom' about welfare is wrong. There is virtually no causal link between welfare and single-parent families." Let's look at some of the empirical evidence.

Welfare benefits have been decreasing while single-parent families and out-of-wedlock births have been increasing. From 1970 to 1990, the average monthly AFDC benefit per family, when adjusted for inflation, fell by 36 percent. During the same period, the number of female-headed households increased from six million to over 11 million and the out-of-wedlock birth rate increased from 26 to 43 per 1,000 live births. Moreover, other nations provide more welfare benefits, but have lower rates of out-of-wedlock births and single parent families than the U.S.

Single parent families are not a primary cause of the growth of poverty. A 1993 Census Bureau study showed that the increase in poverty between 1969 and 1988 was due mainly to changes in labor markets and the structure of the economy, which made it difficult for both married and single parents to maintain or improve their economic status.

What are some of these changes? Tufts reports that from 1975 to 1990 the proportion of the labor force employed in goods-producing industries (historically higher-paying) fell about 23 percent. The service sector has been the primary area of job growth, with employment in service-producing industries (usually lower paying) up nearly seven percent, from 70.5 to 77.2.

Other changes include the uneven distribution of household income as a central factor in the growth of poverty. According to a 1994 Economic Report of the President, from 1977 to 1990, the share of the nation's income received by the richest five percent of Americans increased nearly 25 percent, from 18.6 to 24.5 percent. The share of income received by the poorest 20 percent of Americans fell by nearly 25 percent, from 5.7 to 4.3 percent.

Beyond explaining why existing anti-poverty programs are not working, what else can we learn from the data? I would argue that from this data we can see that many of the current proposals to reform welfare have no chance to solve the problems of the welfare population. Proposals such as letting states pay for AFDC in exchange for federal responsibility for Medicaid, changing food programs to block grants, cutting aid to young mothers and eliminating aid for mothers on welfare who give birth are a prescription for disaster. To do this, we run the risk of drastically increasing the number of hungry and homeless families. For example, if the Personal Responsibility Act were enacted today, about 349,000 New York children will be denied AFDC benefits.

What are we to do? To rescue families from the crushing burden of poverty, we must move beyond the hatemongering to creating jobs by investing in our infrastructure. We must then educate and train people for those particular jobs and change our severely regressive tax system into a more progressive one. The Progressive Caucus has plan to change these ideas into working realities for the American people.

The Progressive Caucus plan for tackling the problem of poverty in this country will be to create jobs by investing in America. The Job Creation and Investment in America Act, which authorizes \$130 billion in investment in the U.S., will create at least one million new jobs each year, upgrade our infrastructure, and pay for the jobs by closing corporate tax loopholes and increasing taxes on the wealthiest Americans. These jobs will be family-sustaining jobs, not jobs at the current minimum wage. The bill will also establish a national commission to encourage social investment of billions of pension funds to meet domestic needs in America.

The second part of the strategy is a bill to change the welfare system. The Progressive Caucus bill will provide quality education and training that is tied to jobs that pay a livable wage and provide child care and health care. It will ensure that no family goes hungry. The bill will increase the minimum wage, expand the Earned Income Tax Credit, and improve our nation's child support collection efforts.

The efforts I delineated above are the most appropriate responses to the problems facing our nation's poor. I challenge my colleagues to join the Progressive Caucus in the fight to enact our plan and to beat back those forces which would mislead the American people through inflammatory rhetoric about the "character" of the poor population. We must examine the facts and let the evidence guide the development of solutions. Again, I would like to thank the Chair for convening this hearing and for the opportunity to testify.

Mr. ENGLISH. I thank the gentlelady for her testimony.
The Chair recognizes Hon. Karen Thurman, Member from Florida.

STATEMENT OF HON. KAREN L. THURMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mrs. THURMAN. Thank you.

I would like to reiterate that we do appreciate the fact that you are spending your day listening to testimony and hopefully it will help us have a better understanding of the issues that we are faced with in this Congress. It is a pleasure to have this opportunity to share with the Ways and Means Committee accomplishments that have been made in moving people off welfare and into work.

It is obvious that reform is possible only through a partnership with the States. I would like to share with you the bold path that my State of Florida has struck out on to implement the Family Transition Program. This program is a federally approved demonstration of a time-limited welfare system.

The Family Transition Program gives us an opportunity to understand the issues confronting welfare families and the ability of existing JOBS Programs to help a substantial number of families stuck in the vicious cycle of welfare to achieve self-sufficiency. The purpose of the Family Transition Program is to provide short-term comprehensive services concentrated on moving participants from dependence on society, through independent self-sufficiency, and then opportunity to contribute to society. The program assists people in a number of important ways in the transition to independence.

As a part of the national move toward welfare reform, there are currently two counties in Florida participating in a study of time-limited benefits. Alachua County, which is an area that I represent, was selected as a voluntary model, and Escambia County was selected as the mandatory model. The only difference between the two is that those people in the voluntary model have up to 12 months to decide if they want to participate.

The Family Transition Program officially opened its doors on May 20, 1994. During the first year of operation, 27 percent of those eligible volunteered for the program. However, in the last months more than 50 percent of those eligible have signed up.

Those enrolled in the program are eligible to receive enhanced program benefits and services in exchange for time-limited welfare benefits. Some of the enhanced benefits include family centered case management, increased earned income disregards, increased asset limits, transitional Medicaid with reduced reporting requirements, transitional child care for up to 2 years, and additional training for up to 2 years.

Recipients are limited to 24 months of assistance in any 60-month period. In order to ensure convenient and efficient one-stop shopping, the one team concept was developed in the Alachua County model. The core of each team consists of three primary staff, an eligibility specialist, an employment and training specialist, and a case manager.

So far, the results of the program have been very promising. Three out of every four jobs placed have been in the private sector,

which is higher than the percentage in the general population. The basic principle of the program is the tradeoff between expanded benefits with intensive job training and time-limited eligibility. After 24 months benefits end.

Our experience in Alachua County has demonstrated within a very short timeframe that to achieve truly successful welfare reform, three things are vital: People need individualized intensive services to address the various barriers that prevent self-sufficiency. In addition to the obvious services such as education, training, and child care, we need to recognize and address the factors such as low self-esteem, low confidence, and weak support mechanisms played in preventing people from succeeding, and finally it must be recognized that there are no quick fix solutions.

It will take a comprehensive effort addressing fundamental issues of the welfare system, not just time limiting benefits. We must recognize that what works in an urban setting also must be totally inappropriate or could be inappropriate in rural areas, whatever changes we ultimately make, we must take these differences into account.

I want to thank the Committee for giving me this time. I know the program in Alachua County will be useful in helping to evaluate time-limited assistance programs. The working program offers a real opportunity to determine whether time-limited benefits in conjunction with intensive training and placement assistance will allow us to finally help people break the cycle of dependence.

Thank you.

[The prepared statement follows:]

STATEMENT OF CONGRESSWOMAN KAREN THURMAN
BEFORE THE WAYS AND MEANS COMMITTEE
WELFARE REFORM
JANUARY 30, 1995

Thank you. It is a pleasure to have this opportunity to share with the Ways and Means Committee accomplishments that have been made in moving people off welfare and into work.

The American people want a welfare system which provides a hand up, not a hand out. They do not believe we should continue a system which provides an endless entitlement to income assistance without requiring any responsibility on the part of the recipient. However, they also believe that we should provide individuals with the assistance necessary to break the cycle of poverty and to ensure that welfare recipients are better off by working than by remaining on welfare.

Simply terminating benefits without providing assistance to help individuals enter and remain in the workplace will result in an increased burden on local governments. However, the endless cycle must end. Tough measures to force individuals off the welfare rolls after a reasonable period of time are critical in ending the culture of welfare.

It is obvious that reform is possible only through a partnership with the States. I would like to share with you the bold path that my State of Florida has struck out on, to implement the Family Transition Program. This program is a federally approved demonstration of a time-limited welfare system.

The Family Transition Program gives us an opportunity to understand the issues confronting welfare families, and the ability of existing JOBS programs to help a substantial number of families stuck in the vicious cycle of welfare to achieve self-sufficiency.

The purpose of the Family Transition program is to provide short-term comprehensive services that are concentrated on moving participants from dependence on society through independence, self-sufficiency and the opportunity to contribute to society. The program assists people in a number of important ways in the transition to independence.

As part of the national move toward welfare reform, there are currently two counties in Florida participating in a study of time limited benefits. Alachua county, which is in the District I represent, was selected as the voluntary model and Escambia was selected as the mandatory model. The only difference between the two is those in the voluntary model have up to 12 months to decide if they want to participate.

The Family Transition Program officially opened its doors on May 20, 1994. During the first year of operation, 27% of those eligible volunteered for the program. However, in the last few months, more than 50% of those eligible have signed up.

Those enrolled in the program are eligible to receive enhanced program benefits and services in exchange for time limited welfare benefits. Some of the enhanced benefits include: Family centered case management; increased earned income disregards; increased asset limits; transitional Medicaid with reduced reporting requirements; transitional child care for up to 2 years; and additional training for up to 2 years.

Recipients are limited to 24 months of assistance in any 60 month period.

In order to ensure convenient and efficient one-stop shopping, the team concept was developed in the Alachua county model. The core of each team consists of three primary staff: an eligibility specialist, an employment and training specialist, and a case manager.

So far, the results of the program have been very promising. Three out of every four jobs placed have been in the private sector, which is higher than the percentage in the general population.

The basic principle of the program is the tradeoff between expanded benefits with intensive job training and time limited eligibility. After 24 months, benefits end.

This is a massive change in how we presently operate our welfare system. To really change welfare as we know it, we must change both individuals and whole communities. We must ensure that communities understand their role in helping families make the critical transition to independence.

People have to believe that they can be successful. The cultural image of welfare must change. The program needs to return to a transitional one that helps families over a crisis. It needs to be a means to move from a difficult situation into a self-supporting, stable position. It should be the goal of everyone to help people become self-sufficient in a fixed amount of time, hopefully two years.

Our experience in Alachua County has demonstrated, within a very short time frame, that to achieve true, successful welfare reform, three things are vital.

People need individualized, intensive services to address the various barriers that prevent self-sufficiency.

In addition to the obvious services, such as education, training and child care, we need to recognize and address factors such as low self esteem, low confidence, and weak support mechanisms play in preventing people from succeeding.

Finally, it must be recognized that there are no quick-fix solutions. It will take a comprehensive effort, addressing fundamental issues of the welfare system, not just time limiting benefits. We also must recognize that what works in an urban setting might be totally inappropriate in rural areas. Whatever changes we ultimately make must take these differences into account.

Also, I caution you, when considering proposals to turn welfare into a block grant program, to reject the urge to make Elderly Nutrition Programs part of the formula. Elderly nutrition should not be part of the welfare debate and including them in a massive block grant would be a monumental mistake. It would, in the cruelest way, pit one generation against another in the fight for survival.

I thank the committee for giving me this time. I know the program in Alachua County will be useful in helping to evaluate time limited assistance programs. This working program offers a real opportunity to determine whether time limited benefits, in conjunction with intensive training and placement assistance, will allow us to finally help people break the cycle of dependence.

Mr. ENGLISH. Thank you.

The Chair thanks the gentlelady for her testimony, and we have an opportunity now for questions.

Mr. McCrery will inquire.

Mr. MCCREERY. Thank you, Mr. Chairman. We had on an earlier panel today the Governor of Florida who told us a little about the Family Transition Program, and we listened then with interest as we did to your testimony this afternoon. We appreciate all of you coming and sharing with us your thoughts about this very important topic.

I think the bottom line with Governor Chiles was that we are pretty much on the same wavelength. This Committee, I think, is prepared to give to the States a great deal of flexibility to design welfare reform programs so that we will have a number of different models to look at across the Nation. I think that what we propose in the Contract With America legislation would give Florida and any other State the flexibility to put into effect what Florida has already done, and then we will see how it works, given a little experience with those various programs.

So I think that what you all have laid out today gives us some reinforcement for trusting the States to implement programs that are innovative, that are designed to help people off welfare, and eventually reduce the welfare rolls around the United States and reduce the cost of welfare in this country which I think most of us agree has become too great.

So thank you all for your testimony.

Mr. ENGLISH. Thank you, Mr. McCrery.

Mr. Levin will inquire.

Mr. LEVIN. Thank you very much, and welcome.

On the earlier panel there was a discussion of some of the subject matters that you have brought up.

Let me just ask briefly, for example, there has been some discussion about proposals to prohibit a cash payment for young mothers 18 and under. The suggestion has been that that mandate prohibiting payment would begin in the future, would not cover those who are already on welfare, and that that would amount to 4 to 5 percent of the people who come on welfare. The figures aren't very clear.

Congresswoman Velázquez, you touch on that in your testimony. We are really looking to find some common ground here and not just contention, but if you would, give us your reaction to the proposals, including the one in the Contract With America that would eliminate cash payments for young mothers where there is a child born out of wedlock. Explain if you would, comment, give us your feelings on that.

Ms. VELAZQUEZ. That would be to eliminate cash payment and leaving the other provisions intact?

Mr. LEVIN. Leaving, for example, food stamps in place and housing benefits, but eliminating—

Ms. VELAZQUEZ. What is the logic behind eliminating cash payments to single mothers?

Mr. LEVIN. What is the reason given?

Ms. VELAZQUEZ. Yes.

Mr. LEVIN. It is not my proposal, but the reason that is given is that it might diminish the number of births out of wedlock.

Ms. VELAZQUEZ. As I mentioned in my testimony, we found that in other countries women and welfare recipients are receiving higher welfare benefits, and they have a lower birth rate in terms of out-of-wedlock birth. I don't think that one thing has any relationship to do with the fact that that will increase an attitude to have more teenage pregnancy in this country.

Mr. LEVIN. It is going to be one of the major issues discussed before the Subcommittee. I think also the testimony from the Governor of Florida this morning referred to the issue of the comprehensiveness of the efforts, and Congresswoman Thurman, your testimony really reinforces that, where you say there are no quick fix solutions. Why do you say that?

Mrs. THURMAN. Well, I think that, Mr. Levin, we have to take into account the three things that I talked about, or what are essential in addressing these issues. The issue that we had to look at—individualized intensive services to address various problems—preventing self-sufficiency for example, the experience they found most positive was in the addition of services such as education, training, and child care, and recognizing and addressing factors such as low esteem, low confidence and weak support mechanisms. I think that one of the things they also found in talking with people is the importance of responsibility within our communities. There are no quick fixes to these problems. There are some problems each one of these programs are going to have to deal with.

Some we will be able to do very quickly because we may be able to move them from that dependency to independency. There are others that I believe are going to take a longer period of time, depending on what their situation is.

Mr. LEVIN. Thank you. My time is up.

Mr. CAMP [presiding]. Thank you, and I want to thank the panel. There are no further questions.

We will now move to panel six, Hon. Sheila Jackson-Lee of Texas, Hon. Toby Roth of Wisconsin, Hon. Bill Orton of Utah, Hon. Peter Blute of Massachusetts, and Hon. Howard Coble of North Carolina.

I want to welcome the panel. We are ready to begin.

Why don't we start with Hon. Sheila Jackson-Lee.

**STATEMENT OF HON. SHEILA JACKSON-LEE, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS**

Ms. JACKSON-LEE. Thank you, Mr. Chairman. I would appreciate it if I could submit my remarks for the record.

Mr. CAMP. Yes, you may.

Ms. JACKSON-LEE. Thank you very much.

[No prepared statement had been received at the time of printing.]

Ms. JACKSON-LEE. I do appreciate the opportunity, albeit I have to move very quickly, to discuss this very important issue on welfare reform because fixing a broken welfare system is one of the most significant challenges this Congress will face. While I am not a Member of this Committee, I am well aware of the fact that much of the final welfare reform package will be a result of this

Committee's hard work, and, therefore, I am here today to tell you that I am eager to work with you and your colleagues in a bipartisan fashion as welfare reform proposals are crafted.

I am a newly elected Member of Congress and, as such, I come to Washington with a background in city government. As a former council member and former vice chair of the National League of Cities Task Force on Federal Policy and Family Poverty, I am intimately familiar with the effects that Federal policies have on cities and States as they grapple with the problem of poverty.

Let me just say to you that, on this task force that I chaired in 1993, the early part of January, we had several principles. The principles are as follows: Work should be available; welfare is in fact a failure and should be fundamentally transformed; work should pay; working more should pay more; child care should be available; health care should be available; child support should be absolute; marriage should be rewarded and Federal policy should be assessed in terms of the effects on work and family, especially poor families.

I am deeply concerned that sweeping budget and block grant proposals before the new Congress will have devastating long-term consequences for our children. As you know, Mr. Chairman, welfare reform is fundamentally a children's issue since two-thirds of recipients are children, 70 percent in Texas. In my district alone, 51,957 children are living in poverty with 35 percent of these children being under the age of 18 years. In fact, of all 435 districts, my district ranks 30th with respect to the number of poor children.

I have a deep and abiding interest in welfare reform. Proposals that would convert welfare, AFDC, food stamps, SSI disability or other survival programs for children and families into block grants to States would strip these programs of their entitlement status and thereby strip State and local governments of their abilities to respond to the increasing need.

In entitlement programs, more Federal money flows into cities through AFDC, food stamps, and SSI disability programs. This automatic influx of Federal dollars designed to meet the increased needs of communities would cease under the block grant format. It would certainly leave our cities, States, and counties responsible and vulnerable as caseloads increase.

The Department of Health and Human Services have found that these proposals, if implemented today, would deny benefits to 5 million children. Interestingly enough, while the Personal Responsibility Act suggests orphanages and foster homes as the solution to families that cannot care for their children, it does not provide adequate funding for these facilities.

Under this act, of the 541,000 children who are currently receiving AFDC benefits in Texas, 288,000 would be denied benefits and only 310 Federal orphanage slots would be funded. And so, as we look at the act, this would cause a decrease in funding of USDA food assistance in Texas by over \$1 billion a year. And certainly, as we look at Texas, nearly 72 percent of AFDC families have only one or two children. It does not follow the line of thought that cutting off these benefits would decrease the number of children.

The national average of families on AFDC with one or two children is even higher, approximately 73 percent. Others claim that

most poor people are not and that they choose not to be employed; I think otherwise. First of all, we find that many of our military personnel need AFDC or food stamp support.

A majority of poor Americans, four out of five are children, elderly, ill or disabled or are individuals that are already working full time. More than 7 million Americans from all walks of life were out of work and actively looking for jobs at the end of 1994 and another 4.8 million were working part time because they could not find full-time jobs.

As a matter of fact, adults, particularly heads of households, do want to work. However, as in the children's game of musical chairs, there are simply not enough seats for everyone.

An effective welfare reform must include new investments for the creation of jobs. We must look at the expansion of the earned income tax credit that many of our families are not knowledgeable about. We must look for health care. We must look to determine whether we have child care that is needed when we find that 42 percent of our families find that child care takes up a lot of their income in comparison to well-to-do families.

It is important, Mr. Chairman, that we emphasize that families and children need to have dollars to continue to assist them. The Federal block grants may run out and children may be abused as well as neglected without these services.

As I bring my remarks to a close, Mr. Chairman, let me add that genuine reform would be lifting poor children and their families out of poverty by creating real jobs for them, providing quality child care, good health care, education, training, and strengthening child support enforcement. We must take the tough, and sometimes costly, and necessary steps to make the system work in the long term for poor families and for all Americans.

Mr. CAMP. Thank you very much. I should have mentioned that all your testimony, your written testimony will be made part of the record.

Ms. JACKSON-LEE. I appreciate that, Mr. Chairman, and I am open to questions.

Mr. CAMP. What I will do is we will take testimony from all of the witnesses and then I will open it up to questions, so if Hon. Bill Orton would like to proceed.

STATEMENT OF HON. BILL ORTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF UTAH

Mr. ORTON. Thank you very much, Mr. Chairman. I also have submitted to the Chair my written testimony. Let me just summarize.

Obviously, as we look at welfare reform, I think we all realize that a one-size-fits-all approach is not going to work. Many States have been, and are continuing to operate demonstration programs. They are finding real solutions to the welfare reform issues which we are just beginning to talk about.

My State is one of those with a demonstration program. They, for the last 2 years, have been operating the Single Parent Employment Demonstration Program, which is based upon the creation of a self-sufficiency plan. Rather than the individual just receiving welfare benefits, food stamps and so on from the beginning day on

which they enter the office, they sit down with a caseworker who is not just following regulations, but is specifically helping that person to identify what needs to be done to become self-sufficient, to get a job.

It includes any variety of training. It tries to coordinate Federal job training and State job training plans, but oftentimes it is as simple as someone who does not even know how to find the job opportunities that exist, or how to interview in jobs, prepare a resume, or dress for the interview. The Single Parent Employment Demonstration Program is designed to help those participants establish a plan for themselves that gets them to self-sufficiency, and the program is working.

Over the last 2 years, they have cut AFDC costs by over 33 percent in this plan at the Kearns site. This reduction was achieved not by putting people off the program, but by getting them into real jobs existing currently in the job market. The program does not create new jobs, public service jobs for them, but gets them into the job market.

I introduced the Self-Sufficiency Act in the last session of Congress based on this program, and I am reintroducing it today in this Congress. It has been expanded to include some of the programs in the Chairman's State, Michigan.

Our State had to get 44 waivers in order to put this program into place. Your State and others have been doing the same thing. This self-sufficiency plan is designed to allow States the flexibility to do what our States have been doing that has worked. It does give them guidelines.

I am concerned also, by the way, with the basic block grant approach. While I agree that States should have more flexibility and more responsibility, I am concerned that if we immediately take 300-and-some-odd programs and consolidate them into a few block grants and just handout the money to the States, they are not in a position to even be able to administer those kinds of programs. And so whether we ultimately go to block granting or do not go to block granting, this type of a program ought to be implemented immediately to allow States the flexibility to do what works.

I would be happy during question time to talk about specific provisions in this plan, about options the State has, and so forth, but the basic concept of this self-sufficiency plan is that it gives the State the flexibility and the responsibility and the authority to make decisions, but to work directly with each beneficiary to create their own self-sufficiency plan. If people refused to enter a self-sufficiency plan or refused to follow their self-sufficiency plan, they are phased out of welfare benefits.

The States have an incentive in that they can retain a portion of the cost savings from AFDC grants as a result of these plans so that they can use that to expand their programs. It also provides for cost sharing for such things as child care benefits, which are so critical to people who are actually out getting a job rather than staying at home receiving welfare benefits.

And so the whole focus of this is jobs and work.

It is preparing the people to be able to go out and get that job and then helping them actually get it. Then, very critically, it provides for transitioning while participants have that job, helping them with health care and child care and so forth until they become totally self-sufficient under their self-sufficiency plan. This is something that works. We ought to make it available to all of the States. I thank you very much.

[The prepared statement follows:]

STATEMENT of REP. BILL ORTON
The Committee on Ways and Means
Subcommittee on Human Resources
January 30, 1995

MR. CHAIRMAN, Mr. Ford, thank you for allowing me to testify before the subcommittee today regarding welfare reform.

I am pleased that Congress has committed to reform the welfare system this session. I also firmly believe that Congress should base the welfare debate on approaches to reform that have already proven successful. Congress would be foolish to impose a new one-size-fits-all structure on states rather than allowing states to continue pursuing successful systems of reform.

Many states are currently running welfare demonstration programs that address the unique challenges of poverty in their area. They have already grappled with many of the questions we are addressing today, and they have begun to find what works and what does not work.

During the last session of Congress, I introduced The Self-Sufficiency Act. This bill was based upon the success of the Single Parent Employment Demonstration Program in Utah. Under this program, the AFDC caseload in the Kearns demonstration area decreased by 33% in just two years. The best part about that statistic is that the decrease in the number of participants was due to success in assisting people in finding jobs that exist in the labor market.

Today, I am re-introducing the Self-Sufficiency Act, incorporating important changes that further expand state flexibility, and allow other states to continue running, or newly construct, their own reform efforts without the burden of federal red tape.

Although states choose to create unique welfare systems under this bill, the common principle binding the self-sufficiency approach is work. Under this approach, participants must negotiate a self-sufficiency plan with an employment goal. Each individual begins working toward self-sufficiency immediately. In just ten years, all AFDC recipients in participating states would be working toward self-sufficiency.

The Self-Sufficiency Act outlines a common sense approach to welfare that provides assistance to participants who are working toward self-sufficiency, promotes work, and gradually phases out benefits to those who have chosen not to participate in a self-sufficiency plan.

This is the only way I know to create a program based on work without getting the federal government into the costly endeavor of guaranteeing jobs, or without cutting off much needed assistance to families playing by the rules. The simple fact is that we cannot always ensure that there will be a job available for everyone who wants one, but we can ensure that everyone receiving assistance is doing all they can to become self-sufficient.

I know that there are a wide array of approaches to welfare reform being considered by this committee. Many of the approaches that have received the most attention recently revolve around the concept of consolidating large numbers of federal social programs into state block grants.

I favor the increase in state flexibility that this kind of approach outlines. Ultimately, I support providing states with control over these programs.

However, I also believe that transferring the management of these programs to states should be a gradual process in order to provide states with adequate time to prepare for assuming the increased responsibilities created under the block grant approach. In my view, the Federal government should help facilitate state action with technical and resource

assistance. My bill, The Self-Sufficiency Act, would help provide a transition for states to assume this control and responsibility by opening the doors to welfare reform.

I am also wary of the scale of the block grant proposal. Under this scenario, funding for a program such as Head Start, that has enjoyed wide bipartisan support and proven very effective in providing preschool education to disadvantaged children, would be lumped together with other less effective program funding for no apparent reason.

I believe Congress should pursue thoughtful consolidation: consolidation of duplicative programs, elimination of ineffective programs, and improvement of existing programs. We in Congress should take the same care in dismantling programs as we would if each of our own children benefitted from them. Unfortunately, large scale reforms such as these take time to ensure that taxpayer dollars are being spent wisely.

I believe that the Self-Sufficiency Act expands state options while maintaining accountability for federal tax dollars. The Single Parent Employment Demonstration Program that I mentioned earlier required 44 federal government waivers. Under the Self-Sufficiency Act, this welfare reform model and others would be immediately available to the states.

For me it is simple: we should create a system based on work. If a participant is doing everything they can to become self-sufficient, they continue to receive benefits. If they choose not to work toward self-sufficiency, their benefits are eliminated. Within this context, states should be free to create a system that reflects the needs of their populace. This type of approach is based on common sense, compassion, and responsibility. It also takes into account the lack of predictability of the economy.

I am honored to have the opportunity to share my views on welfare reform. Thank you for your time, I will gladly answer any questions you have regarding the Self-Sufficiency Act.

Mr. CAMP. Thank you very much.
Hon. Peter Blute.

**STATEMENT OF HON. PETER BLUTE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MASSACHUSETTS**

Mr. BLUTE. Thank you very much, Mr. Chairman.

Mr. Chairman, let me start with a reference to a popular—to popular culture which I believe gets to the heart of what I am trying to do with this legislation. Many of you probably saw the movie “The Fugitive” starring Harrison Ford. In that movie you will recall that Harrison Ford’s character goes to his friend for money when he is running from the law.

Now, there are a lot of things that were not believable in that movie, but if the director had written into the movie that Harrison Ford had not received the money from his friend to finance his flight but from the local welfare agency, the viewer truly would have been shocked. But last year, I came to find out that truth is indeed stranger than fiction because in the real world, fugitives do in fact go to the taxpayers to subsidize their life on the lam. This is because of bad Federal policy which must be updated.

In 1994, I worked with the Ranking Member of this Subcommittee, Representative Rick Santorum, now Senator Santorum, and the Chairman to introduce H.R. 4657 which sought to cut off welfare for felons on the lam and facilitate information sharing between law enforcement officials and social service agencies. This year, I have introduced the same legislation in the House as part of the effort to fight welfare abuse. Today I present it to the Subcommittee and request its inclusion in the Personal Responsibility Act.

Providing criminals with taxpayer money is in itself criminal. H.R. 118, the Fugitive Felon Welfare Elimination Act would change all that. Simply put, the bill would do two things. First, it will define fugitive felon and cut off benefits to those who fit the definition.

Second, it will force Federal agencies to share certain information when law enforcement agencies request, enabling them to better track down fugitives.

I have with me today a letter from the Social Security Administration in Massachusetts, Sheila Hubbard who is the chairwoman of the parole board in my State. The letter demonstrates that the Social Security Administration was unable to provide information to the parole board regarding the whereabouts of a felon convicted for the crime of accessory after the fact of first degree murder. This is an example of the burden that law enforcement now faces because it can’t get any help from Federal agencies who know where many fugitives live by nature of the fact that they send a check there every month.

This bill, H.R. 118, would end that scenario by requiring the social service agencies that administer SSI, food stamps, housing allowances, Medicaid, and AFDC to turn off the spigot of free money if an individual is a fugitive felon.

Under the current law, a person is eligible for welfare benefits until he or she is incarcerated. After being released, he or she is eligible again and the benefits cannot be turned off if the person

has violated parole or probation. The result is a situation where the taxpayers are often financing criminal activity.

Mr. Chairman, I will submit the remainder of my statement for the record, in the interest of time. I know you have other witnesses, but I would ask that this important piece of legislation that would enhance our ability to crack down on welfare fraud, to bring to justice those who are now fugitives, be included in the Personal Responsibility Act.

Thank you, Mr. Chairman.

[The prepared statement follows:]

Testimony of Congressman Peter Blute
Subcommittee on Human Resources
January 30, 1995

Thank you Mr. Chairman. Let me start with a reference to popular culture which I believe gets to the heart of what I am trying to do with this legislation. Many of you probably saw the movie "The Fugitive", starring Harrison Ford. In that movie, you'll recall that Harrison Ford's character goes to his friend for money when he is running from the law. Now there were a lot of things that were not believable in the movie--the several hundred foot leap from the top of a dam which Harrison Ford survives comes to mind. But if the director had written into the movie that Harrison Ford had not received money from his friend to finance his flight, but from the local welfare agency, the viewer truly would have been shocked.

But last year I came to find out that truth is indeed stranger than fiction. Because in the real world, fugitives do in fact go to the taxpayers to subsidize their life on the lam. This is because of bad federal policy which must be updated.

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Providing criminals with taxpayer money is in itself criminal. H.R. 118, the "Fugitive Felon Welfare Elimination Act" would change all that. Simply put, my bill would do two things. First, it will define "fugitive felon" and cut off benefits to those who fit the definition. Secondly, it will force federal agencies to share certain information with law enforcement agencies who request it, enabling them to better track down fugitives.

I have with me today a letter from the Social Security Administration in Massachusetts to Sheila Hubbard who is Chairwoman of the Parole Board in my state, which I will submit for the record. The letter demonstrates the Social Security Administration's inability to provide information to the Parole Board regarding the whereabouts of a felon convicted for the crime of "Accessory after the fact of 1st Degree Murder". This is an example of how the burden that law enforcement now faces because it can't get any help from federal agencies who know where many fugitives live by nature of the fact that they send a check there every month.

My bill, H.R. 118 would end that scenario by requiring the social service agencies that administer SSI, Food Stamps, Housing allowances, Medicaid and AFDC to turn off the spigot of free money if an individual is a fugitive felon.

Under current law, a person is eligible for welfare benefits until he or she is incarcerated. After being released he or she is eligible again and the benefits cannot be turned off if the person has violated parole or probation. The result is a situation where the taxpayers are often financing criminal activity.

The problem is the result of unclear language in Federal law. This legislation would rectify that problem by defining a "fugitive felon" as an individual who is fleeing to avoid prosecution, custody or confinement after conviction; or an individual violating a condition of probation or parole. Anyone falling under this definition will not be eligible for Federal welfare benefits.

You may ask if this is a large enough problem to warrant federal action. As an example let me sight Cuyahoga County, Ohio where local police offered part of the winnings from a class action suit to a list of felons they considered fugitives. Of the criminals that responded, 30% were collecting welfare. In the nation as a whole, there are about 357,000 fugitive warrants on file at the National Crime Information Center at any one time. So, if 30% of this total is collecting an average welfare benefit package of \$300 monthly, it means the taxpayers could be shelling out almost \$400 million annually.

Two other aspects of this legislation I would like to speak to briefly include provisions that define "temporarily absent", and require social service agencies to share information with the Immigration and Naturalization Service.

Current law allows the parent of a child temporarily away from the home to continue to receive the welfare benefits for that child. This means that if a child has been sent to a youth detention center for a period of time, the taxpayers are paying twice for that child. They pay for the care of that child as well as the continuing payments to the parent. H.R. 118 would amend the Social Security Act by defining "temporarily absent" as being absent from the home for a period of at least 45 consecutive days. However, the States have the option of adjusting this to between 30 and 90.

In addition, H.R. 118 would correct a problem resulting from loopholes in the law protecting the privacy of individuals. Often, illegal aliens arrive in this country and apply for welfare using fraudulent documents. Once the benefits are turned on, social service agencies will not share information on those individuals even though they are known to be in this country illegally. Therefore, illegal aliens can flaunt the system knowing that the address where they receive their checks will not be disclosed to the INS. My legislation would change that by requiring that social service agencies furnish the INS with the names and addresses of anyone they know is an illegal alien.

We have got to stop making crime pay and H.R. 118 would take us a step closer to a smaller, cheaper welfare system that benefits those who really need it. This legislation has been endorsed by the National Association of Chiefs of Police and the Fraternal Order of Police. In addition, the American Civil Liberties Union has thoroughly reviewed it and does not consider it an intrusion on individuals' privacy.

Thank you for allowing me to testify here today. I hope you will decide to include H.R. 118 as part of the welfare overhaul we will deliver to the American people.

Mr. CAMP. Thank you very much.
Hon. Howard Coble.

**STATEMENT OF HON. HOWARD COBLE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF NORTH CAROLINA**

Mr. COBLE. Mr. Chairman, I thank you and Members of the Subcommittee. I am pleased to be before you this afternoon to testify regarding welfare reform, specifically the need to further improve the matter of paternity establishment.

The advantages of establishing paternity are obvious. We need fathers to take responsibilities for their children born out of wedlock. Families who receive child support are much less likely to live in poverty or to require AFDC benefits than those who do not. Paternity establishment is the essential first step in getting the court to award child support.

The Personal Responsibility Act recognizes that real welfare reform demands a more effective partnership between the Federal Government and the States to establish paternity for children who are indeed born out of wedlock. H.R. 4 would increase a State's paternity establishment and performance standard from 75 to 90 percent depending upon what sort of track record they have had. The measure would also require mothers applying for welfare to establish paternity or forfeit AFDC benefits. Furthermore, the bill recommends that States establish earlier or prior methods for identifying the father.

I would like to recommend, Mr. Chairman, and Members, five additional items to improve the legislative goal of increasing State paternity establishment performance. First, require each State to exercise due diligence in establishing paternity prior to denying welfare benefits to a dependent child.

While there are provisions in this bill that promote paternity establishment, the current draft of the bill under section 101 may inadvertently create an incentive for poor paternity establishment performance. Under this provision, States could avoid paying their portion of the child's AFDC grant in those cases where paternity is not established.

Examples of State due diligence at establishing paternity would include the following: Every State should be required to inform both the mother and the alleged fathers that aid will be denied to the child if paternity is not established. Furthermore, each State would be required to inform both mother and the alleged fathers of the availability of genetic testing. Upon a sworn statement of a party claiming the requisite sexual contact in a contested paternity case, the appropriate official should issue either an administrative or a court order to require genetic testing unless the State makes a determination that issuance of such an order would be unreasonable.

Finally, every alleged father should be apprised of his right to voluntary acknowledgment of paternity by signing an affidavit. A further explanation of this proposal is contained, Mr. Chairman, in the longer version of the testimony that I will submit for insertion into the record.

Second, I would like to recommend that the State agencies be given the authority without necessity of obtaining an order from

any other judicial or administrative tribunal, but subject, of course, to due process safeguards, to order genetic testing for the purpose of paternity establishment and to collect costs for such a test from the affected parties. Most State agencies have to go through the judicial process twice for court orders: First, for genetic testing, and subsequently for payment of such tests. This proposal should lead to administrative savings.

Third, States should contact for paternity testing only with laboratories that are accredited by the American Association of Blood Banks or an equivalent national accrediting body. Given that the results of genetic testing can establish or exclude an alleged father's responsibility to a child, it is imperative that laboratories which engage in paternity testing be held to this high standard of quality.

Presently there are laboratories performing paternity testing under State contracts that do not meet present day accreditation standards. The American Association of Blood Banks endorses the proposal.

Fourth, the child support enforcement agencies should adopt a standardized format for the reporting of paternity testing to the courts. Under the present system, I am advised that paternity testing labs may be required to format their reports based upon individual preferences of State court judges. Uniformity in this matter would reduce unnecessary increased cost of testing.

Fifth, incentive payments from the Federal Government under 42 U.S.C. 658 should be earmarked back to the State child support enforcement programs in lieu of the general State treasury accounts. This would give State agencies a greater incentive to reach paternity establishment targets.

Finally, Mr. Chairman, the Human Identity Testing Association, an organization that represents most of the companies that are involved in DNA testing in the United States, supports these five proposals.

I know that in the coming weeks you all on the Subcommittee will be considering alternative proposals for the welfare crisis. I believe that these ideas that I have shared with you today are important additions to your reform efforts.

I thank you, Mr. Chairman, and Members of the Subcommittee.
[The prepared statement follows:]

STATEMENT OF THE HONORABLE HOWARD COBLE
CONGRESSMAN FOR NORTH CAROLINA (6TH DISTRICT)

Subcommittee on Human Resources
House Ways and Means Committee
January 30, 1995

Good afternoon, Chairman Shaw and members of the Subcommittee. I am pleased to have this opportunity to testify about welfare reform -- especially the need to improve paternity identification procedures.

As all of us are aware, the percentage of children born out-of-wedlock continues to increase. Presently, more than 30% of births in the United States occur outside of marriage. In 1991, over 1.2 million children were born to unmarried mothers -- an 82% increase since 1980.

Congress created the Child Support Enforcement Program through enactment of Title IV-D of the Social Security Act of 1975. This law provides federal matching funds to enforce the support obligations owed by a noncustodial parent to his children and the custodial parent. Title IV-D also assists local officials in their efforts to locate absent parents and establish paternity.

Under the IV-D program in fiscal year 1993, paternity was not established in 55% of the births to unmarried women. Only two states met the federal paternity establishment performance standard of 75%; 13 states were below 40%. Most importantly, paternity establishment is lacking in 3.4 million cases under this program.

The advantages of establishing paternity are great. We need fathers to take responsibility for their children born out-of-wedlock. Families who receive child support are much less likely to live in poverty or to require AFDC benefits than those who do not. Paternity establishment is the essential first step in getting a court to award child support. In addition, establishing paternity can provide social, psychological, and emotional benefits to a child.

Pursuant to Title IV-D, Congress requires states to create child support enforcement agencies and to provide paternity establishment services. The Child Support Enforcement Amendments of 1984 also requires states to defer paternity identification until a child's 18th birthday. Further, the Family Support Act of 1988 contains several provisions to improve state paternity establishment performance, including the development of a paternity performance standard, time frames for case processing, federal funding for genetic testing, and a mandate that states compel parties in contested cases to submit to genetic testing.

Most recently, under the Omnibus Budget Reconciliation Act of 1993 (OBRA93), states are required to: develop expedited processes for establishing paternity in contested cases; simplify the civil process for voluntary acknowledgment of paternity; and give full faith and credit to the determinations of paternity made by other states. OBRA93 created an even more stringent paternity establishment performance standard for states.

Partly as a result of these federal efforts, the number of paternities established each year by the IV-D program has increased substantially, from about 270,000 in fiscal year 1987 to more than 554,000 in fiscal year 1993 -- an increase of 100% in just six years. But there is no question that we can -- and must -- do better.

The Personal Responsibility Act recognizes that real welfare reform demands a more effective and productive partnership between the federal government and the states to establish paternity for children who are born out-of-wedlock. The bill would require states to establish paternity for 90% of their welfare cases. States that fail to meet this standard must increase their paternity establishment rates by six or 10 percent, depending on their paternity establishment performance from the preceding year. The bill would also require mothers applying for welfare to establish paternity or forfeit AFDC benefits.

I should note, however, that these paternity establishment standards do not constitute an unfunded mandate, because meeting these standards is not

mandatory. Instead, federal penalties act as an incentive for states to improve their paternity establishment performance.

I would like to recommend to this subcommittee five additional items to improve the legislative goal of increasing state paternity establishment performance. First, require each state to exercise "due diligence" in establishing paternity before denying welfare benefits to a dependent child. While there are provisions in this bill that promote paternity establishment, the current draft, under Section 101, inadvertently creates an incentive for poor paternity establishment performance. Under this provision, states can avoid paying their portion of the child's AFDC grant in those cases which paternity is not established.

Let me provide an example. In 1993 (the most recent year for which data are available), there were a handful of states that established paternity in less than 10% of the out-of-wedlock births. If these states are permitted to deny benefits to out-of-wedlock children whose paternity is not established, a substantial number of out-of-wedlock children born in these states would be denied benefits. These states would have no incentive to establish paternity, since increasing paternity would also increase their financial obligation under AFDC.

Examples of state "due diligence" in establishing paternity would include the following: Every state should inform both the mother and the alleged father(s) that aid will be denied to the child if paternity is not established. In addition, each state should notify both the mother and the alleged father(s) of the availability of genetic testing. Upon a sworn statement of a party claiming the requisite sexual contact in a contested paternity case, the appropriate official should issue either an administrative or court order to require genetic testing, unless the state makes a determination that issuance of such an order would be unreasonable. Finally, every alleged father should be apprised of his right to voluntary acknowledgment of paternity by signing an affidavit.

Second, I would like to recommend that state agencies be given the authority, without necessity of obtaining an order from any other judicial or administrative tribunal (but subject to due process safeguards), to order genetic testing for the purpose of paternity establishment and to collect costs for such tests from the parties. Genetic testing is recognized by all leading authorities in the field as being extremely reliable for either establishing or excluding paternity.

Under the present system, most state agencies must proceed through the judicial process twice for court orders: first for genetic testing, and subsequently for payment of such tests. This proposal should therefore lead to administrative savings.

Third, states should contract for paternity testing only with laboratories that are accredited by the American Association of Blood Banks or an equivalent national accrediting body. Given that the results of genetic testing can establish or exclude an alleged father's responsibility to a child, it is imperative that laboratories which engage in paternity testing be held to a high standard of quality. Currently, there are laboratories doing paternity testing under state contracts that do not meet present-day accreditation standards. This proposal has been endorsed by the American Association of Blood Banks.

Fourth, the Child Support Enforcement Agency should adopt established standards for the reporting of paternity testing to courts. Under the present system, paternity testing laboratories may be required to format their reports based on individual preferences of state court judges. This unnecessarily increases the cost of testing.

And fifth, incentive payments from the federal government under 42 U.S.C. 658 should be earmarked back to the state child support enforcement programs, thereby offering greater incentive for these agencies to reach paternity establishment targets.

The thrust of each of these proposals is supported by the Human Identity Trade Association, an organization that represents most of the companies that are involved in DNA identity testing in the United States.

I know that in the coming weeks the subcommittee will be considering alternative proposals to the welfare crisis. I believe that the ideas I have outlined here today are important additions to your reform efforts. Illegitimacy is a great problem for our society; we need to do whatever we can as a government to establish paternity for those children born out-of-wedlock so that their fathers will take personal and financial responsibility for them. Thank you again for your time and consideration, Mr. Chairman and members of the subcommittee.

Mr. CAMP. Thank you very much. And I thank you all for your testimony.

At this time, Mr. McCrery may inquire.

Mr. MCCRERY. Thank you, Mr. Chairman. Just quickly, Mr. Coble, as you know, there is not an extensive section in the Contract bill on paternity establishment and deadbeat dads so to speak, but we—the Chairman has stated—Mr. Shaw has stated that we do plan to add that in the course of this Subcommittee's deliberations, so we certainly thank you for giving us some concrete suggestions to include in that section.

With respect to Ms. Jackson-Lee's comments, I just want to make sure that everyone understands that the proposal that is in the Contract and that this Subcommittee is looking at is not exactly a proposal yet before the Committee, but we are looking at it, those provisions are prospective only.

We would not take any families off of AFDC that are currently on AFDC under the old rules, so some of the numbers that Ms. Jackson-Lee cited as far as how many children might not be getting cash benefits under the proposal are speculative at best. They are based on 1994 data, I believe, or maybe 1993 data. We are expecting, of course, the changes that we make in the welfare system, whatever they end up being, to have an impact on behavior. So we hope those numbers won't be as great as the numbers in 1993 or 1994. But I want to make it clear that it is prospective only.

In addition, I just want to say that whatever comes out of this Committee, I think will give each of your States a very great deal of flexibility to formulate a welfare reform plan that matches your particular State's population and your particular problems and needs. And based on some of the testimony we have heard from you all as well as other panelists today, it sounds as if we are headed in the right direction. There are a lot of good things going on out there in the States because of waivers and a lot of other proposals from the States that look to be very promising.

So I appreciate very much all of you sharing with us your thoughts and look forward to working with each of you as we deliberate. And I hope this session finally determines a welfare reform plan.

Thank you.

Ms. JACKSON-LEE. Mr. Chairman, might I respond just for a moment?

Mr. MCCRERY. Yes.

Ms. JACKSON-LEE. I thank the gentleman for his comments and his appreciation of those numbers. If I might just expand on that thought I think I would like to emphasize that the philosophy behind the Contract may prospectively stymie the tide of welfare recipients. Those seeking welfare may not be completely accurate inasmuch as most welfare recipients only have one or two children.

I think it is important in the deliberations, and I am sure this Committee has done so under the able leadership of Mr. Shaw, that we ask welfare recipients today to be actively involved in the process.

For our Task Force on the National League of Cities—and I think cities are very close to people's needs because they come every day to city hall seeking help—we looked at the issue and

found that in large numbers, welfare recipients yesterday, today, and tomorrow want to work, in large numbers they want to get a GED certificate so they can work. In large numbers, they want to be assured that they have child care and health care. And if you ask the welfare recipients, I think that you will see them moving in the direction of trying to solve the problem of welfare dependency.

And then last, let me say that we found as cities that we would like to reaffirm marriage or relationships so that the male would not have to leave the home in order to receive some sort of help for his family.

Mr. McCRERY. Thank you. And I just want to add that also everyone should know that when we are talking about denying welfare benefits to certain classifications of current recipients, we are only talking about the cash benefits under AFDC and housing subsidies. They would continue to get health care and food stamps, among other benefits that are available to them.

Mr. COBLE. Mr. Chairman, may I be heard for 1 minute?

I know you all have other things to do but I just wanted to add this. I commend you all, Chairman Shaw and you all, for emphasizing the importance of personal accountability. I think this is an area that needs to be addressed in detail.

Four or five weeks ago, I saw two girls being interviewed on television. Now, they were either 13 and 14 or 14 and 15. Each girl was unmarried; each child was a mother, and they were laughing about it. It was a big joke.

And that—and I am not suggesting that this is the rule of thumb, but I am afraid that that sort of attitude probably prevails more than it should. And I think that is a good example of no personal accountability, and I think you all are addressing that area of living and I commend you for it.

Thank you, Mr. Chairman.

Mr. McCRERY. Thank you, Mr. Chairman.

Mr. CAMP. Mr. Collins may inquire.

Mr. COLLINS. Thank you, Mr. Chairman. I won't take but just 1 minute.

I am glad to see the number of colleagues that we have who have come before the Committee today to testify and to bring their two cents' worth to the Committee because it is very valuable. We all have the same goal, and that is to address the out-of-control welfare system that we have today. We want to address it in a way that encourages family, encourages self-responsibility.

But I think when you look at the program and when you inquire in your district about the program and about other programs that we are addressing in the Contract With America, it becomes very apparent to those people that you are talking with that if we don't address these types of runaway programs, all programs that the Federal Government has for the people of this country are in trouble.

We just don't have enough money to keep doling it out and doling it out. So we appreciate each of you being with us today and your testimony.

Thank you, Mr. Chairman.

Mr. CAMP. Thank you.

I just have a couple questions.

Mr. Blute, I appreciate your efforts in regard to the fact that there are fugitives receiving welfare benefits, and if I understand your testimony, it is because there are confidentiality laws that prevent the local caseworker or DSS or social services worker of letting the law enforcement people know the whereabouts of the fugitive?

Mr. BLUTE. That is right, Mr. Chairman. Privacy concerns in the past have prevented law enforcement from ascertaining if individuals who were receiving some form of assistance are indeed felons in flight from justice, and this legislation would require an information sharing that I believe would not violate the generalized principle of privacy for those who are receiving benefits, but would allow law enforcement to get an address of someone who is receiving a check who is a felon.

Mr. CAMP. Thank you.

Mr. Orton, the program, the demonstration program you described, is that one that—are there any requirements that individuals participate—recipients participate?

Mr. ORTON. Right now, it is a mandatory program in just two regions of the State. The State selected two small areas and put the people in those areas on this particular program.

They are required to participate in that program because that is the way they get their benefits. However, what they are finding is the people in the surrounding areas—now, in order to have a demonstration program, they selected a portion to be on the program, a portion not to be on the program.

They are now finding that all of the people who are not on the program are asking to be on the program because the program itself is successfully putting people back out into the job market, and the participants in the other portion of the current welfare system see those benefits and opportunities and would very much like to participate.

Mr. CAMP. Does that 33-percent decline in AFDC costs represent the cost—decline in just the waiver area?

Mr. ORTON. No, I think it is—I think that those costs—and by the way, the AFDC costs have, in fact, declined by 33 percent. There are other administrative costs which have increased, but those increases are because the program also provides for extended Medicaid benefits, even after the people have a job. They provide for child care benefits after they are employed during a transition period, and so those are the increases.

But the result is people are on welfare many months and it seems to me it is 6 months less as a result of this program. They are getting back out into the job market more quickly and the result is jobs. It has a short-term increase in cost, but in the long term, is saving substantial resources because people are only on the program for a short period of time and then they are back out into society.

Mr. CAMP. If you know, is there a sanction for not participating in the mandatory program? If you know.

Mr. ORTON. Oh, yes, there is. If you do not participate in the program, in the first month, your AFDC grant is decreased by 25 percent and from that point forward, it is decreased continually each

month until you are phased out of any benefits after 24 months of noncompliance with the self-sufficiency plan.

Mr. CAMP. And the participation rate in this area is at what level?

Mr. ORTON. I believe they have 50 percent of the people on the program and 50 percent not on the program, so they can test, and they randomly selected people to do that, and the result is those on the program are saving—the program is saving an average of 33 percent of the AFDC costs, and it is the people not on the program who are wanting to participate in the demonstration program because of the results.

Mr. CAMP. Thank you. And I want to thank the panel for taking the time to testify before the Subcommittee. Your comments were very, very helpful.

Ms. JACKSON-LEE. Mr. Chairman, before you conclude, if I might make sort of a quasi-inquiry as we proceed. First of all, I didn't want to interrupt your kind remarks.

Mr. CAMP. Thank you.

Ms. JACKSON-LEE. And I hope—I have sensed from the presence here for a long, long time, I understand you have been in hearing now for many, many days, that you would accept the comments of your colleagues who come to this table in the spirit that they are given. There is a whole lot of sense and thought put into making these suggestions.

I would ask, as I study the Contract, whether or not that the flexibility given to cities, counties, and States would be also in subsidies—work subsidies to the particular employment area. That is part of the difficulty in terms of creating work and creating jobs. We should ensure that they are at least getting a living wage, if you will.

Certainly we are not putting aside minimum wage. It is a totally different issue inasmuch as it is providing extra dollars for them to be employed. I think that is something we need to think about as we think about job creation. The ultimate key is to move people from dependence to independence.

So I would hope as we proceed, that we will take that into consideration, the myriad of ways to come to the common solution that we need to have.

Thank you.

Mr. CAMP. Thank you very much. And I thank the panel for your testimony.

We now move to panel number seven, Hon. Lamar Smith of Texas, Hon. Patsy Mink of Hawaii, Hon. Peter Torkildsen of Massachusetts, Hon. Nick Smith of Michigan, and Hon. Marge Roukema of New Jersey.

Thank you all very much for coming. I don't see Hon. Lamar Smith, so why don't we begin with Hon. Patsy Mink of Hawaii. Your written comments will be made part of the record and we have been holding people to 5 minutes, so thank you.

STATEMENT OF HON. PATSY T. MINK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF HAWAII

Mrs. MINK. Thank you very much. I appreciate the opportunity to testify.

There are numerous important issues on welfare on which I have very strong views, such as time limits, block grants, caps on benefits for the birth of additional children and the exclusion of legal immigrants, but for purposes of this statement today, due to the time constraints, I am limiting my remarks to just one subject.

I am emphatically opposed to the proposal that children born out of wedlock to teenage mothers under 18 years of age should not receive any welfare assistance under AFDC or any new block grant program which you are considering for enactment.

This proposal contained in the Republican Contract With America violates the U.S. Constitution which guarantees to all persons, including children, equal protection of the laws and due process.

Current doctrine popularly espoused by talk show hosts decries the collapse of the American family and the large number of American children born to unwed mothers. It targets the teenage unwed mother for special derision and condemnation. It would contravene the principles of this democracy to deny help to one group when others in the same group receive help.

In the proposal under consideration, children born out of wedlock by teenage mothers are denied welfare assistance unless and until the mother marries the natural father or another man adopts the child. The proposal further permits States to prohibit cash assistance and housing assistance to children born out of wedlock whose mothers are under 21 years of age.

In a memorandum dated April 14, 1994, the Congressional Research Service states, "It is possible to say that disadvantaging illegitimates in the receipt of benefits intended for the welfare of children for the purpose of discouraging what is regarded as illicit or immoral activities of their parents is an impermissible purpose and will result in invalidation."

The U.S. Supreme Court in *New Jersey Welfare Rights Organizations v. Cahill* held that such denial of benefits to a child was violative of the equal protection clause.

The court in that case quoted from a prior 1972 case, *Weber v. Aetna Insurance*,

The status of illegitimacy has expressed through the ages society's condemnation of irresponsible liaisons beyond the bounds of marriage. But visiting this condemnation on the head of an infant is illogical and unjust. Moreover, imposing disabilities on the illegitimate child is contrary to the basic concept of our system that legal burdens should bear some relationship to individual responsibility or wrongdoing. Obviously, no child is responsible for his birth . . .

The premise cited in the *Weber* case has been reiterated in other cases, *Clark v. Jeter* in 1978 and *Gomes v. Perez*, also in 1978. In the *Gomes* case, the court said,

A State may not individually discriminate against illegitimate children by denying them substantial benefits accorded children generally. We therefore hold that once a State extends a benefit . . . there is no constitutionally sufficient justification for denying such an essential right to a child simply because its natural father has not married the mother.

Accordingly, Congress should not pass laws that deny benefits to a child, the law seeks to help, on the basis of whether it had a named father or at the time of the child's birth the mother was still a teenager and unmarried.

Poor children should not be left to die on the streets of America because of the lack of a two-parent household. I want all children

to have a beautiful family life with two loving parents but not all families are like our model. This does not justify passing laws that penalize the children of single, unwed teenage parents.

Children born out of wedlock to teenage mothers should not be singled out and denied help. The courts have held consistently that this violates the equal protection clause of the Constitution. The marital status of the teenage mother is not a legally justified category that can be used to exclude her children from help.

Eligibility for aid based on whether a child has a named biological father bears no relationship to the purpose of providing the aid. A poor child, without a father, is in fact in greater need than one with a father.

The purposes of aid to dependent children are not helped by denying assistance to the child on account of the nonmarital status of the child's mother or the age of the mother.

Denying assistance to such a child is clearly punitive and violates equal protection of the law and our sense of equal justice. I respectfully urge this Committee to reject this proposal and thank you again for affording me this opportunity to testify.

[The prepared statement and attachments follow:]

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COMMITTEE ON STEERING
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SUBCOMMITTEE:
ELEMENTARY, SECONDARY & VOCATIONAL EDUCATION
POSTSECONDARY EDUCATION
LABOR MANAGEMENT RELATIONS
COMMITTEE ON NATURAL RESOURCES
COMMITTEE ON GOVERNMENT OPERATIONS
(on leave)

THE HONORABLE PATSY T. MINK

Statement on Welfare Reform presented to the
House Ways and Means Committee

January 30, 1995

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

There are numerous important issues on welfare on which I have strong views, such as time limits, block grants, caps on benefits for the birth of additional children and exclusion of legal immigrants.

But for purposes of this statement today due to time constraints I am limiting my remarks to just one subject. I am emphatically opposed to the proposal that children born out of wedlock to teenage mothers under 18 years of age should not receive any welfare assistance under AFDC or any new block grant program which you are considering for enactment.

This proposal contained in the Republican Contract with America violates the U. S. Constitution which guarantees to all persons including children equal protection of the laws and due process.

Current doctrine popularly espoused by talk show hosts decries the collapse of the American family and the large number of children born to unwed mothers. It targets the teenage unwed mother for special derision and condemnation. It would contravene the principles of this democracy to deny help to one group when others in the same group receive help. In the proposal under consideration children born out of wedlock by teenage mothers are denied welfare assistance unless and until the mother marries the natural father or another man who adopts the child. The proposal further permits States to prohibit cash assistance and housing assistance to children born out of wedlock whose mothers are under 21 years of age.

In a memorandum dated April 14, 1994, the Congressional Research Service states "...it is possible to say that disadvantaging illegitimates in the receipt of benefits intended for the welfare of children for the purpose of discouraging what is regarded as illicit or immoral activities of their parents is an impermissible purpose and will result in invalidation".

The U.S. Supreme Court in New Jersey Welfare Rights Organization vs. Cahill, 411 U.S. 619 (1973) held that such a denial of benefits to a child was violative of the equal protection clause.

The Court in that case quoted from a prior 1972 case Weber v. Aetna Casualty & Surety Company, 406 U.S. 184 : "The status of illegitimacy has expressed through the ages society's condemnation of irresponsible liaisons beyond the bonds of marriage. But visiting this condemnation on the head of an infant is illogical and unjust. Moreover, imposing disabilities on the illegitimate child is contrary to the basic concept of our system that legal burdens should bear some relationship to individual responsibility or wrongdoing. Obviously, no child is responsible for his birth...".

The premise cited in the Weber case has been reiterated in other cases: Clark v. Jeter, 466 U.S. 461 (1978) and in Gomes v. Perez 409 U.S. 535 (1978).

In the Gomes case, the Court said "A State may not individually discriminate against illegitimate children by denying them substantial benefits accorded children generally. We therefore hold that once a State extends a benefit ... there is no constitutionally sufficient justification for denying such an essential right to a child simply because its natural father has not married the mother."

Accordingly Congress should not pass laws that deny benefits to a child the law seeks to help on the basis of whether it had a named father or if at the time of the child's birth the mother was still a teenager and unmarried.

Poor children should not be left to die on the streets of America because of the lack of a two-parent household.

I want all children to have a beautiful family life with two loving parents.

But not all families are like our model.

This does not justify passing laws that penalize the children of single unwed teenage parents.

Children born out of wedlock to teenage mothers should not be singled out and denied help. The Courts have held consistently that this violates the equal protection clause of the U.S. Constitution. The marital status of the teenage mother is not a legally justified category that can be used to exclude her children from help.

Eligibility for aid based on whether or not a child has a named biological father bears no relationship to the purpose of providing the aid.

A poor child without a father is in fact in greater need than one with a father.

The purposes of aid to dependent children are not helped by denying assistance to the child on account of the non marital status of the child's mother, or the age of the mother.

Denying assistance to such a child is clearly punitive and violates equal protection of the law and our sense of equal justice. I respectfully urge this Committee to reject this proposal.

Thank you again for affording me this opportunity to testify.

FACTS OBTAINED FROM A 1995 TUFTS UNIVERSITY CENTER ON HUNGER, POVERTY AND NUTRITION POLICY REPORT entitled "STATEMENT ON KEY WELFARE REFORM ISSUES: THE EMPIRICAL EVIDENCE"

The report presents scientific data that:

Welfare benefits do not cause the growth in single parent families and single parent families are not a major factor in the growth of poverty in America.

It urges that the Congress avoid the tragic mistake of adopting pseudo-reforms that stem from political ideology rather than empirical evidence.

It advises that if we wish to break the cycle of poverty we not be guided by the wish to punish poor women whose behavior we wish to chastise.

In 1994 76 researchers and scholars in the field of welfare issued a policy statement regarding the empirical facts they found in their research which they challenged political leaders to read and consider before enacting any laws.

FACT NUMBER ONE.

Growth in the number of single-parent families has been primarily among the non-poor. From 1970 to 1990 the number of female headed households increased from 6 million to 11,27 million mostly among the non-poor. 65% of the increase in single parent families were not living in poverty. For instance in 1993 there were 3.5 million unmarried non-poor couple households and a third of them had at least one child. This family would fall under a single parent definition.

Changes in welfare laws will not affect the mores and life styles of these families. In fact another Contract with America proposal will give these families a \$500 tax credit without regard to their marital status.

FACT NUMBER TWO

The Census Bureau found that economic factors such as low wage jobs accounted for approximately 85% of the child poverty rate. A 1993 Census Bureau study showed that the poverty rate was due mainly to changes in the labor market and the structure of the economy.

Bureau of Labor Statistics data from 1973 to 1990 reveal that the proportion of persons employed in service industries grew from 70% to 77%. This is the lowest wage sector of our economy.

Between 1960 and 1980, the proportion of women in the labor force increased from 40% to 61% ages 16 to 34 years.

The desire to have women work is limited to only poor women with dependent children so as to teach responsibility. For non-poor women the need to remain in the home to nurture their children into wholesome maturity is still the social ethic of our times.

Forcing poor women to work is destructive of family values.

FACTS ON TEENAGE PREGNANCY

Teenage births, in relation to Aid to Families With Dependent Children (AFDC), have been wrongly characterized during current welfare reform debate. Not only has the social reality of teenage pregnancy been distorted and made to seem larger than the facts tell, but it has also been unjustly labeled as a major cause of welfare instead of as a problem of society in general. It is unfair to spotlight the young and poor as if they pose the majority of our nation's domestic ills.

HERE ARE THE FACTS:

Births to young teenagers have been declining.

In the first decline since 1986, the rate of births to mothers 15-17 years of age decreased 2 percent in 1992.

--from the National Center for Health Statistics

Few welfare recipients are teen mothers.

Less than 1.2% of all AFDC mothers are less than 18 years of age (47,180 welfare mothers).

Few welfare households are headed by teen mothers, and the number has been decreasing.

In 1979, teenagers mothers 15-19 years old headed only 3.9% of total poor, female-headed households; the number dropped to 2.9% in 1990.

The age of a welfare mother is much less of a contributing factor to poverty than a parent's gender.

While 46% of families headed by a single mother are poor, only 22% of families headed by a single father and 8% of families headed by a married couple are poor.

The growing majority of teenage mothers are white.

Two-thirds of teenagers giving birth in 1990 were white.

While out-of-wedlock teen births have increased, out-of-wedlock births to women in their twenties have increased much faster.

The number of teen out-of-wedlock births increased by 150% between 1970 and 1990, while the number tripled among unmarried women 20-24 years old, and increased nearly by six times among unmarried women 25-29 years old.

--from the Women & Poverty Project, Wider Opportunities for Women, "Teen Pregnancy, Welfare, and Poverty"

TEENAGE MOTHERS RECEIVING AFDC BY STATE
(10/81 TO 9/92)

STATE	TOTAL		% OF		Source: Dept. of Commerce Bureau of Census			
	FEMALE ADULTS	14-18 YEARS	TOTAL	TOTAL				
U.S. TOTAL	3,931,624	149,402	3.8					
ALABAMA	40,214	2,172	5.4		NEVADA	9,480	834	8.8
ALASKA	9,202	480	5		NEW HAMPSHIRE	8,671	269	3.1
ARIZONA	50,774	1,879	3.7		NEW JERSEY	103,872	3,532	3.4
ARKANSAS	20,861	878	4.2		NEW MEXICO	24,178	870	3.6
CALIFORNIA	575,324	23,013	4		NEW YORK	355,886	7,829	2.2
COLORADO	34,894	1,221	3.5		N. CAROLINA	98,213	6,089	6.2
CONNECTICUT	48,967	2,399	4.9		N. DAKOTA	5,802	128	2.2
DELAWARE	8,196	197	2.4		OHIO	220,714	8,387	3.8
D.C.	18,286	823	4.5		OKLAHOMA	39,971	1,279	3.2
FLORIDA	174,964	9,448	5.4		OREGON	35,327	1,484	4.2
GEORGIA	111,703	5,027	4.5		PENNSYLVANIA	180,030	6,301	3.5
HAWAII	14,646	337	2.3		RHODE ISLAND	19,033	799	4.2
IDAHO	6,126	245	4		S. CAROLINA	38,658	928	2.4
ILLINOIS	201,100	6,636	3.3		S. DAKOTA	5,515	276	5
INDIANA	61,212	2,510	4.1		TENNESSEE	79,627	3,742	4.7
IOWA	31,680	1,109	3.5		TEXAS	204,404	8,994	4.4
KANSAS	24,824	993	4		UTAH	15,438	648	4.2
KENTUCKY	66,813	2,673	4		VERMONT	9,732	185	1.9
LOUISIANA	75,526	2,568	3.4		VIRGINIA	54,168	2,004	3.7
MAINE	21,453	880	4.1		WASHINGTON	79,780	3,510	4.4
MARYLAND	64,769	1,619	2.5		W. VIRGINIA	34,962	1,119	3.2
MASSACHUSETTS	99,368	2,683	2.7		WISCONSIN	68,351	2,392	3.5
MICHIGAN	205,612	7,608	3.7		WYOMING	3,750	79	2.1
MINNESOTA	56,288	2,083	3.7		GUAM	1,226	49	4
MISSISSIPPI	48,894	2,151	4.4		PUERTO RICO	53,773	484	0.9
MISSOURI	75,645	3,631	4.8		VIRGIN ISLANDS	930	4	0.4
MONTANA	9,799	363	3.7					
NEBRASKA	12,950	596	4.6					

Mr. CAMP. Thank you.
Hon. Peter Torkildsen.

STATEMENT OF HON. PETER G. TORKILDSEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. TORKILDSEN. Thank you, Mr. Chairman, and Members of the Committee. I will try and summarize my testimony.

I too have many strong opinions on the various parts of welfare overhaul. I do believe we have to overhaul our system because it is not working. There are two points I want to touch on today.

The primary reason I have asked to testify deals with H.R. 4's reinstatement of the gag rule to prohibit a suggestion of discussion of a legal procedure of abortion. I believe this Committee should eliminate any type of gag rule concerning abortion counseling or any other legal procedure from this or any other legislation.

Whether one considers herself or himself to be prochoice or prolife, we should all be able to agree on the protection of freedom of speech. I support a woman's right to choose and believe that the Federal Government should get out of the abortion question as much as possible. Because of that, my position on this most controversial of issues may be different from Members of the Committee.

I oppose Federal funding of abortion, but I equally oppose the Federal Government imposing any barrier to information about abortion.

Two years ago, the House, in a bipartisan vote, effectively eliminated the gag rule from title X funding. The legislation before us today or before the Committee today contains a gag rule on abortion counseling for grants listed under title I.

But no matter where it may be placed, the Federal Government should not be telling people what legal procedures they can or cannot discuss. Women deserve a right to information about the legal procedure of abortion and professionals deserve the right to discuss this or any other legal procedure.

The second issue I would like to address is the absence of a provision to enhance child support collection. Currently, only about \$13 billion in child support payments are made each year while estimates state that as much as \$47 billion or more should be paid in support of children.

Any increase in child support payments would almost certainly reduce the number of parents, usually mothers, seeking AFDC and other forms of welfare assistance. H.R. 4 logically requires the establishment of paternity, but does not provide for enforcement of child support payments once the father is identified.

While the States are and should remain the first line of collection for past due child support, there are steps the Federal Government can take to assist States, especially with parents who cross State lines to avoid their obligation to their children.

Last year I filed, and will do so again this year, legislation to coordinate the placing of liens on real property owned by a parent who owes child support. This would allow liens to be placed without custodial parents having to travel to another State. This bill would also create a disincentive for the other parent to flee a State in order to avoid child support payments.

Mr. Chairman, on the whole, I think the legislation is most positive. It will give States greater flexibility in creating alternatives to the failed welfare system, rather than impose a one-size-fits-all proposal from the Federal Government.

By enforcing child support and especially eliminating the gag rule, we can correct two major flaws in this legislation.

Thank you for the opportunity to testify. And I will be glad to answer any questions you may have.

[The prepared statement follows:]

Congressman Peter G. Torkildsen

**Testimony on Welfare Reform and H.R. 4
House Committee on Ways and Means
Subcommittee on Human Resources
January 30, 1995**

Mr. Chairman and members of the Committee, thank you for allowing me the opportunity to testify on the important issue of overhauling our welfare system.

Perhaps nothing is crueller than being trapped in a welfare system that punishes work, and locks some recipients in a cycle of poverty. I believe the vast majority of parents on welfare want to work, but not lose the difference that AFDC, rental assistance, food stamps, and medicaid health insurance may provide.

I would like to focus on two specific provisions within the original text of H.R. 4 that I believe need to be addressed.

The primary reason I have asked to testify deals with H.R. 4's reinstatement of the gag rule, to prohibit the discussion of the legal procedure of abortion. I believe this committee should eliminate any type of gag rule concerning abortion counseling or any other legal procedure from this or any other legislation.

Whether one considers herself or himself to be pro choice or pro life, we should all be able to agree on the protection of freedom of speech. I support a woman's right to choose, and believe that the federal government should get out of the abortion question as much as possible. Because of that, my position on this most controversial of issues may be different from many members of this committee.

While I oppose federal funding for abortion, I equally oppose the federal government imposing any barrier to information about abortion.

Two years ago, the House in a bi-partisan vote eliminated the gag rule from Title X funding.

The legislation before us today contains a gag rule on abortion counseling for grants listed under Title I, Part C of H.R.4.

But no matter where it may be placed, the Federal Government should not be telling people what legal procedures they can or cannot discuss. Women deserve a right to information about the legal procedure of abortion, and professionals deserve the right to discuss this or any other legal procedure.

The second issue I would like to address is the absence of any provision to enhance child support collection. Currently, only about \$13 billion in child support payments are made each year, while estimates state that as much as \$47 billion or more should be paid in support of children.

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While the states are and should remain the first line for collection of past due child support, there are steps the federal government can take to assist states, especially with parents who cross state lines to avoid their obligation to their children. Last year I filed, and will do so again this year, legislation to coordinate the placing of liens on real property owned by a parent who owes child support.

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Mr. Chairman, on the whole, this legislation is most positive. It will give states greater flexibility in creating alternatives to the failed welfare system, rather than impose a one-size-fits-all proposal from the federal government.

By enforcing child support and, especially, eliminating the gag rule, we can correct two major flaws in this legislation.

Thank you for the opportunity to testify, and I will gladly attempt to answer any questions you may have.

Mr. CAMP. Thank you for your testimony.
Hon. Nick Smith.

**STATEMENT OF HON. NICK SMITH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF MICHIGAN**

Mr. SMITH OF MICHIGAN. Mr. Chairman, Committee, thank you very much.

All of us who have been in politics have heard horror stories about the abuse in welfare. In general welfare, I would simply suggest to the Committee, that when we look at recovering contributions to raise kids, we not only go after the father, but also the mother, if once she is off welfare, is making more than 150 percent of poverty. We should consider asking the mother to reimburse taxpayers for some of that support.

More specifically, I am here today to make some comments on SSI. In the Michigan Legislature, I introduced the first bill to do away with general assistance for able-bodied adults and legislation to change the age for special education from 3 years until 23 years.

One month after I was sworn in to Congress, a school counselor approached me at a restaurant in Hillsdale and suggested that there is something very terribly wrong happening in her school. Specifically, parents were coaching their children how to be designated as disabled or slow learners because it made their children eligible for what is now \$472 a month in disability payments.

Michigan has an SSI supplement of \$14 a month. Also, Michigan has a payment of up to \$100 a month for those parents that keep their disabled children at home. Right now, nationally, the annual cost for children on SSI is \$4.35 billion.

I introduced H.R. 3913 in February 1994 to deal with this problem. That legislation said that younger children should not be included in SSI. In March 1994, I included language in the budget that we sent to the floor urging this Committee to hold hearings on the abuse of SSI by children. So I am delighted to make a few comments.

The *Zebley* decision in 1990 exacerbated the current problem and within a few years, the number of children on SSI had doubled. The original text of the SSI bill that was passed in 1972 intended to provide income to those individuals that were not eligible for Social Security disability insurance because they didn't have sufficient work records. Children, by a quirk, got added later and then the *Zebley* decision tremendously expanded their reliability.

I suggest to this Committee that children do not fit the purpose of SSI. The IFA, the individualized functional assessment, is a test for the eligibility to work, and it doesn't make sense for kids. We should just use medical listings. I would suggest that this Committee seriously consider taking children 12 years and younger off SSI. I say 12 years and younger because, after that age, some of these kids might be expected to work and make a contribution to their family.

AFDC and Medicaid vouchers, not cash, can replace what SSI is now doing for those kids. We have Federal and State laws that provide and demand that special education be given to these young children. I commend this Committee and certainly you, Mr. Camp, for your initiative on welfare reform, as well as Congressman McCrery and Congressman Kleczka. I encourage you to continue your efforts to stop this serious abuse of taxpayer money.

Mr. Chairman, may my written testimony be included as part of the record?

Mr. CAMP. It will.

[The prepared statement follows:]

NICK SMITH, MEMBER OF CONGRESS
Testimony on the Supplemental Security Income program
before the Subcommittee on Human Resources
House Ways and Means Committee
January 30, 1995

MR. CHAIRMAN... MEMBERS OF THE SUBCOMMITTEE ON HUMAN RESOURCES, THANK YOU FOR THIS OPPORTUNITY TO TESTIFY ON THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM.

I BEGAN INVESTIGATING THIS PROGRAM IN 1993 AFTER SEVERAL CONSTITUENTS, INCLUDING SCHOOL COUNSELORS AND DISABILITY EXAMINERS BROUGHT TO MY ATTENTION WIDESPREAD ABUSE IN THE PROGRAM. AFTER THE ZEBLEY SUPREME COURT DECISION (SULLIVAN V. ZEBLEY) IN FEBRUARY 1990 LOOSENED THE CRITERIA FOR CHILDREN TO QUALIFY FOR SSI, MANY PEOPLE DISCOVERED THEY COULD COLLECT CASH BENEFITS BY HAVING THEIR CHILDREN CLASSIFIED AS "DISABLED" IF THEY WERE SLOW LEARNERS OR EVEN BECAUSE OF BEHAVIORAL PROBLEMS. THIS HAS LED TO A GREAT DEAL OF ABUSE IN THE PROGRAM. JUST 10 DAYS AGO, THE WALL STREET JOURNAL GAVE THE EXAMPLE OF AN EXTENDED FAMILY IN BOSTON RECEIVING NEARLY \$1 MILLION A YEAR FROM SSI. WHILE THIS IS AN EXCEPTIONAL CASE, I THINK IT SHOWS JUST HOW MUCH OUT OF CONTROL SSI HAS BECOME.

THE ZEBLEY DECISION ISN'T THE ONLY PROBLEM. WHEN CONGRESS ESTABLISHED THE SSI PROGRAM IN 1972, IT INTENDED TO SUSTAIN THE INCOMES OF THOSE WHO ARE DISABLED AND CAN NO LONGER WORK. IN THE ORIGINAL TEXT OF THE BILL, CHILDREN WEREN'T COVERED, BUT A PROVISION WAS TUCKED INTO THE 697-PAGE BILL AT THE LAST MINUTE BY A FEDERAL OFFICIAL WHO SAID HE ADDED IT AS PART OF AN INCREMENTAL STRATEGY TO EXPAND WELFARE. SINCE CHILDREN AREN'T EXPECTED TO EARN ANY INCOME, THE GOVERNMENT SHOULDN'T SIMPLY HAND OUT CASH. IF WE'RE GOING TO PROVIDE DISABLED CHILDREN WITH SPECIAL BENEFITS, IT SHOULD REFLECT ACTUAL NEEDS PERTAINING TO THEIR DISABILITIES.

THIS POINT IS VITAL BECAUSE MOST OF THE MEDICAL AND EDUCATIONAL NEEDS ARE ALREADY COVERED UNDER EXISTING STATE AND FEDERAL LAWS. FOR EXAMPLE, SPECIAL EDUCATION IS A FEDERAL REQUIREMENT AFTER AGE 4, WITH SOME STATES STARTING AT BIRTH.

IN THE LAST CONGRESS, I INTRODUCED H.R. 3913 TO END CHILDREN'S CASH BENEFITS UNDER SSI. I WOULD LIKE TO COMMEND MY COLLEAGUES JIM MCCRERY AND GERALD KLECZKA, WHO HAVE THOUGHTFULLY PUT TOGETHER A PROPOSAL TO END CASH BENEFITS WHILE MAKING SURE THAT KIDS WITH SPECIAL NEEDS THAT HAVEN'T BEEN MET UNDER OTHER PROGRAMS CAN GET ASSISTANCE. I'D LIKE TO ENCOURAGE THE COMMITTEE TO CAREFULLY EXAMINE THE BENEFITS THAT ARE ALREADY AVAILABLE TO

POOR CHILDREN TO PREVENT DUPLICATION WITH EXISTING PROGRAMS.

PERHAPS THE BIGGEST INJUSTICE IN THE CURRENT SSI SYSTEM IS TO THE CHILDREN THEMSELVES. WHEN CHILDREN ARE CLASSIFIED AS "DISABLED," OR PUT INTO A SPECIAL EDUCATION PROGRAM, IT MAKES IT MORE DIFFICULT FOR THEM TO DEVELOP NORMALLY AND KEEP UP WITH THEIR PEERS. THERE IS ANECDOTAL EVIDENCE THAT SOME PARENTS HAVE EVEN DISCOURAGED THEIR KIDS FROM BEHAVING OR PERFORMING WELL BECAUSE IT MIGHT JEOPARDIZE THEIR SSI CASH BENEFITS. REPLACING CASH WITH IN-KIND BENEFITS RELATED TO DISABILITIES WILL GREATLY REDUCE THE INCENTIVE FOR PEOPLE TO TAKE ADVANTAGE OF THIS PROGRAM.

IN ADDITION TO ENDING CASH BENEFITS, I WOULD LIKE TO VOICE SUPPORT FOR ELIMINATING THE "INDIVIDUALIZED FUNCTIONAL ASSESSMENT (IFA)" CRITERIA FOR PUTTING KIDS ON SSI. THE IFA WAS ADOPTED TO MAKE SURE THAT AN ADULT WHO COULDN'T FUNCTION WELL ENOUGH TO HOLD A JOB WOULD BE CLASSIFIED AS DISABLED AND GET REPLACEMENT INCOME. AS I MENTIONED EARLIER, A CHILD IS NOT EXPECTED TO EARN INCOME. REMOVING THE IFA CRITERIA WOULD ESSENTIALLY REESTABLISH THE LAW BEFORE ZEBLEY BY ALLOWING THE SOCIAL SECURITY ADMINISTRATION (SSA) TO USE ONLY MEDICAL LISTINGS FOR CHILDREN. THIS WOULD NOT VIOLATE THE ZEBLEY DECISION. THE COURT OVERTURNED THE REGULATIONS, NOT BECAUSE THEY WERE INHERENTLY WRONG OR UNCONSTITUTIONAL, BUT BECAUSE THE 1972 SSI LEGISLATION DIDN'T EXPLICITLY ALLOW SSA TO SET UP DIFFERENT CRITERIA FOR CHILDREN. THIS LEGISLATION WOULD EXPLICITLY ALLOW SSA TO WRITE REGULATIONS THAT EXCLUDE IFA'S FOR THE CHILDREN'S PORTION OF SSI.

MR. CHAIRMAN...MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO TESTIFY AND I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

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Mr. CAMP. Thank you very much for your testimony.
Hon. Marge Roukema.

**STATEMENT OF HON. MARGE ROUKEMA, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF NEW JERSEY**

Mrs. ROUKEMA. Thank you, Mr. Chairman. I ask unanimous consent that the full text of my comments be included in the record, and thank you for the chance to testify here today. You are establishing a wonderful record and I thank you very much.

Unfortunately, this welfare debate got off on the wrong foot with an argument focusing on what an orphanage is or a group home or a settlement house. Whatever we want to call them, it initiated a war of words and I think we ought to end that war of words. I think there is a general recognition that the system is out of control and in need of radical reform, and I characterize the prescription for that radical reform as tough love.

Clearly the American taxpayers have been concerned about the failure of this system, but it is not only the taxpayers. It is more than that. It has been fostering unhealthy and unproductive dysfunctional families that sentence children to a lifetime of extreme economic, social, and emotional deprivation. Clearly the children have become the victims.

In reinventing the system, I think we must address both the short-term and the long-term problems of these children, and again, end the war of words and focus on what the real evidence is that we can really reverse the trend, and no longer countenance people being raised in abusive and drug-infested households or that children would be going hungry in the streets. And so I thank you for this opportunity.

I want to go to the denial of AFDC benefits for additional children. That is one component of your legislation here and I want to indicate to you that this position was initiated in New Jersey a number of years ago when then-Democratic Governor Florio concluded that we were subsidizing unwed mothers and out-of-wedlock births and put into the legislation denying benefits for AFDC recipients when new children were born.

That system went into effect and during the first 12 months, indicate—there is every indication, the statistics show, that the birth rate among those recipients have gone down 14 percent. Now, 1 year's data does not prove the rule, but the program will be tracked over a period of years to confirm the relationship, and I think it is an indication that this is the direction in which we should go and it should be included in our legislation.

I stress today interstate child support enforcement has already been mentioned by one of our other colleagues and I know you are having a full hearing on that next week, but I do want to say that effective reform of our interstate child support system is an essential component of any welfare reform plan that we pass, and I think the President, President Clinton, acknowledges this as well as the Republican program. While Republicans and Democrats may have different ideas about how to reform the overall plan, we are united in that one area.

I would include in the record here a few of the statistics that are quite startling, only one of which I will go over now and that is 23

million children are owed more than \$34 billion in support payments. No, I will add one more statistic. HHS estimates that a substantial increase in child support enforcement could reduce AFDC payments by 25 percent. I think that is a startling number and one that bears up under scrutiny.

I introduced and—reintroduced, I should say, H.R. 195 which is a comprehensive child support enforcement piece of legislation based on the recommendations of the U.S. Commission on Interstate Child Support Enforcement, of which I was honored to serve as a member. I won't go into the details of that except to say that it also includes criminal penalties and direct garnishment of wages from out-of-State employers.

On a related topic—and by the way, I would like to introduce an outline of H.R. 195 into the record.

My time is running out, so I will skip to the last part of my statement and talk about the block granting of welfare and how we should give States more responsibility. But the main reason I am here today, Mr. Chairman, is to indicate that we cannot, in eliminating the entitlement aspects and doing the block granting of welfare reform, we cannot end up with children who are homeless and hungry.

I have spoken to numbers of my colleagues on this subject before and I have noted that whether we call it a backstop, a trigger, a safety net, or as Chairman Clay Shaw identified it, both in news accounts as well as on television this past Sunday, whether we refer to it as a contingency-based system, we must work out a system between the Federal Government and the States, whether entitlement or not, that there is a way to deal during recessionary times so that the children are not going to be the victims.

I welcome Chairman Shaw's speculation concerning the fold back mechanism that might be laid to a new welfare program styled after the employment—the Unemployment Compensation Program. That may be the way to go. In any event, people of good will and understanding must be able to address that component of the block grant and not entitlement aspect. Children must not become once again the victim of the system.

[The prepared statement and attachment follow:]

Statement of
The Honorable Marge Roukema
before the
House Ways and Means
Subcommittee on Human Resources
January 30, 1995

Before starting my testimony, I would first like to congratulate my distinguished colleague from Florida -- Clay Shaw -- on his well-deserved promotion to the chair of the House Ways and Means Subcommittee on Human Resources. Mr. Chairman, you've waited years for this exciting opportunity and we are all supremely confident that you are up to the task of leading the Committee during the 104th Congress.

The people of the United States have given the Republican Party a historic opportunity to demonstrate our commitment to constructive change -- a change to more effective and efficient governance. These hearings represent the first step in what is sure to be a long and difficult process of fulfilling this commitment. I, for one, welcome the challenge.

DSYFUNCTIONAL SYSTEM

Unfortunately, the welfare reform debate got off on the wrong foot by focusing initially on the term of "orphanages" or "settlement houses" or "group homes" or "youth hostels". Whatever you want to call them -- we must resolve to end this "war of words" today. We (conservatives, moderates and liberals alike) must acknowledge that our welfare system is out of control and in need of radical reform. I characterize the prescription as "tough love".

Clearly, what outrages American taxpayers most completely is the conviction that the welfare system is an unmitigated failure. Not only is it wasting hard-earned taxpayers dollars, but it has created -- and is fostering -- unhealthy, unproductive dysfunctional families that sentence children to a lifetime of extreme economic, social and emotional deprivation.

Clearly, the children are the victims!!! In re-inventing the welfare system, we must address the short-term and long-term problems of the children. Youth hostels and group homes (orphanages if you will) should be an element of reform. But the costs will be significant whether absorbed at the federal or the state level.

Ultimately, however, Americans and the Congress will not countenance children being raised in abusive, drug-infested households or going hungry in the streets. We must begin a serious debate -- not a unproductive "war of words!!"

Denial of Higher AFDC Benefits for Additional Children

One component of our current welfare system that must be fixed is the fact that, in most states, welfare recipients automatically receive additional, higher benefits when they have more children. In some cases, this amounts to a perverse incentive for beneficiaries to remain on welfare and have more children, instead of taking responsibility for themselves and their families and getting off welfare.

A few years ago, the New Jersey State Legislature and then Governor Florio concluded that our welfare program was simply subsidizing unwed mothers and out-of-wedlock births, and that strong, corrective action was necessary. The State

began denying AFDC recipients higher benefits for new children in August of 1993, and the preliminary results for this new initiative during its first twelve months indicate that births to AFDC recipients have been reduced by 14 percent.

It is too early to determine precisely what caused this reduction, but the fact remains that this is an encouraging signal nonetheless. This program must be tracked over a period of several years to confirm its relationship to changing behavior patterns and to separate the cash welfare payments from the birthrate.

On the federal level, we must follow this example and prohibit any automatic increase in AFDC benefits to mothers, already in the program, who have additional children.

WELFARE REFORM MUST INCLUDE CHILD SUPPORT REFORM

I know that the Subcommittee will be holding a hearing on Child Support Enforcement next week, but I just want to very briefly mention a few items on this important subject. Effective reform of our Interstate Child Support Enforcement laws must be an integral component of any welfare reform plan that the 104th Congress sends to President Clinton.

While Republicans and Democrats may have vastly different ideas about how best to reform our welfare system, most readily agree that strong Interstate Child Support Enforcement reform must be part of our reform plans.

Make no mistake about it: effective Child Support Enforcement reform is welfare prevention. Non-support of children by their parents is one of the primary reasons that so many families end up on the welfare rolls to begin with.

Here are just a few of the key statistics:

- * 23 million children are owed more than \$34 billion in support payments;
- * 5.4 million families never collect a dime of legal child support;
- * The default rate for car loans is about 3%, while the default rate on child support payments is almost 50%!;
- * HHS estimates that a "substantial" increase in child support enforcement could reduce federal AFDC payments by 25%!;

On the first day of this new Congress, I re-introduced comprehensive child Support Enforcement reform legislation (HR 195) that would enact the recommendations of the U.S. Commission on Interstate Child Support, of which I was honored to serve as a member. I have attached a 1-page summary of this legislation to my statement, and I urge my colleagues to consider cosponsoring this important legislation.

On a related topic, I want to strongly urge the Subcommittee to approve legislation that links the establishment of paternity to eligibility for welfare benefits. For AFDC recipients, we must send a strong signal that we will require their cooperation in establishing paternity of their children, in order to them to be eligible for benefits.

We must not allow AFDC recipients to receive their benefits regardless of whether or not they help establish paternity for their children. For those mothers who are cooperative, their benefits should be protected even if the child's father fails to cooperate and paternity cannot be established.

But, for those mothers who do not cooperate -- the cutoof of benefits should

be precise and complete.

Establishing paternity establishes a potential for future financial support; but, most importantly, it re-establishes a code of conduct that fixes responsibility on the male, as well as the female, in the rearing of children -- Reconfirming these principles are essential to restoring respect for the family unit in our society.

Preventive Health Care and Immunization Requirements

For decades, States have required that children entering the school system be properly immunized and vaccinated. The record is clear: when we require immunization and vaccination as a condition of attending school, and tell parents that their children can't start classes without them, they do the right thing: they children make sure that kids get their shots!

Regrettably, either through ignorance or apathy, many parents in the welfare program today are failing to get their children immunized and vaccinated, making these children the real victims.

We must require parents to have their children properly immunized and up-to-date on their vaccinations in order to qualify for AFDC, WIC or Food Stamp benefits. State compliance with this requirement should be mandatory, not optional. Also, any day care and child care center that receives federal monies must be required to certify that these same immunization and vaccination standards have been met before enrolling any given child.

In 1992, six children died in New Jersey from an outbreak of the measles. It's a national disgrace that today -- just five years from the 21st century -- the United States (the world's most advanced country with the best medical care available) ranks down there with many Third World bloc countries when it comes to immunization and vaccination standards.

Immunizations and vaccinations are preventive medicine. Extensive medical and scientific evidence demonstrates that every dollar invested in childhood immunization saves ten dollars in future health care costs. There is no reason why AFDC, WIC or Food Stamp recipients should not have their children properly immunized, particularly when free -- or discounted -- immunizations and vaccinations are widely available in many communities.

Block Granting Welfare Can Give States More Flexibility:

In recent weeks, there has been considerable speculation in the news media about ongoing negotiations between Republican Governors and Members of Congress about making welfare a block grant program. Essentially, these discussions revolve around the idea of taking many different federal programs, with their myriad of conflicting rules and regulations, and instead simply giving States a block grant of funds with some basic federal guidelines, and allowing States the flexibility to implement the welfare program they think suits their needs.

While I believe that this idea has considerable merit, I want to be clear about my thoughts on a related topic: some have suggested that, in addition to "block granting welfare programs", the Congress should also change the status of this funding from entitlement-based to discretionary-based part of the federal budget.

I have some very strong concerns about proposals of this nature. For the Committee's hearing record let me state my views on this idea categorically: Children must not go hungry or homeless! If ensuring that children do not go

hungry and homeless means welfare remains an entitlement program, so be it.

However, I am hopeful that if we put our minds to it we can resolve this dilemma while still retaining the fiscal accountability that came with defusing the entitlement mentality.

We all know the kind of political games that can be played -- by both the President and Congress -- over those programs in the discretionary part of the budget. In the past, some discretionary programs were intentionally underfunded by Congress with the goal of forcing the President to request supplemental appropriations. Once this happened, Members of Congress have had a bonanza loading up all sorts of unrequested items onto the President's supplemental appropriations bill -- you know what I'm talking about, the good old-fashioned "Christmas Tree" approach to legislating.

That's why I believe that those programs that feed and protect our children should remain entitlement-based, not discretionary. We must not let this happen to those welfare programs that feed and protect our children. We simply cannot allow this kind of political gamesmanship to infect these essential programs.

The resolution to these seemingly irreconcilable goals may be what subcommittee chairman Shaw referred to over the weekend on a television show as a contingency-based system. Such an approach has been variously characterized as a "back-stop", a "trigger", or a "safety net" system.

In fact, today's Wash Post quotes chairman Shaw as noting we could model a new welfare program "after the unemployment compensation program. We pay into an unemployment fund every year, and states can draw it down during times of high unemployment. We could set up a similar welfare fund that would be triggered in times of economic downturn." I completely agree, and hope that the House will follow our distinguished Subcommittee chairman's lead on this issue.

In any event, we must declaratively construct an fall-back mechanism so that during recessionary periods encountered either regionally by the states or during a national recession, that protects those who truly need such protection. I am aware that there are some who optimistically believe that the savings incurred by the block grant approach will more than offset the costs incurred during recessions. But I would suggest that based on solid data this may be too close for comfort to a "pie in the sky" outlook. We need to proceed very, very carefully in this respect.

With that said, I'll conclude my statement.

Again, I thank Chairman Shaw and the Subcommittee for providing me with this opportunity to testify on the need to reform our welfare system and on some of the solutions that I believe we must enact. At this point in time, I'd be more than happy to answer any questions that the Subcommittee's members might have.

H.R. 195, INTERSTATE CHILD SUPPORT ENFORCEMENT ACT

Sponsored by
Congresswoman Marge Roukema

**Comprehensive legislation implementing the recommendations of the U.S.
Commission on Interstate Child Support Enforcement.**

Key provisions:

- * Requires new paternity establishment initiatives, including mandatory hospital-based paternity programs.
- * Simplifies paternity establishment process, and, in contested paternity, shifts the burden of proof to a father who has already acknowledged paternity.
- * Definitively authorizes "direct service" -- the procedure by which a parent owed child support can have the "deadbeat" spouse's wages garnished. When direct service is used, success rates can be as high as 80%.
- * Requires States to criminalize willful failure to pay child support, and utilizes civil and criminal penalties on "deadbeats".
- * Improved location of non-custodial parents and support order establishment. Creates a new line on the federal W-4 for every new employee to indicate child support obligations.
- * Improves and updates the national computer network connecting state child support offices. Expands data bases to include the National Criminal Information Center (NCIC), quarterly IRS estimated tax reports; state motor vehicle registration; state bureau of corrections; occupational and professional licensing departments; public utility companies and credit reporting agencies.
- * Withholds of drivers' and occupational licenses from "deadbeat parents" who owe back child support. This gets to the problem of wage garnishment for the self-employed.
- * Increases use of credit reporting and garnishment.
- * Creates uniform, national subpoenas to simplify burdensome paperwork requirements.

Mr. CAMP. Thank you very much.
Hon. Lamar Smith.

**STATEMENT OF HON. LAMAR S. SMITH, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TEXAS**

Mr. SMITH OF TEXAS. Thank you, Mr. Chairman.

Mr. Chairman, as Chairman of the Immigration Subcommittee, I appreciate the opportunity to testify on the subject of immigrants and welfare reform. In reforming welfare, some tough questions about immigrants must be addressed. Should this Nation allow noncitizens to disproportionately take advantage of America's limited welfare resources while ignoring its own citizens? The system, as it is currently being used, is fundamentally unfair to American taxpayers and American workers.

It is unfair to ask hardworking citizens, who already pay the highest taxes in American history, to foot the bill for welfare, housing, and unemployment compensation for noncitizens. A recent study estimated the annual net cost of providing means-tested cash public assistance to immigrants, deducting the amount they pay in taxes, is at least \$16 billion per year.

About 9 percent of immigrant households receive cash welfare assistance, compared to 7.4 percent of native households. Immigrants on the average receive about 30 percent more in public assistance than the native born. According to the Social Security Administration, immigrant recipients of Supplemental Security Income, or SSI, increased 370 percent between 1982 and 1992 compared to just a 39 percent overall increase.

Since 1882, our immigration policy has been—I wonder if that is a typo or not on the title there. Since 1882, our immigration policy has been able to exclude those who are likely to become public charges, however, very few prospective immigrants are excluded on these grounds. From 1988 to 1993, for example, the percentage of annual public charge exclusions at overseas consulates ranged from 0.6 to 6 percent.

I will speed it along so we will be able to leave after the 5 minutes.

Once in America, a negligible number of immigrants are deported for becoming public charges, since the required affidavit of support is unenforceable under current case law, and other relevant laws are weak. The Immigration and Naturalization Service stopped counting the number of annual deportations in 1980 because it was so minimal.

The Personal Responsibility Act currently does not contain any provisions to strengthen the sponsorship requirements in our immigration laws. And I urge this Subcommittee to consider strengthening the law governing sponsorship, including a detailed definition of public charge, and deeming a sponsor's income and assets to the alien through citizenship. The affidavits should be made legally enforceable, and financial criteria for eligibility should be required of sponsors.

The Subcommittee also should consider narrowing the period during which refugees are allowed to receive public assistance. Currently, refugees are provided with public assistance through the Department of Health and Human Services for their first 3 years

in the United States. After this time, they are allowed to receive Federal and State general assistance indefinitely, without sponsorship or threat of deportation.

According to a 1990 study, refugees had a cash assistance welfare participation rate of 16 percent. The average amount of cash or assistance received by a refugee household on welfare was \$7,000, compared to \$4,800 for other immigrants and \$4,000 for natives.

I would also urge the Subcommittee to consider a provision allowing States to follow Federal classifications of citizens and noncitizens in determining eligibility for their welfare programs. If welfare programs are block granted to the States, but Congress does not address the issue of eligibility on the basis of citizenship, States will be required to continue to provide assistance to noncitizens. This would have a significant negative financial impact on State governments.

Regardless of the exact restrictions placed on providing welfare assistance to noncitizens, Congress can and should empower the States to follow its direction. Our goal, as stated in section 201(c) of the act is to, "give States the flexibility to design their own welfare-to-work programs and to decide who must participate in such programs." The administration of welfare is most effective at the level closest to the people. Congress should give States a high degree of flexibility in administering their welfare programs.

It is important that the spirit of the Personal Responsibility Act not be abandoned. The net fiscal benefit from title IV alone, according to the CBO, is roughly \$22 billion over 5 years.

The debate over welfare reform, however, is not just over \$22 billion. Welfare is more a behavioral issue than a budgetary issue. Welfare destroys the recipient's work incentives, encourages the breakdown of the family and creates dependency down generations. In the words of former President Ronald Reagan, "You cannot create a desert, hand a person a cup of water, and call that compassion. You cannot build up years of dependence on government and dare call that hope."

What is true for citizens is equally true for those who want to become citizens. Mr. Chairman, thank you for allowing me to testify.

[The prepared statement follows:]

Statement of Rep. Lamar Smith (R-TX)
Before the Human Resources Subcommittee
Regarding Title IV of the Personal Responsibility Act of 1995

January 30, 1995

Mr. Chairman, as Chairman of the Immigration Subcommittee, I appreciate the opportunity to testify on the subject of immigrants and welfare reform.

When Republicans signed the Contract With America on September 27, we did so because we believed in its vision for America. The American people made it very clear on November 8th that they not only embrace this vision, but expect us to implement it.

In reforming welfare, some tough questions about immigrants must be addressed. Should this nation allow non-citizens to disproportionately take advantage of America's limited welfare resources while ignoring its own citizens? The system, as it is currently being used, is fundamentally unfair to American taxpayers and workers.

It is unfair to ask hard-working citizens, who already pay the highest taxes in American history, to foot the bill for welfare, housing and unemployment compensation for non-citizens. American taxpayers should not be forced to give their earnings to non-citizens.

A recent study estimated the annual net cost of providing means-tested cash public assistance to immigrants, deducting the amount they pay in taxes, to be at least \$16 billion. About 9 percent of immigrant households receive cash welfare assistance, compared to 7.4 percent of native households. Immigrants on the average receive about 30 percent more in public assistance than the native-born.¹ According to the Social Security Administration, immigrant recipients of Supplemental Security Income (SSI) increased 370 percent from 1982 to 1992, compared to a 39 percent overall increase.²

Since 1882, our immigration policy has been to exclude those who are likely to become "public charges." However, very few prospective immigrants are excluded on these grounds. From 1988 to 1993, for example, the percentage of annual public charge exclusions at overseas consulates ranged from point 6 to 6 percent.³

Once in America, a negligible number of immigrants are deported for becoming public charges, since the required affidavit of support is unenforceable under current case law, and other relevant laws are weak. The Immigration and Naturalization Service stopped counting the number of annual "public charge" deportations in 1980 because it was so minimal.

The Personal Responsibility Act currently does not contain any provisions to strengthen the sponsorship requirements in our immigration laws. I urge the Subcommittee to consider strengthening the law governing sponsorship, including a detailed definition of public charge, deeming a sponsor's income and assets to the alien, and an extension of the guarantee through citizenship. The affidavits should be made legally enforceable, and financial criteria for eligibility should be required of sponsors.

The Subcommittee also should consider narrowing the period during which refugees are allowed to receive public assistance. Currently, refugees are provided with public assistance through the Department of Health and Human Services for their first 3 years in the United States. After this time, they are allowed to receive Federal and State general assistance indefinitely, without sponsorship or threat of deportation.

¹GEORGE J. BORJAS, IMMIGRATION AND WELFARE 1970-1990.

²REPORT OF THE SOCIAL SECURITY ADMINISTRATION.

³STATISTICIAN'S OFFICE, CONSULAR BUREAU, U.S. DEPARTMENT OF STATE.

The Personal Responsibility Act seeks to limit the period during which refugees can receive public assistance to 6 years. While this is a step in the right direction, I would urge the Subcommittee to consider amending the current language to 3 years. This is a reasonable amount of time for a person to secure employment and begin assimilation into society. Any exemption for refugees must be seen in light of the fact that refugees have a higher welfare participation rate than other immigrants, even after 20 years in the United States.⁴

According to a 1990 study, refugees had a cash assistance welfare participation rate of 16 percent. The average amount of cash assistance received by a refugee household on welfare was \$7,000, compared to \$4,800 for other immigrants and \$4,000 for natives.³

I would also urge the Subcommittee to consider a provision allowing States to follow Federal classifications of citizens and non-citizens in determining eligibility for their welfare programs. If welfare programs are block-granted to the States, but Congress does not address the issue of eligibility on the basis of citizenship, States will be required to provide assistance to those with the highest rate of welfare use. This would have a significant negative financial impact on State governments.

Regardless of the exact restrictions placed on providing welfare assistance to non-citizens, Congress can and should empower the States to follow its direction. Our goal, as stated in Section 201(c) of the Act, is to "give States the flexibility to design their own welfare-to-work programs and to decide who must participate in such programs." The administration of welfare is most effective at the level closest to the people. Congress should give States a high degree of flexibility in administering their welfare programs.

It is important that the spirit of the Personal Responsibility Act not be abandoned. The net fiscal benefit from Title IV alone, according to the Congressional Budget Office, is roughly \$22 billion over 5 years.

The debate over welfare reform, however, is not over \$22 billion. Welfare is more a behavioral issue than a budgetary issue. Welfare destroys the recipient's work incentives, encourages the breakdown of the family unit, and creates dependency down generations. In the words of former President Ronald Reagan: "You cannot create a desert, hand a person a cup of water, and call that compassion. You cannot build up years of dependence on government and dare call that hope." What is true for citizens is equally true for those we want to become citizens.

Mr. Chairman, thank you for allowing me to testify. I would be happy to answer questions.

⁴GEORGE J. BORJAS, IMMIGRATION AND WELFARE 1970-1990.

Mr. CAMP. Thank you all very much.

Mr. COLLINS may inquire.

Mr. COLLINS. Thank you, Mr. Chairman. I just want to take a moment to thank each of the panelists for being with us and offering their input into this very complex issue as we try to reform the current welfare system. A lot of the people that I have the opportunity to represent say we don't need to reform it, we need to replace it. It was evident in the November 8 elections when many working people across this country just finally went to the polls and said, enough is enough.

We have heard a lot in recent days about shrinking paychecks, paychecks today being equivalent—or minimum wage being equivalent to 40 years ago. I think a lot of that has come from the standpoint that the gross on checks has increased but the net has decreased or the difference between them has increased, leaving less net, and that is what made people go to the polls and make a new change in November.

We are looking at the block grant program that will give flexibility, one that will require funding through appropriations each year so that we can make sure that if there is a recession, that we are able to take care of those needs of the States and not, again, put an unfunded mandate on them.

But as we address welfare reform, and we talk about work programs, we are going to have to address the area of job creation. Along with welfare reform, as I know that many Members of this body will support, I hope they too will support the tax initiatives that we are putting forth that will increase the cash flow with the private sector, enhancing the economy of the private sector, creating jobs in the private sector.

So as we try to replace the current welfare system, as we have today, with one that requires more responsibility, requires work, encourages work, has an incentive to work, that our colleagues will also support those initiatives.

Thanks again for being here.

Mr. CAMP. Thank you.

Ms. Dunn may inquire.

Ms. DUNN. Thank you very much, Mr. Chairman. And I am sorry to have missed your testimony, panel, but I was kept in my office with a constituent meeting.

Mrs. Roukema, I wanted to tell you that I support your efforts to include child support in this welfare replacement plan that we are working on. Today Representative Bilirakis came and testified before us on a plan for—

Mrs. ROUKEMA. Bilirakis did you say?

Ms. DUNN. Yes, that is right, and Henry Hyde has additional legislation. I am trying to track those because they are all along the line of making the paternity—making the establishment of paternity part of this whole process and then making sure that that second parent is there to help in the support of the child.

Have you looked at that legislation? Does it mesh with what H.R. 195 says?

Mrs. ROUKEMA. Absolutely. That is one of my recommendations and it is one of the chief recommendations in the Interstate Child Support Enforcement Commission, that you establish but require

the mother to cooperate in establishing paternity at the time of birth at the hospital.

That cooperation must be required and if—it doesn't mean that you are always going to find or identify legally with DNA testing, and so forth, in 100 percent of the cases the father, but the experiments in the States have been excellent in terms of indicating tremendous success, child support officials, and child advocates have indicated tremendous success. Therefore, if—following that, if paternity is not established or cooperation is not established, AFDC and WIC payments would be denied, but there has to be cooperation.

Now, that not only helps us in terms of getting some support, financial support for the child, but even more than that, it helps establish the principle that we are trying to reestablish, which is male responsibility and restoration of a family unit. It is moving us in that direction, so it serves both purposes.

Ms. DUNN. Good. Personal responsibility is something that we have tried to achieve, certainly in our Contract With America proposal.

Mrs. ROUKEMA. I have included that in my statement but I didn't have time to go through it verbally.

Ms. DUNN. Have you had a chance to look at the Hyde or the Bilirakis legislation?

Mrs. ROUKEMA. Well, I have been working with Congressman Hyde and Congressman Bilirakis over a number of years, and I think that we have always been consistent in our legislative goals. I don't—I have not looked at this piece. It may have just been formulated and I am not aware of it. It is not the one left from last year? This is a new form of legislation?

Ms. DUNN. The Hyde is the IRS proposal of last year, and I wanted to use your background in knowing whether this is a benefit for us.

Mrs. ROUKEMA. If that is what you are referring to, I misunderstood the question. Yes, I have conferred with Congressman Hyde and with his staff and we are trying to work with them completely on that. I do understand that IRS has some problems with it. But we are trying to work that out and work in a cooperative way, and I would expect that we would be able to come up with a unified piece of legislation.

Ms. DUNN. Great. Representative Smith, I wanted to ask you, as I read your testimony, you talk about strengthening the sponsorship rules. Could you speak more about that?

I too am very interested in that because I think that is where more of the load should fall, rather than back on the government for legal immigrants.

Mr. SMITH OF TEXAS. I appreciate your asking and let me respond to see if you want to follow up in any more detail. As things stand right now, our immigration laws require an individual to be a sponsor of an immigrant or a prospective immigrant who wants to come over to our country. And part of that requirement is that the sponsor has to say that they are financially able to take care of the immigrant to make sure that the immigrant does not become a "public charge," which is contrary to immigration laws.

There are two problems with that. First of all, the affidavit that the sponsors are required to sign saying that they have the financial resources to assure that this individual, this immigrant, will not become a public charge, is unenforceable and in fact never enforced. So you have a shell of a law in that particular instance.

The other problem is that on the other side, in the case of the consultants who are screening these individuals, over the last 5 years, only an average of about 2 percent have ever been excluded because they might become a public charge, which strikes many people as being a very, very low figure. So you have a problem on the end where the immigrants are actually applying, you have a problem on this end, because the affidavit of support is unenforceable and, therefore, you end up with a situation as we see, where immigrants are out of proportion as far as being on the welfare rolls.

And we also see, unfortunately, that the longer an immigrant is in this country, the more likely they are to find themselves on welfare, with the result that a typical immigrant receives 30 percent more than a typical citizen when it comes to total welfare benefits.

The other problem I mentioned is that for good or for bad, and this applies to a very small minority of immigrants, there are those individuals who, with the assistance of other individuals and organizations, do their best to game the system, to take advantage of the generosity of America. And that is why, for example, in one of the figures that I gave, you saw where the number of immigrants on SSI has increased 370 percent over the last 10 years, which is about 10 times as great of an increase as the population at large. So those are the kind of abuses that I hope that we can find ways to solve.

Mr. CAMP. Thank you.

There is a vote on. And I think we all better get there.

This hearing will recess until 10 minutes after the last vote.

I do just want to commend Representative Smith for your efforts in Texas on reforming welfare and general assistance, and let you know that I am very supportive of the direction that Representative Kleczka and McCrery are going with SSI reform, and appreciate your testimony in bringing that to the Committee.

The Subcommittee is in recess.

[Recess].

Chairman SHAW. We will reconvene.

We are sort of on uncharted ground right now, not knowing exactly what is going to go on with the House floor. I have asked the Members to take turns going back and forth like a tag team. For those of you who have not been on the floor, the problem that we are facing right now is that we are having 10 minutes debate on each amendment, and then a vote, 10 minutes debate, and a vote, 10 minutes debate, and a vote, which is going to be very disruptive to the process.

I would like to ask the Members of panel eight to come to the witness table, and we can go ahead and proceed.

Ms. Woolsey, I see you are with us.

Who else do we have on this panel?

OK, Mr. DeFazio, will you please join us. We have your written testimony, which will become a part of the record, and you may proceed as you see fit.

I would like to say one other thing for the last panel. I am going to make a point to be sure to get you through tonight, because I know some of you are from out of town, and I want to accommodate your schedule so you won't have to come back.

When we finish hearing from this panel, I will defer to our guests who are not our colleagues because we can have a makeup date for our colleagues.

OK, Mr. DeFazio you may proceed.

**STATEMENT OF HON. PETER A. DeFAZIO, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF OREGON**

Mr. DEFazio. Thank you, Mr. Chairman.

I am accompanied by Tandi Graff who is a member of my staff, and she will take most of my time. But what I would like to say to the Committee is that I think there is certainly broad agreement now on reform. The question is: Are there viable models out there, viable State models in particular?

I would like to offer the State of Oregon, in particular the JOBS Program in the State of Oregon, as a viable model, one with a good track record. In the 4 years of the JOBS Program, Oregon has had nearly 20,000 AFDC recipients get jobs through the program. And at this point, 79 percent of those people are still gainfully employed, and generally at an average wage of \$6 an hour, which in the State of Oregon is a pretty decent wage. It is not great, but it is a pretty decent wage.

Some of the proposals being considered by the Committee would be problematic. In particular, the restrictions on unwed teen mothers. I just had a wonderful visit with the Unwed Teen Mother Program in my State, and I would be happy to expand at some length on that, if the Committee has questions, and also the requirements requiring paternity establishment. But what I would like to do, Mr. Chairman, is defer the remainder of my time, and hope that perhaps you might even extend a couple of minutes to Tandi Graff on my staff who is a graduate of the JOBS Program and is now my Washington, DC, receptionist and her son Jordan who is with her here.

[The prepared statement follows:]

**Statement of Congressman Peter DeFazio
Ways and Means Committee Hearing on Welfare Reform
January 30, 1995**

Mr. Chairman, I appreciate the opportunity to speak before the Ways and Means Committee today. Everyone from policy wonks to recipients themselves agree that our welfare system needs reform; programs that foster self-sufficiency and serve as a ladder to climb. But when we reform a system that serves as the only safety net between poor and hungry families and a life of homelessness and desolation, we must move carefully. Our policy recommendations should reflect sound, academic research and the experiences of those receiving assistance. Our changes should be based on what programs work, not shallow, politically expedient rhetoric. Reforms should solve the problems of poverty and hunger, moving people off welfare for better lives. Cutting people off assistance without helping them reach self-sufficiency is denial, not reform. Changing welfare means making it work better for those it serves, not denying that they exist.

The Personal Responsibility Act pretends that if we punish the poor and ignore the resulting suffering, the problem will somehow go away. The problem will not go away. Taxpayers will pay for these problems whether they are addressed at the federal level or punted to the state level. The PRA, in fact, proves to be the biggest unfunded mandate ever passed by this or any Congress.

I am proud to share with you the results of my home state of Oregon's approach to welfare. The Oregon Aid to Families With Dependent Children program is linked directly to the Oregon JOBS program, thus making Oregon's system highly successful. At the beginning of this biennium, experts predicted Oregon's AFDC caseload would increase by 12 percent. Remarkably, at the end of this biennium, Oregon's AFDC caseload will actually have been reduced by 5 percent since 1993. Given the expected increase, this decrease actually reflects a 17 percent decline in the Oregon AFDC caseload.

During the first three years of the Oregon JOBS program, the number of individuals placed in employment rose to more than 800 per month. The total number of clients finding work during that time total 19,450. Their average wage was \$6.00 an hour. After 18 months off welfare and in a job, 79 percent of the former AFDC recipients remain employed.

In Oregon, the number of low-income individuals in the state and the number coming into the state have remained constant with the previous years' averages, thus the JOBS program is credited with this significant reduction.

Oregon stands alone among its Western counterparts. While Oregon's AFDC caseload dropped, Alaska saw a 0.5 percent increase, California a 4.1 percent increase, Idaho a 5.2 percent increase, Nevada a 7.25 percent increase, and Washington a 0.82 percent increase.

Why is Oregon succeeding? Many Western states view their JOBS program as a separate program from their AFDC program, with little coordination between the two programs. Oregon sees its welfare program as a JOBS program with an emphasis on self-sufficiency and work for every client. Oregon meshes training and education with life skills and support services, concentrated on moving each individual toward permanent employment. Every AFDC client attends a JOBS orientation workshop, goes through a rigorous initial job search for 3 weeks with case management support to test their job readiness and the labor market, participates in the Life Skills course that helps to make AFDC clients "job-ready," and finally receives education, training and/or work experience at a site.

After the initial job search, AFDC clients are often depressed by their seemingly bleak employment prospects and further doubt their abilities. The search is necessary to

filter out easily employable clients and to expose clients to the market, but the Life Skills class is necessary to build clients self-esteem and to prepare them for success in the job market. The Life Skills class is attributed with part of Oregon's success. This course enables clients to become ready to work by improving their self-esteem, teaching interview skills and resume writing, adapting current life skills to the job market, educating about the work culture, planning living budgets, learning how to apply for a job, dealing with issues of emotional and physical abuse, and making them believe that a better life is possible.

Oregon's AFDC program focuses on work from the day the client enters the program until the day the client leaves the program for a job. Clients work with case managers to develop individualized plans based on their needs for advancement (counseling, drug/alcohol treatment, child care, transportation, food benefits, housing).

The Oregon JOBS program is strengthening Oregon families by moving parents into the world of work. Besides a paycheck, these families have higher self-esteem that regular employment brings to them, a better environment for their children, fewer problems related to poverty such as family violence and substance abuse and a greater chance to end generational poverty, especially for teen parents.

Unlike many other states, Oregon's JOBS program is locally driven, shaped by the AFDC office, community colleges, unemployment offices, child care providers and employment services -- it's owned by the community, thereby reducing the hostility toward welfare recipients. Community people believe in these partnership programs and know they work.

The state of Oregon has taken the responsibility to help build responsibility and self-sufficiency in individuals receiving AFDC. Oregon provides the necessary services to its AFDC recipients so they are empowered to move off welfare and into the workforce.

The Personal Responsibility Act (PRA) could seriously jeopardize my state's successful program. Oregon's AFDC program is effective without a punitive approach and accepts all eligible low-income families, regardless of their specific circumstances. The Personal Responsibility Act would dictate to Oregon who could participate in the AFDC program, reducing the eligible number, but not decreasing anyone's poverty or making them self-sufficient.

From my discussions with AFDC clients, I know that the Personal Responsibility Act won't solve the problem of poverty. Instead, it passes the problem off to my state with more regulation and less money to move people out of poverty.

Under the PRA, the categorical groups of people currently served and helped by the Oregon program would be excluded. These groups would -- regardless of their poverty -- be denied AFDC:

Unwed teen mothers:

- ▶ Unwed teen mothers under 18 and their children would be denied all AFDC benefits. States would be permitted to extend this provision to cover children born to unwed mothers under 21.
- ▶ The woman and her child become eligible for AFDC only if the mother marries the biological father or if the parent with custody marries someone who legally adopts the child.
- ▶ The child born out-of-wedlock wears the Scarlet Letter for life and is permanently ineligible for benefits, unless the mother married during the time period before 18, or 21 at the state's option. The woman only becomes eligible for AFDC with subsequent children after she has passed the state age-limit. If a non-teen woman

applies for AFDC when her child is seven years of age, but had the child as an unwed teen, the mother and the child remain ineligible because she had the child as an unwed teen.

- ▶ The Oregon AFDC and JOBS programs connect teen mothers back to the educational system. Eighty-five percent of the teens are in high school, the highest rate in the nation. Others are getting their GEDs.

Additional Children:

- ▶ Any additional child born while on AFDC or any child born while the mother received AFDC at any given point in the ten months before its birth is denied all benefits permanently.
- ▶ An additional child increases the AFDC benefit by \$65 a month. This is surely not an incentive to have more children when the cost of this child far exceeds the benefit.

Families playing by the rules, but unable to find work:

- ▶ States must set a maximum life-time welfare limit of five years, but states could make the limit as low as two years. Under the PRA, upon reaching the time limit established by a state, a family would be **permanently** barred from receiving both cash assistance and subsidized work slots. Regardless of recessions, high unemployment rates or lay-offs, no AFDC could be received after the time-limit expiration.
- ▶ The unemployment rate was 5.7% in Oregon in 1994.

Paternity:

- ▶ AFDC would be denied to children whose paternity has not been established legally. Exceptions are provided for cases of rape and incest when legally proven only if the state determines efforts to determine the paternity could result in physical danger to the mother.
- ▶ 29 percent of all children currently on AFDC do not have established paternity. Despite best efforts, 35.2% of all of our currently eligible children have no established paternity. This would deny over 19,000 children any assistance.
- ▶ On average, states take one-two years to establish legal paternity even after the mother has provided all necessary information. Children and their mothers would be denied AFDC during this period, even when the mothers cooperate.
- ▶ The Personal Responsibility Act has no provisions for child support enforcement to make fathers more responsible. In fact, the PRA caps the available funds for child support enforcement.

Legal immigrants:

- ▶ Legal immigrants would be denied all federal benefits, including AFDC, food stamps, housing assistance, job training, child care. These people pay the same taxes as citizens.
- ▶ In my state of Oregon, I know of several women who would be hurt by this provision. One woman immigrated from Germany thirteen years ago and worked for the last ten in an eleven dollar an hour job. One year ago she was laid off from her job and has been unable to find employment. She had to get a restraining order against her abusive husband. She would be denied aid under the PRA.

The PRA would drastically cap spending on a broad array of anti-poverty programs that Oregon uses to move people off welfare. This would cause Oregon a tremendous cost burden, ultimately, costing Oregon taxpayers millions in additional spending. The PRA sets

the cap at the amount appropriated on these programs the preceding year, spiraling down the amount of funding available each year. The cap includes: housing, child support enforcement (often seen as welfare prevention), child care, all food & nutrition programs, and the JOBS program.

The PRA requires states to have 50 percent of their AFDC recipients in work programs by 2003. In Oregon, only 25-30 percent of the AFDC program participants are currently in the JOBS program. There are more who wish to participate, but sufficient funding is simply not available to pay for job training. Oregon already far surpasses the necessary federal-state match to enable 25-30 percent to participate. With caps on all the anti-poverty programs, and cuts in the JOBS money, Oregon could never meet this demand without slashing other programs (ie education) or raising taxes.

Currently in Oregon, AFDC recipients who are ready to enter job training often have to wait over 2 months just to enter Life Skills and job training. The PRA requires work, but drastically cuts overall job training funding.

In addition, the PRA eliminates the entitlement status of food stamps and AFDC. Oregon would not get monies based on its needy, eligible population, but instead a yearly capped appropriation. There would be no extra money for recessions, natural disasters, or high unemployment.

Finally, the PRA repeals most JOBS rules, including what type of social services must surround mandatory work requirements, and forces recipients to work below minimum wage standards. States would not be required to provide any basic education services, occupational training or job search assistance. The federal government would be abandoning its responsibility to help these people move out of poverty.

Under the PRA, states would be required to establish a workfare program and meet a work participation rate (50 percent by 2003) in exchange for benefits. States could require any recipient -- regardless of how long she had received assistance or her particular circumstances or lack of social services -- to work in exchange for her benefits. No one would be exempt, even women caring for disabled kids.

The PRA would cut services Oregon uses to move people off welfare such as child care, JOBS, child support enforcement, and housing assistance. Without these programs, Oregon's poor would be far worse off and the state's successful JOBS program would be crippled. What Oregon does works!

I am proud to introduce an Oregon success story -- Tandi Graff.

**STATEMENT OF TANDI GRAFF, RECEPTIONIST, OFFICE OF
REPRESENTATIVE DeFAZIO, EUGENE, OREGON**

Ms. GRAFF. Hi, my name is Tandi Graff, and I work for Congressman Peter DeFazio. I was an unwed 19-year-old mother who turned to the welfare system for help. When I became pregnant, I was enrolled in college, and I was trying to be responsible for my actions. I had been using birth control for a year. While I am prochoice, I couldn't choose abortion for myself, and giving my child away to another person to raise seemed tremendously irresponsible.

I was working while going to school, delivering pizzas until 1 and 2 o'clock in the morning. I searched for other jobs but without more experience, this job was the best that I could find.

I was pregnant during the winter, and terrified that the late hours and icy roads would jeopardize my baby. I finally quit my job to become a nanny, in exchange for room and board.

Thanks to the WIC Program I was able to receive nutrition counseling, parenting classes and breast feeding instruction. In addition to WIC, I was able to get quality prenatal care through the Medicaid Program. Without these programs, I wouldn't have known that I had a slow weight gain problem and wasn't eating enough calories.

Thanks to my medical care and WIC assistance, I knew that I had done everything possible to have a healthy baby. Fortunately, Jordan was born with no health problems.

The cheapest apartment that I could find cost \$295 a month. Without including clothes, toiletries and other baby expenses, my basic monthly needs exceeded my AFDC check by over \$100. Food stamps paid for our food, and, fortunately, my breast feeding helped cover most of my son's meals for the first year.

I went into great debt trying to live within these means and pay all my necessary expenses. Life on welfare was anything but luxurious and easy. I was constantly worried about how I would make it from day to day, and one extra bill could make doing laundry impossible.

When my son was 1 year old, I began the first phase of the JOBS Program, the job search. I had to make at least 10 job contacts a week. I was so discouraged. I knew that I could do so many of the jobs that I found, but without the experience, no one would give me a chance.

Finally, I was hired by a screen printing shop at \$5.25 an hour. I was able to keep my Medicaid, WIC and about \$20 in food stamps. With that my income was about \$840 a month, but I still had to pay \$100 a month for my child care above the subsidy that the government gave me.

My bills remained about \$500 a month, plus \$100 for day care and about \$150 for food. Luckily, my son's day care provided him with USDA nutritious breakfasts and lunches, making my food bills more affordable, but it still left me with a little bit under \$100 a month to pay back my debt that I had accumulated while I was unemployed, to buy baby clothes and other necessary items.

Without the child care subsidy and Medicaid, I wouldn't have made it. After 11 months at my job, I was laid off, and I was back

in the JOBS Program. I attended a life skills class that helped me learn interview skills and how to write a resume.

In addition, it helped repair my badly damaged self-esteem. Then I took a computer training course for 3 weeks. I was doing so well on the JOBS Program that I was offered a special opportunity to do my volunteer work experience with Congressman Peter DeFazio's district office.

I worked there for 2½ months and was actively looking for other jobs. Then the good news came, I was offered a job in the Congressman's Washington, DC, office.

The Oregon JOBS Program and AFDC Program gave me enough startup money to help me make the move, to pay my first month's rent and to fly my son to the District of Columbia. Without this help, the move would have been impossible. It was still extremely hard.

My child care costs are still exorbitant, and I receive a small day care subsidy from the DC government. I pay \$184.50 a month, and this is the cheapest place that I can leave my son that I feel is safe and clean.

Your proposal could have denied me aid as a young unwed mother. Your plan wants to cap the very job training that helped me to succeed. I cooperated with the county and State, but still the establishment of paternity took 4 months. I would have been denied benefits during this time.

I exceeded the 2 years on welfare and tried desperately to find a job, but they weren't available. I don't think we should encourage teenage pregnancy. Give teens birth control, counseling, education and real opportunities so that they have choices for a better life. But, I don't think we should punish innocent poor children for the choices of their parents. When you punish mothers for decisions you disapprove of, you only hurt the children and do nothing to improve their lives.

Reform welfare if you wish, but do so by making job and education training, better quality and more available. Do something about the lack of livable wage jobs, personalize each AFDC recipient's plan, don't penalize for marriage, and help those who want to work but need child and health care assistance. Solve the problem, don't ignore it.

I challenge you to hand in your paychecks for 1 month and live on welfare. You will discover that it is not a luxurious lifestyle. I had no self-respect. I knew I was a better mother during those times when I wasn't worried about paying for my basic survival.

Are you trying to get people off welfare by solving problems or are you punishing them for the choices that you disagree with? If you are trying to solve the problem, go back to the drawing board, and listen to people like me.

You may have to put out a little bit more money in the beginning for job and education training, but this saves you money in the long run. We need jobs that pay decent wages, we need day care assistance and health care. If you help us escape poverty, we, too, can be productive, taxpaying citizens. This would be a responsible government investment.

[The prepared statement follows:]

**Statement of Tandi Graff
Staff Member of Rep. DeFazio, Former AFDC Recipient**

Hello. My name is Tandi Graff and I work for Congressman Peter DeFazio. I was an unwed 19 year-old mother who turned to the welfare system to feed and shelter my child and eventually find employment that paid me a livable wage. When I became pregnant, I was enrolled in college. I was trying to be responsible for my actions and had been using birth control for one year. While I am pro-choice, I couldn't choose abortion myself. And giving my child away for another person to raise seemed tremendously irresponsible.

I was working while going to school delivering pizzas until one and two o'clock in the morning. I searched for other jobs but without more experience, this job was the best I could find. I was pregnant during the winter and terrified that the late hours and icy roads and sidewalks might jeopardize my baby. I finally quit my job to become a nanny in exchange for room and board.

Thanks to the Women, Infant and Child Special Supplemental Nutrition Program, I was able to receive nutrition counseling, parenting classes and breast feeding instruction. In addition to WIC, I was able to get quality prenatal care through the Medicaid program. Without these programs, I wouldn't have known that I had slow weight gain problems and wasn't eating enough calories.

Thanks to my medical care and WIC assistance, I knew that I had done everything possible to have a healthy baby. Fortunately, Jordan was born without any health problems. I was using the Medicaid and WIC Program which gave me specific food coupons to buy about \$35 dollars worth of eggs, milk, cheese, juice, cereal and peanut butter. In addition, I received \$395 a month from AFDC and \$192 a month from Food Stamps. This totaled \$587 a month. I qualified for housing assistance and Section 8 rental assistance, but the waiting list was over three years long.

The smallest and least expensive one-bedroom apartment I could find cost \$295 month, diapers ran about \$40 month, monthly utilities including phone service cost \$75 month, laundry mat and detergent cost \$30 month and the gas and insurance for my \$600 car cost \$65 month. This totaled \$505 a month. The limited public transportation made it necessary for me to keep my car. Without including clothes, toiletries, and other baby expenses, my monthly needs exceeded my AFDC check by \$110. Food stamps paid for our food and fortunately my breast feeding helped cover most of my son's meals for his first year. For six months, I received \$50 from my son's father for child support before he lost his job. And I went into great debt trying to live within these means and pay all of my necessary expenses. Life on welfare was anything but luxurious and easy. I was constantly worried how I would make it from month to month and one extra bill could make doing laundry impossible.

When my son was one year old, I began the first phase of the JOBS program, the job search. I had to make at least ten job contacts a week. I was so discouraged. I knew I could do so many of the jobs I found, but without experience, no one would hire me. Finally, I was hired by a screen printing shop above the minimum wage at \$5.25 a hour. Under the JOBS program, I was able to keep my Medicaid, WIC, and about \$20 of Food Stamps. My income was \$840 a month, but I still had to pay \$100 a month above my child care subsidy for Jordan's care. My bills remained about \$505 a month plus \$100 for day care plus about \$150 for food. My son's day care provided him with USDA hot, nutritious breakfasts and lunches, making my food bills more affordable. This left me under \$100 a month to pay back my debt accumulated while I was unemployed and to buy baby clothes and other necessary items. I'll be in debt for years because of the time I was unemployed. Without the child care subsidy and Medicaid, I couldn't have made it.

After eleven months at my screen printing job, I was laid off. I went immediately back into the JOBS program to search for other alternatives. I had more self-esteem and self-respect when I was working and I know I was a better mother during those times when I wasn't worried about paying for our basic survival.

During this JOBS program job search, I only applied for jobs I could survive on. I was unsuccessful in finding any jobs so I entered the second phase of the Oregon JOBS program, the computer training and employment preparation for three weeks. During this time, the program insisted that everyone continue to make four job contacts a week. I also attended a Life Skills class that helped me learn interview skills and how to write a resume; in addition, it helped repair my badly damaged self-esteem after forty job rejections and gave me moral support during the frustrating search.

I was doing so well in the JOBS program that I was offered the special opportunity to do my work experience with Congressman Peter DeFazio's district office. I worked there for two and a half months and was actively looking for other medical and secretarial assistant jobs. Then, the good news came. I was offered a job in the Congressman's Washington, DC office.

The Oregon JOBS and AFDC programs gave me some extra start-up money to help me make the move, pay my first month of rent, and fly my son to D.C. Without this help, the move would have been almost impossible. Now, I can pay my own bills and be proud of what I do. My child care costs are still exorbitant so I receive a small day care subsidy from the D.C. government. I pay \$184.50 a month and this is the cheapest place I could leave my son that was safe and clean. He doesn't receive the attention and extra early childhood education I would like, but it's the only place I could afford. I work with him each night at home and I've brought extra books and puzzles to his day care. My goal is to get a two-bedroom apartment so my son has his own room and to make enough money to be able to afford quality, educational day care without subsidies.

Your proposal would have made it possible for my state to deny me aid as a young unwed mother. Your plan wants to cap the very job training that helped me succeed. I cooperated with the county and state, but still the establishment of paternity took four months. I would have been denied benefits during this time. I exceeded two years on welfare and I tried desperately to find a job, but they weren't available.

Give teens birth control, counseling, education, and real opportunities so they have choices of a better life. I don't think we should encourage teenage pregnancy, but I also don't think we should punish innocent poor children for the choices of their parents. When you punish mothers for decisions you disapprove of, you only hurt the children and do nothing to improve their lot in life.

Reform welfare if you wish, but do so by making job and education training better quality and more available. Do something about the lack of liveable wage jobs. Personalize each AFDC recipient's plan. Don't penalize for marriage and help those who want to work but need child and health care assistance. Solve the problem, don't ignore it.

I challenge you to hand in your paychecks and to live on welfare for a month. You'll discover that this is not a luxurious lifestyle. You might be eligible for Section 8 or public housing, but these programs have so little money that the waiting list is years long. It's difficult, trying, and discouraging. I had no self-respect when I was relying on AFDC.

I ask you one simple question: Are you trying to get people off welfare by solving problems or are you punishing them for choices you disagree with? If you're trying to solve the problem, go back to the drawing boards and listen to people like me. You may have to put out a little more money in the beginning for job and education training, but this saves you money you'll have to put out over years if you don't solve the problem. I only met one person the entire time I was on AFDC and in the JOBS program who wasn't desperate to work. Her husband was disabled and she wanted to care for him and her children, but eventually even she was excited about finding a job. We need jobs that pay decent wages, we need day care assistance, and health care. If you help us escape poverty, we too can be productive taxpaying citizens. This would be a responsible government investment.

Chairman SHAW. Thank you.
Ms. Woolsey.

**STATEMENT OF HON. LYNN C. WOOLSEY, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF CALIFORNIA**

Ms. WOOLSEY. Thank you, Mr. Chairman.

Members of the Subcommittee, I thank you for allowing me the opportunity to testify today. My testimony is important to this debate, because I speak from experience, not from theory.

I was a welfare recipient 27 years ago. I know the faults of the welfare system firsthand; 27 years ago, I was a working mother, I was single, I had three small children, and in order for me to get the child care and the health care benefits that they needed, I had to rely on Aid For Dependent Children, even though I was working.

Make no mistake, I know the welfare system is broken. It doesn't work for the recipients, and it doesn't work for the taxpayers.

The question is how do we make the system work to get families off welfare for good? My solution is to invest in innovative job training programs, in reinventing the welfare office, and revolutionizing child support collection.

The Republican proposal, on the other hand, to get people and families off welfare, does so by gutting the system, leaving millions of children without support and possibly on the streets. Fortunately, the majority is already hinting that its plan to spend \$37 billion a year on government-run orphanages will not be pursued.

While I am relieved by this decision, the public should not be fooled into thinking that the rest of the Republicans' welfare reform plan, the Personal Responsibility Act, is not equally as damaging. The Personal Responsibility Act cuts off welfare benefits for millions of poor children, children who through no fault of their own are born to young, unmarried mothers.

The Personal Responsibility Act thwarts our effort to end childhood hunger by slashing funding for crucial programs, such as food stamps and school lunches, and the act's inflexible time limits will cast people off the welfare rolls permanently, regardless of whether there are jobs available.

In my case, I had good job skills, I had a good education, and I certainly was healthy, and it took me 3 years to get off welfare. Strict time limits, particularly on individuals that do not have the advantages I had, will only result in increased poverty, hunger, and homelessness.

The Republicans' block grant proposal will reap similar results. While I support the ability of States to experiment with welfare programs, giving the States spending power over crucial anti-poverty programs like food stamps and child care will hurt working Americans. Since pressure to cut these block grants will be strongest in years of recession, working Americans will be denied assistance just when they need it the most.

Wisconsin is a good case in point. While the State's welfare caseload has been reduced, and I applaud them for this, it has been reduced largely because of the State's growing economy. Yet, the number of children living in poverty is dramatically increasing.

Clearly, the key to welfare reform is to reduce the need for assistance, not the availability of assistance. We can start reducing

the need by implementing innovative training programs that prepare people for jobs that pay a livable wage. We can pass a welfare plan, no doubt about it, but it won't solve the welfare reform problem unless recipients can find jobs that they can afford to live on.

We must also reinvent the welfare office. We can do that by establishing a single, convenient location in each community where individual caseworkers assist recipients to make sure they get the job training and support services that they need, services such as child care and health care, so that they can permanently move into the work force.

Finally, we must revolutionize child support collection. A comprehensive welfare reform plan must recognize that the failure to collect over \$5 billion a year in child support, money that is owed each year to our children and money that is bankrupting our welfare system is not a State-by-State problem. As far as I am concerned, it is a national crisis, and it demands a national solution.

Mr. Chairman, I thank you for hearing my testimony. I look forward to working with you on welfare reform. I beg the Committee not to use poor children in our country as scapegoats, but rather to invest in their future so they can lead strong productive lives.

Thank you.

Chairman SHAW. Thank you.

Our next speaker will be Mr. Dickey of Arkansas.

**STATEMENT OF HON. JAY DICKEY, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS**

Mr. DICKEY. Thank you, Mr. Chairman, and Members of the Committee.

I would like to ask that my written statement be submitted for the record and then talk from it.

I can't testify firsthand like Congresswoman Woolsey can, but I can testify firsthand as to what I am hearing in my district. I have been told about the SSI disability abuse for many months now, over 2 years really, and I didn't believe it at first, I could not believe that something like this was going on, but as Lynn—Representative Woolsey—mentions, we have got to take care of the children.

The SSI disability, known in my district as the crazy check plan, is disregarding the kids. It is encouraging them to be disruptive in class, to be an exception to the learning process and to be considered outside of it for the benefit of the parents in getting and receiving money. And that money, of course, is not being used for the kids, in some cases.

I am not against any of these payments being given to people who are legitimately disabled. I know of a circumstance where a child had a speech impairment, and within 3 years was cured, was brought to where she could talk. It has been 7 years now, and she is still receiving SSI disability.

It has gotten to where in my district there is almost an intimidation factor. The elected officials are intimidated because it looks like we are insensitive and we don't care. The teachers are in the same situation, because they play a part in the behavioral disability determination, the teachers are intimidated, they have got enough to do as it is, and to have the parents come to them and

say, "declare my kid disabled" is a problem, and so they sign off, just to get the parents away so that they don't have to face attorneys and that sort of thing.

It is an amazing amount of money that is going down the drain. As I have said, we are losing not only the kids because they are not learning on purpose, the ones that this is being abused by, but we are also losing the people that are paying the taxes, they are becoming mighty discouraged, paying taxes and watching these sort of things happening.

We had a somewhat well-publicized circumstance in our district where the back payments were \$43,000, given to the parents, and the last thing that was told to that parent is, you know, you have to spend that money within 6 months or it will affect your welfare payments. When those stories get out, it affects us all, and we have got to somehow bring it into a reasonable type of solution.

I have filed a bill, H.R. 224, that says that we will treat this on a voucher basis, and I think it is a very simple bill. Of course, it would have to be, if I wrote it, but it just says that we are not going to pay the money, we are going to get out of the currency of dollars and go to vouchers so that if there is speech therapy that is needed, if there is counseling that is needed, that we pay the provider, and that we don't pay the parents.

I think in doing that, we will serve these groups of people in this order—the students themselves will become learners and won't be working the system, trying to be a nonlearner. We will help the economy, our government's spending program and help the deficit by not spending money that we don't need. We will help those people who are going month-to-month, paying taxes and seeing the waste that is going on in government in this particular circumstance.

I don't know why it is that there is a proliferation of this in my district, but it just seems that there are specific geographic pockets with this type of abuse going on. We could stop all of this with this bill or something that is equivalent to it.

I would sincerely like for you all to consider my testimony, consider the benefits of these restrictions, and bring some kind of solution to the problem.

Thank you very much.

[The prepared statement follows:]

JAY DICKEY
4TH DISTRICT, ARKANSAS

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TESTIMONY

of

THE HONORABLE JAY DICKEY

Fourth District - Arkansas

Before the

Subcommittee on Human Resources

House Committee on Ways and Means

Regarding

Abuse of the Supplemental Security Income Program

JANUARY 30, 1995

Mr. Chairman and members of the subcommittee, thank you for the opportunity to testify regarding abuse in the Supplemental Security Income (SSI) program. I ask that my written statement be submitted for the record.

I have a strong interest in resolving the problems of abuse in the SSI program and have introduced legislation that would rectify the problem. H.R. 224 would convert cash SSI payments to medical vouchers in cases where the recipient is under age 18. I am aware of other proposed legislative solutions and am eager to support any and all efforts that will help these children.

Last year, I became aware of allegations that some parents encourage their otherwise healthy children to act "mentally disabled" in order to qualify for SSI benefits. I am alarmed at these reports.

I want to stress that I do not intend to diminish or trivialize the fact that deserving disabled children receive benefits from the SSI program. I am concerned, however, with some parents who encourage their children to misbehave in school to increase their chances of receiving SSI benefits.

Mr. Chairman, the problem with the child disability portion of the SSI program lies in the *definition* of a child's disability. Before 1990, the definition included a specific list of 182 disabilities, one or more of which the child must manifest. A claimant had to show that his or her impairment matched the criteria of the listed disabilities.

The new definition was derived by the U.S. Supreme Court in its 1990 decision *Sullivan v. Zebley*. It kept the list of 182 disabilities but added a step for those child claimants who did not meet the criteria of the list. That extra step allowed child claimants with "unlisted impairments" to show that they were equally disabled. These "disabilities" include any impairment which reduces the child's ability to grow, mature, or engage in "age

appropriate" activities. This has opened the door for parents who want to defraud the American taxpayer to encourage their children to act "inappropriate" for their age.

In addition, if a child's application was rejected under the previous and stricter definition, the Supreme Court has allowed those children to receive a lump-sum payment for the amount they would have received for the time elapsed since the application was rejected. However, they must spend it within six months. Lump-sum payments of \$15,000 to \$20,000 are not uncommon.

In Arkansas, allegations have arisen that parents use SSI benefits to buy items not directly related to the medical or therapeutic aid of the child: Taxpayer money, meant to benefit a disabled child, is being used to purchase television sets, video games, furniture, and automobiles.

If this were not already enough, each child in a family receives a separate payment. So, a family with three children, each receiving SSI payments averaging \$400 per month, would receive \$14,400 per year in tax-free government benefits. I read in the newspaper of another case where a family with nine SSI-eligible children received more than \$39,000 per year in tax-free benefits. None of the money was spent on therapy, however, since all nine children have therapy provided FREE under the early childhood intervention program.

Mr. Chairman, I asked the IRS to do some estimates of gross income which would yield a net yearly income of \$39,600, or a net monthly income of \$3,300. The IRS explained there are many variables based on the specifics of a given family situation, but generally they provided the following estimates:

For a family with 14 dependent children, with the mother and father residing at home, or with just one parent at home, they would have to earn a Gross Income of approximately \$85,150 dollars per year to realize a net monthly income of \$3,300. (This assumes allowed child and personal deductions [\$2,450 each], and a \$6,350 deduction for either joint filing, or head of household filing if just one parent is living in the home. It assumes the family is renting, with no other major deductions).

Just for comparison purposes, for a more average family of four -- mother, father and two dependent children, they would require approximately \$55,000 in gross income per year to realize a net monthly income of \$3,300, given the same basic deductions and assumptions as above.

Specifically, the following are eight cases of abuse that have been related to me in my southern Arkansas District:

- (1) In a family with nine children, five of those children are receiving SSI payments. All nine children were born out of wedlock before the mother's 25th birthday. The mother, herself, grew up on welfare and might be termed a product of the welfare system.

- (2) The brother of the mother in case #1 lives with his girlfriend and 6 children, four of whom receive SSI benefits. Without a doubt, the family is living in poverty. The community brought food to the family for both Thanksgiving and Christmas last year. However, the mother acknowledges she has used SSI payments to finance a gambling trip.
- (3) One mother has eight children, one of which receives SSI benefits. The father of the children sexually abused 6 of the eight children and is now serving a prison sentence, but not before he used the \$3,000 SSI back payment to buy drugs and alcohol. The family has no furniture in the house and they generally live in filthy circumstances. The children have obviously not benefited from SSI.
- (4) A woman with two children, both of whom are receiving SSI, has been very vocal about not wanting her children to receive help for their disabilities, in fear of losing their SSI benefits.
- (5) A family with two children receive SSI for one child who was diagnosed at age 3 with a speech impairment. Speech therapy helped the child overcome the speech impairment. The child is now 7 years old, she has been out of speech therapy for 3 years, but continues to receive SSI benefits.
- (6) One mother receives SSI for each of her five children, even though the children do not live with her. In conjunction with the monthly payment, she also received a large back payment of SSI benefits. It is doubtful her children are benefiting from any of this money.
- (7) A family of 9 receives \$2300 per month in SSI benefits. The parents also have significant mental problems and are unable to properly manage their own financial resources, let alone \$2300 SSI payments. In the end, the children do not benefit from the SSI program.
- (8) All eight children of one mother were born out of wedlock and receive SSI payments. Again, all eight children are enrolled in special education classes at school, even though the school has recommended that five of the children be dismissed because they are performing on their age appropriate grade level. The mother refuses to acknowledge this fact, however, in fear of being denied the SSI benefits.

Mr. Chairman, I respectfully request that this subcommittee include reform of the SSI program as part of the welfare reform package. My constituents are very interested in seeing this problem resolved. Addressing the problem in the context of welfare reform will go a long way to solve the problem.

Thanks for the opportunity to bring this issue to the attention of the committee.

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Chairman SHAW. Thank you.

I have a short statement that Bill Emerson asked me to read into the record, in that he is chairing what is going on in the House now and can't appear with this panel. Representative Bill Emerson is Chairman of the Subcommittee on Department Operations and Nutrition of the House Agriculture Committee.

He will not be able to testify in person because he is chairing a hearing on unfunded mandates. Mr. Emerson is very interested in welfare reform and intends to work closely with Chairman Shaw and the Human Resources Subcommittee.

[The prepared statement of Mr. Emerson follows:]

STATEMENT OF THE HONORABLE BILL EMERSON

SUBCOMMITTEE ON HUMAN RESOURCES

COMMITTEE ON WAYS AND MEANS

JANUARY 30, 1995

THANK YOU MR. CHAIRMAN. I APPRECIATE YOUR KIND INVITATION TO APPEAR BEFORE THIS SUBCOMMITTEE TO DISCUSS A VITAL SUBJECT. I WANT TO TAKE THIS OPPORTUNITY TO SET FORTH MY IDEAS ON REFORMING THE WELFARE SYSTEM. I AM GUIDED BY THE WORDS OF ABRAHAM LINCOLN "THE DOGMAS...OF THE...PAST ARE INADEQUATE TO THE PRESENT. WE MUST THINK ANEW AND ACT ANEW." I BELIEVE IT IS ESSENTIAL TO CAREFULLY DEFINE WHAT IS CONSIDERED TO BE WELFARE AND WHICH PROGRAMS SHOULD BE INTEGRATED WITH ONE ANOTHER AS WE CONSIDER REFORM OF THE PRESENT DEBILITATING SYSTEM NOW IN PLACE.

THERE ARE PROGRAMS THAT PROVIDE PUBLIC ASSISTANCE DIRECTLY TO INDIVIDUAL FAMILIES THROUGH CASH BENEFITS OR FOOD COUPONS; PROGRAMS PROVIDING WORK OR TRAINING TO GET ABLE-BODIED PEOPLE TO WORK; PROGRAMS THAT PROVIDE MEALS IN SCHOOLS AND OTHER INSTITUTIONAL SETTINGS; PROGRAMS THAT PROVIDE DISTRIBUTION OF COMMODITIES TO HUNGRY PEOPLE; AND, PROGRAMS LINKING HEALTH AND FOOD. THE ACTUAL NUMBER OF PROGRAMS AVAILABLE TO NEEDY FAMILIES IS IN EXCESS OF 125, WITH 80 OF THESE PROGRAMS CONSIDERED MAJOR PROGRAMS WITH A COST IN EXCESS OF \$300 BILLION IN FEDERAL, STATE, AND LOCAL TAX DOLLARS. THERE ARE MORE PROGRAMS NOW FOR PROVIDING PUBLIC ASSISTANCE TO POOR FAMILIES THAN ANY TIME IN THE PAST, SERVING MORE PEOPLE AND COSTING MORE MONEY. THERE MUST BE A BETTER WAY TO HELP LOW-INCOME PEOPLE BECOME TAXPAYERS. WE CURRENTLY HAVE A WELFARE MAINTENANCE SYSTEM, NOT ONE DESIGNED TO PROVIDE TEMPORARY ASSISTANCE AND HELP PEOPLE RECLAIM OR GAIN A LIFE.

MOST NEEDY FAMILIES COMING IN TO SEEK PUBLIC ASSISTANCE NEED HELP IN AT LEAST THREE CATEGORIES: CASH AND THE ACCOMPANYING MEDICAL ASSISTANCE, FOOD, AND, HOUSING. THE RULES AND REGULATIONS FOR THESE PROGRAMS ARE DIFFERENT AND IN MANY CASES CONFLICTING. IT DOES NOT MAKE SENSE FOR THE FEDERAL GOVERNMENT TO SET UP PROGRAMS FOR POOR FAMILIES AND THEN ESTABLISH DIFFERENT RULES FOR ELIGIBILITY. WE NEED ONE PROGRAM THAT PROVIDES A BASIC LEVEL OF ASSISTANCE FOR POOR FAMILIES; SETS CONDITIONS FOR RECEIPT OF THAT ASSISTANCE, INCLUDING WORK; AND THEN LIMIT THE AMOUNT OF TIME FAMILIES CAN RECEIVE PUBLIC ASSISTANCE. SINCE THE PROBLEMS FACING THESE FAMILIES IN MISSOURI ARE NOT THE SAME AS THOSE FACING FAMILIES IN FLORIDA, OR NEW YORK CITY, OR KANSAS CITY, I BELIEVE THAT STATES MUST BE ALLOWED TO DEFINE THE ELIGIBILITY CRITERIA FOR THIS NEW PROGRAM, WITHIN THE BROAD GUIDELINES ESTABLISHED BY CONGRESS.

OVER THE PAST TWELVE YEARS I HAVE SERVED EITHER AS RANKING REPUBLICAN ON THE NUTRITION SUBCOMMITTEE OF THE AGRICULTURE COMMITTEE AND OR THE SELECT COMMITTEE ON HUNGER. I HAVE LOOKED AT THESE WELFARE PROGRAMS IN DEPTH; I HAVE VISITED SCORES OF WELFARE OFFICES, SOUP KITCHENS, FOOD BANKS; I HAVE SPOKEN TO THOSE ADMINISTERING THE WELFARE PROGRAMS AND THE PEOPLE RECEIVING THE ASSISTANCE. I AM VERY CONCERNED ABOUT WHAT I SEE AS A "TURF PROBLEM" IN THE HOUSE AS WE CONSIDER REFORMING WELFARE. COMMITTEES TAKE A PAROCHIAL VIEW OF WELFARE REFORM AND LOOK ONLY TO THE PROGRAMS OVER WHICH THEY HAVE JURISDICTION. FOR EXAMPLE, WAYS AND MEANS SEES

IT AS BASICALLY AFDC; ECONOMIC AND EDUCATIONAL OPPORTUNITY SEES IT AS JOB TRAINING; AND, AGRICULTURE AS FOOD ASSISTANCE. I DO NOT PRETEND TO HAVE ALL OF THE ANSWERS TO THE PROBLEMS FACING US IN THIS WELFARE REFORM DEBATE; I DO KNOW THAT I WANT TO COOPERATE WITH THIS COMMITTEE, AND OTHERS, TO DEVELOP PROGRAMS THAT HELP ABLE-BODIED PEOPLE RECEIVING ASSISTANCE BECOME TAXPAYERS; PROVIDE BENEFITS TO THOSE WHO CANNOT WORK; AND, PROVIDE FLEXIBILITY TO THOSE ADMINISTERING THE PROGRAM.

I LEARNED DURING MY YEARS SERVING ON THE SELECT COMMITTEE ON HUNGER THAT ANY ONE PROGRAM DOES NOT COMPREHENSIVELY PROVIDE WELFARE FOR POOR FAMILIES; IT TAKES TWO OR MORE OF THE CURRENT PROGRAMS TO PROVIDE A BASIC LEVEL OF HELP. WHEN THERE ARE TWO OR MORE PROGRAMS WITH DIFFERENT RULES AND REGULATIONS PEOPLE FALL THROUGH THE CRACKS IN THE SYSTEM AND ALSO TAKE ADVANTAGE OF THE SYSTEM. THIS MUST STOP. HOW ANYONE COULD DEFEND THE PRESENT STRUCTURE AND SYSTEM IS A PUZZLE TO ME; UNLESS IT IS PERSONS WHO BENEFIT ILLICITLY FROM THE FRACTURED WELFARE MESS WE FIND OURSELVES IN TODAY, BE THEY WELFARE RECIPIENTS WHO TAKE ADVANTAGE OF THE SYSTEM OR ADVOCATES WHO THRIVE ON THE POWER DERIVED FROM ESTABLISHING NEW PROGRAMS. ADVOCATES OF A HUMANE SYSTEM, A COST-EFFECTIVE SYSTEM, AN EFFICIENT SYSTEM, A SYSTEM THAT HELPS PEOPLE UP, OFF AND OUT COULD FIND LITTLE SOLACE IN THE CURRENT SYSTEM.

OVER THE PAST YEARS I HAVE COME TO THE CONCLUSION THAT AN EFFECTIVE WELFARE SYSTEM IS ONE THAT ENCOMPASSES WHAT I REFER TO AS ONE-STOP-SHOPPING. WE NEED A LOT OF INTEGRATION, CONSOLIDATION, AND AUTOMATION AND NONE OF THESE "TOOLS" IS MUCH A PART OF THE SYSTEM AT THIS TIME. THIS CONCEPT TAKES THE MULTIPLE WELFARE PROGRAMS NOW IN PLACE AND TRIES TO BRING SOME COHESION TO THEM.

ONE GOOD EXAMPLE IN THE WELFARE REFORM SCHEME IS THE PROGRAM IN DELAWARE, SET UP BY OUR COLLEAGUE MICHAEL CASTLE AND HIS PREDECESSOR, PETE DU PONT, WHEN THEY WERE RESPECTIVELY GOVERNOR. DELAWARE IS AS "STATE OF THE ART" IN DOING A GOOD JOB AS YOU CAN GET IN THE CURRENT MAZE OF FEDERAL REGULATIONS. IN ORDER TO ACHIEVE THE REFORM DELAWARE WANTED, THEY HAD TO APPLY TO THE FEDERAL GOVERNMENT FOR A MYRIAD OF WAIVERS. DELAWARE, BEING THE MICROCOSMIC STATE THAT IT IS, WAS ABLE TO DO THIS WELL. OTHER STATES HAVE SOUGHT OR ARE SEEKING WAIVERS FROM THE FEDERAL RULES AND REGULATIONS TO ESTABLISH SOME TYPE OF REFORM OF THE PRESENT WELFARE SYSTEM. GOVERNORS IN PARTICULAR RECOGNIZE THAT THE SYSTEM IS BROKEN AND NEEDS TO BE FIXED. THIRTY STATES HAVE SOUGHT OR ARE SEEKING WAIVERS FROM THE FEDERAL GOVERNMENT TO REFORM ALL OR A PART OF THE STATE WELFARE SYSTEM.

IT IS AMAZING TO ME THAT THIS MANY STATES HAVE SOUGHT TO CHANGE THE WELFARE SYSTEM THEREBY RECOGNIZING THE FAILURE OF THE PRESENT SYSTEM, WITHOUT ANY ACTION ON THE PART OF CONGRESS TO CHANGE THE SYSTEM AS WELL. THERE HAS ALSO BEEN A RECALCITRANT BUREAUCRACY, AND THERE IS A TURF PROBLEM IN THE BUREAUCRACY THAT PROBABLY EXCEEDS THE TURF PROBLEM IN CONGRESS. HOW MANY MORE STATES MIGHT TRY TO INSTITUTE REFORMS BUT FOR THE MAZE OF BUREAUCRACY THEY MUST GO THROUGH TO ACHIEVE WAIVERS? WHAT WE HAVE NOW IS NOT A WELFARE SYSTEM AIMED AT MOVING FAMILIES OFF OF WELFARE AND ONTO THE TAXPAYERS ROLLS, BUT A MAINTENANCE SYSTEM THAT THWARTS STATE INITIATIVE AND DIVERSITY AND POORLY HELPS POOR FAMILIES, EXASPERATES THE FRONT LINE ADMINISTRATORS RUNNING THE PROGRAMS, AND IS A FRUSTRATION AND BURDEN TO THE PEOPLE PAYING FOR THIS DISASTROUS SYSTEM.

I CONSIDER THE ONE-STOP-SHOPPING APPROACH COMPATIBLE WITH THE CONCEPT OF BLOCK GRANTS, GIVING STATES THE AUTHORITY TO DESIGN A COMPREHENSIVE WELFARE PROGRAM UNDER BROAD GUIDELINES ESTABLISHED BY CONGRESS, WITH APPROPRIATE ACCOUNTABILITY TO ASSURE PROPER EXPENDITURE OF THE TAXPAYERS' MONEY. STATES HAVE BEEN THE LABORATORIES FOR CHANGE. THEY CAN ADAPT TO THE UNIQUE REGIONAL OR PAROCHIAL CIRCUMSTANCES MUCH QUICKER THAN THE FEDERAL GOVERNMENT.

I WANT TO HELP REFORM THE SYSTEM; I WANT TO CHANGE THE WAY WE DELIVER THIS HELP TO POOR FAMILIES; AND, I WANT TO DO IT IN AN EFFICIENT, COMPASSIONATE, AND COST-EFFECTIVE MANNER.

THANK YOU MR. CHAIRMAN. I APPRECIATE THIS OPPORTUNITY TO SHARE MY VIEWS WITH THE COMMITTEE. I LOOK FORWARD TO WORKING WITH YOU AND OTHER MEMBERS OF THE COMMITTEE.

Chairman SHAW. At this point, I would ask if there are any colleagues that wish to inquire.

Mr. Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. BECERRA. Mr. Chairman, I have not had a chance to—

Mr. RANGEL. Congressman Dickey, I—

Chairman SHAW. Oh, I am sorry, I beg your pardon. I forgot Congressman Becerra.

I didn't see you take your place there. I beg your pardon.

Please proceed as you wish. Your full statement will be made a part of the record.

**STATEMENT OF HON. XAVIER BECERRA, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF CALIFORNIA**

Mr. BECERRA. Thank you, Mr. Chairman. I would ask that my written statement be submitted for the record.

I would like to first begin by thanking the Chairman and, of course, all the Members of the Committee for convening this particular hearing on welfare reform. And I would say that we have reached that juncture where we can reach for some meaningful reform in welfare and the whole debate on this system.

Unfortunately, I come here today to express my great concern with the welfare proposal that is under consideration, H.R. 4. The most widely publicized provisions of H.R. 4 would drastically restrict funds and eligibility for Aid to Families with Dependent Children, the AFDC Program.

If this proposal were in full force today, there are estimates that at least 5 million children, more than half of the AFDC workload, would lose all cash assistance. These are not the only disconcerting aspects of H.R. 4, in my mind, however.

This legislation not only proposes to cut off at least half of the children currently receiving benefits, it also intends to cut legal immigrants off from the very start. Though they have received less attention than other provisions of the bill, the provisions of H.R. 4 that address immigrant eligibility for Federal benefits are breathtaking in their scope.

H.R. 4 would completely withdraw the safety net from nearly all immigrants, including legal immigrants, immigrants who have been invited into this country by excluding them from some 52-odd programs. Immigrants would be barred from all the major Federal programs for job training and human investment, as well as those that provide nonemergency health care, nutrition, housing, and cash assistance for women, children, seniors, and persons with disabilities.

For example, the following people that I describe would be deemed unworthy of support under H.R. 4—a pregnant woman who is a legal immigrant would not be eligible for WIC, Women Infant and Children Program, though she is preparing to give birth to what will be a U.S. citizen; a 7-year-old child legally present in the United States would be denied foster care and adoption assistance upon the death of her parents; a 23-year-old woman legally present in the United States forced to flee her home from an abusive husband could be denied services coordinated by a battered woman's shelter; a 35-year-old man granted political asylum here after flee-

ing torture in his native land for his religious beliefs and, therefore, legally present in the United States, could be ineligible to receive canned goods from the food bank run by his local church. A 60-year-old woman who immigrated legally when she was 15 years of age and who has worked in the United States all her life would be rendered ineligible for Medicaid to treat a dangerous condition of her heart.

The savings which accrue as a result of denying benefits to legal immigrants represents less than 3 percent of the total budget of the affected programs. The total savings over 4 years which comes from block grants, capping funding and ending entitlement status, comes to less than 1 percent of the national budget.

I strongly support reappraisal of our welfare system and government spending. In this case, however, it seems that a great number of people would be hurt for almost an insignificant financial gain. The Nutrition Block Grant Program which would withdraw an average of 13 percent of Federal funding from States, would also exclude immigrants, but consider this: First, following World War II, the Congress approved the National School Lunch Act "as a measure of national security to safeguard the health and well-being of the Nation's children."

Second, the Child Nutrition Act of 1966 was enacted "in recognition of the demonstrated relationship between food and good nutrition in the capacity of children to develop and learn."

And, third, in 1982, the Supreme Court held in the case of *Plyler v. Doe*, that immigration status is irrelevant when the right to education is considered.

One must ask is the health and well-being of our children no longer an issue of the national security? For decades our government at every level has recognized the value and the consequences associated with nutrition and protection of our children. Just recently on January 24, 1995, President Clinton in his State of the Union Address, thoughtfully declared: "I still don't think we can in good conscience punish poor children for the mistakes of their parents."

I encourage this panel and this Congress to reject any proposal that has as its base a return to segregation. This time, segregation where one group is stigmatized and denied access to programs simply because the group's members were not born in this country, regardless of how productive, how patriotic or how deserving they may be.

Except for voting and working in certain classified government positions, legal immigrants undertake every single responsibility that U.S. citizens do, including paying the same taxes and defending this country in time of war. By some estimates, legal immigrants pay in excess of \$25 billion more in taxes to all levels of government than they take out in public services. Legal immigrants serve this country in virtually every respect, risking their lives and fortunes to protect and promote the United States of America.

In conclusion, Mr. Chairman, I would only urge that this Congress be mindful that in reforming welfare, our country's most important resource is its people, especially its children. To neglect them would be a prescription for disaster.

Mr. Chairman, in a country as industrious and progressive as ours, we can reform with reason for the welfare of our people.

Thank you, Mr. Chairman.

[The prepared statement follows:]

XAVIER BECERRA
30th DISTRICT, CALIFORNIA

Congress of the United States
House of Representatives
Washington, DC 20515-0530

TESTIMONY OF REPRESENTATIVE
XAVIER BECERRA
BEFORE THE WAYS AND MEANS
SUBCOMMITTEE ON HUMAN RESOURCES
JANUARY 30, 1995

Good afternoon. I would first like to thank Chairman Shaw and the members of the subcommittee for convening these important hearings on the issue of welfare reform. There is no question that we have reached a juncture where meaningful reform can be had.

Unfortunately, I come here today to express my great concern with the welfare proposal under consideration, HR4. The most widely publicized provisions of HR4 would drastically restrict funds and eligibility for Aid to Families with Dependent Children. HR4 would also eliminate the food stamp and other federal nutrition programs. These programs would be consolidated into a block grant to the states with substantially less funding made available thereby.

If this proposal were in full force today, at least 5 million children -- more than half of the AFDC caseload -- would lose all cash assistance.

These are not the only disconcerting aspects of HR4. This legislation not only proposes to cut off at least half of the children currently receiving benefits, it also intends to cut legal immigrants off from the very start.

Though they have received less attention than other provisions of the bill, the provisions of HR4 that address immigrant eligibility for federal benefits are breathhtaking in their scope. HR4 would completely withdraw the safety net from nearly all immigrants, including legal immigrants -- immigrants who were invited to this country -- by excluding them from 52 programs. Immigrants would be barred from all of the major federal programs for job training and human investment, as well as those that provide non-emergency health care, nutrition, housing, and cash assistance for women, children, seniors, and persons with disabilities. For example, the following people would be deemed unworthy. Under HR4:

- . A pregnant woman who is a legal immigrant would not be eligible for WIC, even though she is preparing to give birth to what will be a U.S. citizen.
- . A 7-year-old child, legally present in the United

States, would be denied foster care and adoption assistance upon the death of her parents.

- . A 23-year-old woman, legally present in the United States, forced to flee her home from an abusive husband, could be denied services coordinated by a battered women's shelter.

- . A 35 year-old man, granted political asylum here after fleeing torture in his native land for his religious beliefs, and therefore legally present in the United States, could be ineligible to receive canned goods from the food bank run by his local church.

- . A 60-year-old woman who immigrated legally when she was 15 years old, and who has worked in the United States all her life, would be rendered ineligible for Medicaid to treat her dangerous heart condition.

The rationale behind excluding these people is that the 18 billion dollars "saved" would be better used elsewhere. In fact, the savings which accrue as a result of denying benefits to legal immigrants represent less than 3% of the total budget of the affected programs. The total savings over four years which come from block grants, capping funding, and ending entitlement status, comes to 59 billion dollars, which is less than one percent of the national budget.

I strongly support a reappraisal of our welfare system and government spending. In this case, however, it seems that a great number of people would be hurt for an almost insignificant financial gain.

The nutrition block grant program, which would withdraw an average of 13% of federal funding from states, would also exclude immigrants. But consider this:

1. Following World War II, the Congress approved the National School Lunch Act "as a measure of national security, to safeguard the health and well-being of the nation's children."
2. The Child Nutrition Act of 1966 was enacted "in recognition of the demonstrated relationship between food and good nutrition in the capacity of children to develop and learn."
3. In 1982, the Supreme Court held in the case of Plyler vs. Doe that immigration status is irrelevant when the right to education is considered.

Is the health and well-being of our children no longer an issue of national security? Is there some new evidence disproving the relationship between nutrition and learning? Is it the intent of HR 4 to change our constitution?

For decades, our government at every level has recognized the value -- and the consequences -- associated with nutrition and protection of our children. On January 24, 1995, President Clinton in his State of the Union Address thoughtfully declared "I still don't think we can in good conscience punish poor children for the mistakes of their parents."

Reports indicate that the Senate will not pass welfare reform legislation which would cut off benefits to immigrants. Other proposals floated in the House of Representatives would allow individual states to decide whether immigrants will be barred from aid. I encourage this panel and this Congress to reject any proposal that has at its base a return to segregation -- this time, segregation where one group is stigmatized and denied access to programs simply because the groups' members were not born in this country, regardless of how productive, patriotic, or deserving they may be.

Except for voting and working in certain government classified positions, legal immigrants undertake every responsibility that U.S. citizens do, including paying the same taxes and defending this country in time of war. By some estimates, legal immigrants pay in excess of \$25 billion more in taxes to all levels of government than they take out in public services. Legal immigrants serve this country in virtually every respect, risking their lives and fortunes to protect and promote the United States of America.

In conclusion, I would only urge that this Congress be mindful that in reforming welfare our country's most important resource is its people, especially its children. To neglect them would be a prescription for disaster. Mr. Chairman, in a country as industrious and progressive as ours, we can reform with reason for the welfare of our people.

Mr. RANGEL. I just wanted to thank the panel for their testimony and apologize that it is coming so late in the evening.

Chairman SHAW. Thank you all.

We are going to recess. The next panel that I will call up is the final panel, with Rev. Fred Kammer, Mary Nelson, Rabbi David Saperstein, and Larry Jones. They will be properly introduced when we come back.

The status of the House floor schedule is that we have a 15-minute vote on the floor, of which there is probably about 7 or 8 minutes left, and this will be followed by a 5-minute vote, then we will be back to conclude the hearing with the final panel.

In regard to the panel immediately preceding this one, we will decide later this evening whether to offer the time to them this evening or to put them off until another date, but they are made up of our colleagues who are going to be here anyway and available, so they will be heard.

We will stand in recess.

[Recess.]

Chairman SHAW. If Rev. Frank Kammer and Mary Nelson, Rabbi David Saperstein and Rev. Larry Jones would come to the witness table.

Reverend Kammer, if you would proceed. We have each of your written statements that will be made a part of the permanent record. You may proceed as you see fit.

**STATEMENT OF REV. FRED KAMMER, S.J., PRESIDENT,
CATHOLIC CHARITIES USA, ALEXANDRIA, VIRGINIA**

Reverend KAMMER. Thank you. My name is Fred Kammer. I am the president of Catholic Charities USA. We are pleased to have this opportunity to testify about the need for welfare reform. We agree with many of your goals to modify welfare policies in such a way as to strengthen families, encourage work, and give children a better chance to escape poverty.

We hope to share our experience to help you shape a plan that will reach those goals without creating other unintended adverse consequences.

Catholic Charities USA is the Nation's largest private social service network. With 1,400 agencies and institutions, and 272,000 staff and volunteers, our programs serve 10.6 million people a year. People of all religious, racial, social and economic backgrounds come to us for assistance.

In 1993 we helped almost 136,000 pregnant women and teenagers and their families in need of health care, education, job training and placement, child care, and a safe place to live.

We care for 20 percent of all the children in this country who are in foster care, group homes and residential treatment. "Orphan-ages" are us.

We have 250 years of experience in this country in helping unmarried mothers in a variety of settings. Through recent decades of trial and error and changing sexual mores in the Nation, we have learned a lot about how to protect children and help parents to support them. As the social services arm of the Catholic Church, we have strong views on illegitimacy, teen pregnancy, and sexual activity outside of marriage. We oppose them.

Our tradition of Catholic social teaching and our many decades of practical experience lead us to support authentic welfare reform that would help these children and families.

On the other hand, even well-intentioned efforts at reform could easily backfire, leaving us with more dependency, more child abuse and neglect, more teen pregnancy, and even more abortions.

This Committee has heard testimony from theoreticians that the current welfare system is so bad it could not be made worse by reforms. Some have argued that abolition of AFDC or elimination of benefits for many children would actually reduce illegitimacy.

If there were any convincing evidence that out-of-wedlock pregnancy could be significantly reduced by these measures, we would be in the forefront of support. But neither the National Conference of Catholic Bishops nor Catholic Charities USA supports proposals to exclude children from AFDC because of their births to unmarried teens, to mothers already on welfare, or where legal paternity has not been established.

We do so precisely because such proposals would hurt the children without necessarily changing their parents' behavior.

In the interim, while we wait to see if these theoretical steps will reduce illegitimacy, what will be the human consequences to millions of children who will be born into a society that denies that they are entitled to any financial support?

Based on the experience of our member agencies, we have concluded that the child exclusion provisions in the proposed act would have the following disastrous consequences: An increase in the numbers of abused and neglected children who wind up in foster care, an increase in abortions among teenagers and other women, and an increase in teen pregnancy.

Now, how can proposals designed to reduce teen pregnancy have the opposite result?

After consultation with those who counsel and assist pregnant teens throughout the country, we have learned what any parent of a teenager could tell you, that teens have trouble thinking ahead and anticipating the consequences of their actions, that teens are prone to all kinds of risk taking, with the highest risks often being the most attractive, that many young girls have nothing in their present or future lives as attractive as a baby to love and that their fantasies are more real to teens than reality, such as employment or welfare.

Reducing teenage sexual activity and pregnancy is a job for our whole society and frankly, the problem exists in every economic strata and among all racial and ethnic groups. Relying on welfare changes to solve what is a societywide problem, is unrealistic, counterproductive and will temporarily lull people into thinking the problem has been solved. Some witnesses have told this Committee that a combination of denial of welfare aid and aggressive adoption counseling will do the trick.

But our agencies have been placing children for adoption for over 100 years. We work hard with pregnant teens and women to help them see the wisdom of adoption. But we all too often see the results of aggressive adoption promotion that pressures mothers into unwillingly surrendering their babies.

Even with the infant placed in a loving home, the mother, feeling coerced, quickly becomes pregnant again. The result is two babies born to that teenager, rather than one, and the second baby is usually not offered for adoption, but is subject to all the risks well-known to this Committee.

We often see the same result with teens who have abortions. After one, two, or three abortions, the young girl eventually goes through with the pregnancy to replace the baby aborted or given up. We call this an atonement baby.

The teen parent provision was apparently designed without consultation with people who have direct experience with pregnant teens.

Our experts have an alternative proposal for the Committee. We certainly do not support the status quo for teen parents. We support denial of cash assistance to unmarried mothers under 18 who do not live with their own families or under the supervision of responsible adults.

We agree that girls under 18 cannot care for themselves, much less for children, without the advice, care, and supervision of caring adults.

They should not be handed AFDC checks and sent on their way.

On the other hand, we cannot rely on families alone to handle these problems. Unlike the untried, experimental solution in the Personal Responsibility Act that would make children born to teenage mothers permanently ineligible for AFDC and housing aid, we propose a plan based on 10 years of studied experience among our agencies.

Our programs provide intensive family counseling, parenting training, tutoring, child care, and other assistance to pregnant teens and young mothers, whether they live with their families or in one of our residences for mothers and babies.

Our programs have an impressive success rate, with 70 to 85 percent of their graduates completing school and job preparation, finding jobs and working their way off welfare in just a few years.

Few have repeated pregnancies or fail to become good mothers. The availability of AFDC and related benefits for these young mothers and children, however, is critical to our program's success. AFDC income allows them to complete their high school educations and prepare for the world of work without sacrificing their children's safety.

In these cases, AFDC is a bridge to self-sufficiency and these mothers cannot make it across the chasm without that bridge, as we heard in Tandi Graff's testimony earlier this evening.

Our concern for children and their parents and for proper incentives and supports to help them move from poverty to self-sufficiency leads us to several other concerns about the proposed act. We are opposed to a family cap provision as untested, dangerous, and cruel. We oppose rigid lifetime limits for AFDC in the face of chronic and systemic unemployment.

Chairman SHAW. Father, if you could conclude your remarks, I would appreciate it.

Reverend KAMMER. Let me just conclude with this: We have heard a great deal of analysis that the proposals in the act would soon slash 5 million children from the AFDC, and some have said

that the support for these children would come from charities and churches.

The churches and charities, beginning with our own, say this would produce a tidal wave of hungry and homeless kids and moms, a torrent of newly abused children and profoundly wrong social and moral outcomes.

I would like to thank you, Mr. Chairman, for the chance to share our experience and our concerns as you develop the Subcommittee's bill.

We stand ready to work with you for authentic welfare reform.
[The prepared statement follows:]

**Testimony Regarding
The Personal Responsibility Act
Before the Committee on Ways and Means,
Subcommittee on Human Resources
United States House Of Representatives
January 30, 1995**

**Presented by Fred Kammer, SJ,
President, Catholic Charities USA**

Catholic Charities USA is pleased to have this opportunity to testify about the need for welfare reform. We agree with many of the goals of this Subcommittee to modify welfare policies in such a way as to strengthen families, encourage work, and give children a better chance to escape poverty.

We hope to share our experience to help the Subcommittee to shape a welfare plan that will reach those goals without creating other unintended adverse consequences.

Catholic Charities USA is the nation's largest private social service network. With 1,400 agencies and institutions, 48,000 staff and over 200,000 volunteers, Catholic Charities programs serve 10.6 million people a year. People of all religious backgrounds and from every racial, social, and economic background come to us for everything from food and shelter to marital and family counseling; from affordable housing for the elderly to substance abuse treatment for young workers; from care of newborns to care of the dying.

In 1993 we helped almost 136,000 pregnant women and teenagers and their families in need of health care, education, job training and placement, child care, and a safe place to live.

We care for 20 percent of all the children in this country who are in foster care, group homes and residential treatment. "Orphanages" are us.

We have 250 years of experience in this country in helping unmarried mothers-

- ✓ those who live at home with their own parents or grandparents;
- ✓ those who have run away from intolerable abuse;
- ✓ those who have been thrown out of their homes; and
- ✓ those who decide to place their children for adoption.

Through recent decades of trial and error and changing sexual mores in the nation, we have learned a lot about how to protect children and help parents to support their children emotionally as well as financially.

As the social services arm of the Catholic Church, we have strong views on illegitimacy, teen pregnancy, and sexual activity out of marriage. We oppose them.

We work to help young people and adults to avoid not just out of wedlock pregnancy and births, but the behavior that leads to these consequences.

Our tradition of Catholic social teaching and our many decades of practical experience lead us to support authentic welfare reform that would strengthen families, promote employment, and reduce child poverty.

On the other hand, we must oppose proposals that we are convinced would cause greater suffering of children without reducing the underlying problems and pathologies.

Clearly, the current welfare system needs reform, but even well-intentioned reforms could easily backfire, leaving us with more dependency, more child abuse and neglect, more teen pregnancy, and even more abortions.

This Committee has heard testimony from many theoreticians who have argued that the current welfare system is so bad that it could not be made worse by "reforms." Some have asserted that

abolition of AFDC or elimination of benefits for children of unmarried teens for additional children born to a family on AFDC, and other measures would actually reduce out of wedlock births, at least among low income teens and women.

You can be sure that if there were any convincing evidence that pregnancy could be significantly reduced among unmarried teens and women by these measures, we would be in the forefront of support.

I suggest that you ask yourselves why neither the National Conference of Catholic Bishops nor Catholic Charities USA supports these proposals that would exclude children from AFDC because of the circumstances of their births to unmarried teens, to mothers already on welfare, or to children for whom legal paternity has not been established.

The answer to that question is that such proposals would hurt the children without necessarily changing the behavior of their parents. Financial penalties can have only very modest results, and those can only be achieved over many years.

In the interim, while we wait to see if these steps will reduce illegitimacy, what will be the human consequence to the millions of children who will be born into a society that denies that they are entitled to any financial support?

Based on the experience of our member agencies over many decades with millions of mothers and babies, we have concluded that the "child exclusion" provisions in the Personal Responsibility Act would have the following disastrous consequences:

- ✓ an increase in the numbers of abused and neglected children who wind up in foster care;
- ✓ an increase in abortions among teenagers and other women; and
- ✓ an increase in teen pregnancy.

TEEN PREGNANCY

Now, how can proposals designed to reduce teen pregnancy have the opposite result?

After consultation with hundreds of people who counsel and assist pregnant teens throughout the country, we have learned what any parent of teenagers could tell you--

- ✓ that teens have trouble thinking ahead and anticipating the consequences of their actions;
- ✓ that teens are prone to all kinds of risk-taking, with the highest risks often being the most attractive;
- ✓ that many young girls have nothing in their present or future lives as attractive as a baby to love; and
- ✓ that their fantasies are more real to teens than any reality, such as their inability to earn money or get it from the welfare department.

Reducing teenage sexual activity and pregnancy is a job for our whole society, and frankly, the problem exists in every economic strata and among all racial and ethnic groups. Relying on welfare changes to solve what is a society-wide problem is unrealistic, counter productive, and will temporarily lull people into thinking the problem has been solved--leading to a tragic waste of time needed to get down to real solutions.

Some witnesses have told this Committee that a combination of denial of welfare aid and "aggressive adoption counselling" will do the trick.

Catholic Charities agencies have been placing children for adoption for over 100 years. We work hard with pregnant teens and women to help them see the wisdom in making an adoption decision.

But we all too often see the results of "aggressive adoption" promotion that pressures mothers into unwillingly surrendering their babies. The results are dreadful for the mother and for society. Even with the infant placed in a loving home, the mother, feeling coerced by a lack of other options or support, quickly becomes pregnant again.

The result is two babies born to that teenager, rather than just one. And the second baby is usually not offered for adoption, but is subject to all the risks well known to this Committee. We often see the same result with teens who have abortions. After one, two, or three abortions, the young girl eventually goes through with a pregnancy to replace a baby aborted or given up. In the trade we call this an "atonement baby."

The teen parent provision was apparently designed without consultation with people who have direct experience with pregnant teens.

Our experts have an alternative proposal for this Committee.

We certainly do not support the status quo for teen parents.

We support denial of cash assistance to unmarried young mothers, under 18, who do not live with their own families or under the supervision of responsible adults.

We agree that girls under 18 cannot care for themselves, much less for children, without the advice, care and supervision of caring adults.

They should not be handed AFDC checks and sent on their way.

On the other hand, nor can we rely on families alone to handle these problems. Unlike the untried, experimental solution in the Personal Responsibility Act that would make children born to teenage mothers permanently ineligible for AFDC and housing aid, we propose a plan based on 10 years of growing experience among our agencies.

Our programs provide intensive family counseling, parenting, training, tutoring, child care, and other assistance to pregnant teens and young mothers, whether they live with their parents or in one of our residences for mothers and babies.

Our programs have an impressive success rate, with 70 percent to 85 percent of their graduates completing school and job preparation, finding jobs and working their way off welfare in just a few years.

Very few have repeat pregnancies or fail to become good mothers. The availability of AFDC and related benefits for these young mothers and their children is a critical factor on the success of our programs. AFDC income allows them to complete their high school educations and get ready for the world of work without sacrificing the safety and well being of their children. In these cases, AFDC is a bridge to self sufficiency, and these young mothers cannot make it across the chasm without that bridge.

"FAMILY CAP"

We are also concerned that the so-called "family cap" provision will damage children before and after they are born. It is too early to know the results of the New Jersey experiment, but our crisis pregnancy counselors fear that there will be additional unwanted abortions of children purely for economic reasons.

If AFDC benefit levels provided adequate incomes to support children, the family cap would not be so dangerous. But AFDC benefits are woefully inadequate in every state. Denying aid for an additional child is cruel when the family is already trying to survive on an income of one half to three fourths of the poverty level.

Middle income families get well earned state and federal tax deductions to help them cope with the higher costs of raising an additional child. In many states, families with incomes of over \$50,000 a year get more monthly disposable income from those tax advantages for an additional child than families on welfare get for another child.

At the very least, this Committee should await a comprehensive study of the outcomes of the New Jersey experiment with the family cap before extending the experiment to the newborn children in the rest of America.

TIME LIMITS

We are also concerned about the rigid lifetime limits for AFDC as proposed in the Personal Responsibility Act. As many Republican and Democratic governors have pointed out, despite their best efforts, there will not be jobs for all parents who need them. In fact, every time the official unemployment rate dips below 6 percent, the Federal Reserve raises interest rates and throws more people out of work.

While we support welfare reform that will encourage, even require, and assist parents to prepare for, find, and keep jobs, we cannot support proposals that would deny aid to parents for whom there are no jobs.

IMMIGRANTS

Catholic Charities agencies served over 200,000 refugees and immigrants in 1993. Services included help with family reunification; education, legal and employment services; and language classes. Immigrants resettled by Catholic Charities agencies moved quickly into jobs to become self-sufficient and contribute to the economy.

Current law requires that families support a reunited member during the first five years that they are in the United States. We believe that all families should stay together when possible, and our agencies assist families to become reunited. However, sometimes immigrants can not support themselves after five years. An illness, disability, or old age can result in an inability to work and to become a citizen.

The vast majority of immigrants that Catholic Charities assist do not need public assistance. We should not turn our backs on the relatives of hard working immigrant taxpayers who do need assistance.

INVESTING IN FAMILIES

As James Q. Wilson told this Committee ten days ago, there is a broad consensus that many of the social problems of this nation can be traced to the breakdown of families. While that diagnosis is clear, the remedies are elusive.

Family breakdown and the failure to form families are endemic now in all segments in our society, including those which are insulated by substantial resources from the necessity for contact with the welfare system. While the extent of family breakdown and lack of family formation and their effects are far worse at the bottom of the income scale, it is not at all clear that the availability of AFDC and other benefits is a major factor.

The lack of strong evidence for a direct causative link between welfare and family problems should inspire us all to caution about radical changes in welfare policy to solve profound family problems. In welfare policy, as in medicine, the prescription should be, "First, do no harm."

Our vision for welfare reform is substantially different from that of the proposed Personal Responsibility Act. We, too, would like to see the numbers of families reduced who are dependent on welfare. We, too, want to insist that all parents fulfill their responsibilities to their children and to society.

We are disappointed that the Personal Responsibility Act includes no new funding for day care, for children whose parents are trying to get off or stay off welfare. Our agencies report long waiting lists for their day care centers and family day care homes. Our social workers find that a major reason why mothers drop back on the welfare rolls after one to two years is that their subsidized child care ends one year after leaving AFDC. Child care, even by untrained, unregulated, unsupervised providers can easily consume up to one third of a mother's take home pay for just one child. Welfare reform cannot succeed without more federal dollars in child care for low income families.

We agree with the governors who have testified in favor of more flexibility and an end to "one size fits all" welfare policies. But just as that should apply to the states, so should it apply to

families. Some parents can become self-sufficient with the small investment of child care subsidies alone. Others will need much more training, including on the job training, remedial education, and even very basic instruction and counseling about how to dress and behave on the job.

There has been much speculation about the ability of private charities and churches to fill the new huge gap in the safety net that would be created if all of the provisions of the Personal Responsibility Act were enacted into law. Of course, the religious groups and non-profits that shoulder the bulk of charity and services for the poor have all indicated that the magnitude of the cuts contemplated in the Personal Responsibility Act would bankrupt their institutions. It is interesting that of the witnesses who have testified before this committee in favor of shifting the burden to the private sector, not one represents the churches and charities that do the work.

CONCLUSION

Our founder could feed 5,000 people with a few loaves of bread and fish, and while we may try the same, it is neither sound social policy nor responsible government to put people's lives in jeopardy in hope of miracles.

Reputable analyses indicate that the family cap and other proposals in the Personal Responsibility Act would soon slash 5 million children from AFDC. Where will these five million children find help? From charities and churches, say the sponsors. The churches and charities, beginning with our own, say this would produce a tidal wave of hungry and homeless kids and moms, a torrent of newly abused children, and a profoundly wrong social and moral outcome.

Thank you, Mr. Chairman, for this chance to share our experience and concerns. As you develop the Subcommittee's bill, we stand ready to work with you. Like the governors and others who have testified here, we believe that welfare reform is urgently needed but that some of the provisions of the Personal Responsibility Act need revision to meet the dual goals of reducing dependency and protecting children.

Chairman SHAW. Thank you, Father.
Ms. Nelson.

**STATEMENT OF MARY NELSON, BETHEL NEW LIFE, INC.,
CHICAGO, ILLINOIS; AND EVANGELICAL LUTHERAN
CHURCH IN AMERICA**

Ms. NELSON. Thank you for the opportunity to share with you this evening. I am here on behalf of the Evangelical Lutheran Church in America, which has over 5 million members and 11,000 congregations across the country, and I am also here on behalf of our own church-based community development corporation, Bethel New Life, on the West Side of Chicago, and to share our reflections from the "underbelly" of the situation.

Our neighborhood on Chicago's West Side, 25,000 people, 40 percent of them living on incomes below the poverty level, is a microcosm of the situation in this country. We ran a 5-year demonstration program to test out—under the White House Interagency Working Group to test out whether or not a community-based church-related alternative could be more effective and less costly than the present welfare-to-work system.

We indeed were successful, but we learned a lot of hard lessons and we would like to share those with you. The first was, and it made us really angry that of the 500 AFDC women in this demonstration, over 50 percent of them could not read at a sixth grade reading level. Having been a former principal of a high school myself, I know that it isn't the kids that are dumb. It is certainly that our system is failing, particularly in our inner cities, and so our country is cranking out our next generation of people who are going to need assistance to get into the work force. You cannot get a job in today's society with less than a sixth grade reading level.

So people who are eager to work had to stop and get literacy training and had to defer the kinds of goals and the kinds of opportunities that were there before them. We have to do both. We have to deal with both the current need for literacy and also, deal with the schools so we aren't cranking out the next generation of people unprepared to work.

Second, health care. Ninety percent of our job placements did not have health care benefits for themselves or the family involved with them; we had people who had to quit work because an elder family member got Alzheimer's and they had to stay home and take care of them, or because a son dropped off of a back porch and broke a number of limbs and they had to stay home and take care of that.

The recidivism point in terms of welfare is indeed where they lose their health benefits so that Congress shouldn't think about any of these tinkering if you are not going to worry about health care and health insurance.

And third then—and related to that was the question of work, that most of the jobs in the Chicago area are out in the suburbs, and there is not adequate public transportation to get to those jobs. And so the gap between where people live and where the jobs are is also an issue. Support of public transportation is a critical piece of all of this.

Finally then, the question of day care, affordable, accessible day care in walking distance or near mothers. We did a unique demonstration in which we helped identify women who were eager to become day care home providers, trained them—and these were welfare recipients—to be self-employed and to do day care; we then found that they couldn't get licensable places to live, and so we included them in our self-help new housing construction. And so women became homeowners, self-employed, and provided day care in the community at very little cost to anybody singularly.

One of the women who had been on welfare 14 years at the time of the dedication ceremony, when she stepped into her new house and the mayor and everybody else was there, when the reporters came up to her and said, "How does it feel now to be a homeowner and self-employed?" She said, "Oh, I have always wanted to work. I just didn't have day care. I didn't have transportation and I didn't feel good about myself." And it seems to me this woman and her comment summed up a lot of research about welfare recipients and the need to deal with all three of those aspects.

What needs to be done then to make this work? Nobody chooses poverty. I can tell you that not a single participant in any of our programs chooses poverty, and so—and most of the women in the program really did want to work, but there are a lot of barriers to that.

Second, it seems to me we need to be encouraging the community-based church-based kinds of alternatives that are there. Just like we do on the empowerment zone where we give employers tax credits to hire people from the zone, we need to think about ways to encourage the corporations to do on-the-job training and to bring welfare recipients into their situations to even think about employer-based day care that might make it affordable and accessible to the participants.

And so we really do need to figure out ways to work in partnership. The churches alone cannot take on the burden of all of the welfare recipients, as some have stated, "we will let the churches do it." We would be inundated and collapsed to try to make that happen.

And finally, our experience says that punitive measures aren't the way to make it work. People want something better. We have to then say as long as somebody is really trying and moving up the ladder—whether it is going to school or doing all these other things—that we need to allow them that opportunity to get the assistance from AFDC or whatever it takes for them to make it work.

A positive approach is needed. Looking at outcome-based kinds of goals that are bottom line, we can move people into the work stream. Simply cutting dollars is not productive. We need bottom line kind of results—helping people move into self-sufficiency.

Thank you.

[The prepared statement and attachment follow:]

Testimony Submitted by
Mary Nelson - Bethel New Life, Inc.
 for the
Lutheran Office for Governmental Affairs & Bethel New Life, Inc.
 of the
Evangelical Lutheran Church in America (ELCA)
 to the
Subcommittee on Human Resource of the Committee On Ways and Means
January 30, 1995

After 14 years on welfare and living in a basement hovel with raw sewage dampening her floor, moving into a brand new home and starting self employment as a day care home provider marked a brand new beginning for Nora. It wasn't easy completing her day care training and putting in over 1,200 hours of sweat equity in helping to build the brand new home. At the dedication ceremony she wept for joy. "How does it feel to be self employed, to be working?", reporters asked her at the event. Her quick response was, "Oh, I always wanted to work, I just didn't have day care, I didn't have transportation, I didn't feel good about myself."

My name is Mary Nelson and I have lived and worked on the west side of Chicago for the last 30 years. Our community changed from white to black in the mid 1960's and suffered the subsequent disinvestment, redlining, lack of City services and overcrowding of the schools. Twenty five thousand people now live in the square mile area; 42% are living on incomes below the poverty level, over 30% on some kind of assistance. Our community is a microcosm of the "underbelly". Bethel Lutheran Church has been in the midst of the community for over 105 years; Bethel New Life, Inc., a social ministry organization of the Evangelical Lutheran Church in America, is an outgrowth of the community ministry of the Church. In 15 years of effort, Bethel has developed almost 1,000 units of affordable housing (much of it sweat equity), places almost 400 people a year in full employment, and brought in over \$65 million in new investment in a credit starved community. It is currently working to bring in new industries around the recycling remanufacturing sectoral approach, to enable more employment in the area.

Bethel conducted a five year demonstration of an alternative to welfare for AFDC mothers. It was authorized by the White House Interagency Working Group under President Reagan, and was entitled Bethel Self Sufficiency Program (BSSP). The program tested the cost neutral effectiveness of a community based approach. We worked with 500 AFDC families (most of whom had been on welfare 4 or more years) in a program which included motivational workshops, pre-employment training, skill training and employment assistance. Original simplistic plans were complicated by a number of realities:

****Over 50% of the women could not read at a 6th grade level, the minimal level for acceptance by most employers. So, women eager to work first had to stop and enter literacy programs, and struggle with learning to read before they could find employment. No matter what our country may do for the current AFDC recipients, if we don't do something about the inequities in educational effectiveness in our inner cities, we will have generations of people to come without the basic skills needed for employment.**

****Availability of health care services are a critical ingredient. In the current system in Illinois, an AFDC mother who becomes employed carries her Medicaid eligibility for only 12 months. 90% of the employers of the participants in our program did not offer a family health plan, and so it often happened that when a child got sick, the mother was forced back on welfare to get health care. Studies in Illinois show that the major recidivism back to welfare happens at whatever point former AFDC recipients lose their Medicaid eligibility.**

****Availability of affordable, accessible day care is also an essential ingredient for the transition and maintenance to work. On most entry level positions, mothers cannot afford the \$65 a week for day care, and often leave their children in dangerous makeshift care arrangements. We took this need and developed a multifaceted approach. We identified some of the participants who were interested in being day care home providers, provided the day care training and enabled them to be self employed. As we worked with them towards licensure, finding affordable, licensable homes was a problem, so we incorporated our self help housing program. Women did sweat equity work on constructing the homes to earn their down payment for a home where they would live and operate their business. Out of this, then, came a three for one result: twenty six women went off welfare and became self employed as day care providers, garbage strewn vacant lots became new homes of ownership and pride, and affordable, accessible day care within walking distance of every mother in the community was realized.**

Bethel currently is involved in Operation Jumpstart, a welfare to work program for General Assistance recipients. We have seen young men recently out of jail have whole new futures as they obtained job experiences in caring settings. With some we had to work through their problems (homelessness, etc.) and the church helped put together furniture and provided "tough love" through the ups and downs. Now many of these participants are in full employment and setting goals for themselves. But without a community-based, opportunity surrounded with personal relationships that come out of a faith commitment and opportunities, they would not have made it.

I am sharing these experiences with you as not only a representative of Bethel New Life, Inc. but also as a part of the Evangelical Lutheran Church in America (ELCA) whose Division for Church in Society's "Working Principles for Welfare Reform" (principles are attached) reflect our own grass roots experience. I am also on the board of the Christian Community Development Association (CCDA), a national network of church-based community ministries in low income communities; I am also Vice Chair of the National Congress of Community Economic Development (NCCED) a network representing the over 2,000 community economic development efforts across the country, making a difference in low income communities with creative job creation, expansion and business development efforts.

It is out of my experience in the community that I share the following precepts:

- 1) There is a need for change in the current system. We need a more effective and efficient system. We support and welcome the opportunity to rethink what we are doing and why. There is a need for public dialog and openness on the changes.
- 2) Most current welfare recipients want something better for their kids, want to work. Whatever we do as a government and society needs to have the underlying assumption of the dignity and worth of every individual. In God's sight, we are equally created and loved.
- 3) When thinking about mandating work, there needs to be cognisance of what jobs are available, whether they are livable wage jobs with a future, and what pre-employment training and skills are needed. As mentioned above, even if there were sufficient available livable wage jobs (in our area that is \$8 an hour), there needs to be a way of dealing with health benefits, day care and public transportation. Many of the existing jobs in our area are in locations not accessible by public transportation.
- 4) This is a complex problem and will require complex solutions. No one at this time has all the answers. There needs to be time and freedom to try some different approaches to identify the most workable solutions.
- 5) Community based church related approaches are in most instances more effective and more efficient. People are transformed by relationships. Using the resources of the community is also less costly and provides a more long term solution. However, in distressed communities with high numbers of welfare recipients, such community efforts need financial support from the public, private, and church sectors.
- 6) Government, individuals on welfare, the private sector (corporations, etc.), the faith community, and the voluntary sector all need to work together to forge solutions. We all need to participate. We all have responsibilities and roles.

WHAT ARE THE IMPLICATIONS OF THE PROPOSED WELFARE LEGISLATION?

****Giving states broad flexibility to design their own welfare systems makes sense, but there needs to be a floor, a "safety net" of basic human dignity and life. We suggest that states present plans that hold a promise of being more effective in moving people into productive activity and independence with a future, not just saving money.**

****The punitive measure of limiting welfare benefits to five years or two years at state option in and of itself would only bring human misery and hardship. The move from welfare to work, in our experience, takes time, and two years is unrealistic for most. We have also found that incentives are more productive than sanctions. We have no problem with responsibilities for the recipient, as long as they are realistic and move towards positive outcomes.**

****Denying teenage mothers welfare, or denying recipients who have more children is the recipe for misery and inhumanity. We need a policy focused on positive outcomes, on enabling people to move into the workforce for the long haul. Studies show that the more teenagers have a sense of future, the less likely they are to have children in their teenage years. We ought, then, to enable decent education that allows entry into the workforce at livable wage jobs. Population growth studies also show that as people move up the economic ladder, they have fewer children. So, economic opportunity is a more effective way to stem population growth.**

****Welfare reform should encourage partnerships between government, individuals, the community and the corporate sector. Government has responsibilities (life, liberty and the pursuit of happiness). Policies should encourage corporations to intentionally open up employment and "On the Job Training" for welfare recipients (much as the Empowerment Zone incentives do). Government should encourage employer based day care and the provision of health benefits along with employment. Churches and community groups should be assisted in enhancing the community resources necessary to work with families towards independence and full employment. For example, the Low Income Housing Tax Credit has encouraged joint efforts of corporations, intermediaries, community developers and government in creating low income housing in community settings. The solutions will require all the parties to be involved. If government pulls back on its commitment of support, we and other human service providers would become overwhelmed and unable to continue present services. Programs would be cut, people would be left unserved, and it is likely that some social ministry organizations would have to close their doors. Of the \$2.3 billion income of the network of Lutheran Social Ministry Organizations which provide a vast array of human services, 52.6% is government funded. Without this partnership our success would be limited if not totally abrogated.**

The Evangelical Lutheran Church in America is a church with 5,234,568 baptized members, 11,055 congregations, and approximately 275 social service institutions. Some analysts have rated the Lutheran Social Ministry Organization network to be financially the largest such network in the country.

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WORKING PRINCIPLES FOR WELFARE REFORM

These principles, based on ELCA related social statements, were affirmed by the Board of the Division for Church in Society, as the current basis for ELCA public policy advocacy related to welfare reform and for the purpose of ongoing deliberation in the ELCA.

March 11, 1994

EVANGELICAL LUTHERAN CHURCH IN AMERICA
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The current public welfare system is in need of significant reform. The purpose of these working principles is to clarify the bases for ELCA public policy advocacy regarding legislative proposals for reforming the welfare system, especially the federal Aid to Families with Dependent Children (AFDC) program. Many of the principles are also applicable to welfare-related proposals at the state level.

Poverty is the underlying problem welfare programs seek to alleviate. The Evangelical Lutheran Church in America (with its predecessor churches) has a long and extensive history of involvement in this area. The ELCA-affiliated network of social ministry organizations is financially the largest such non-profit network in the country. Many of these organizations have long histories of serving people in situations of poverty (presently serving over 300,000), including significant work in the area of refugee resettlement. The women's organization of the ELCA has taken initiatives to respond to women living in poverty. Many of the 11,000 ELCA congregations are reaching out to people living in poverty in their communities through social service efforts (such as food programs and shelters), through pastoral care, and through advocacy and organizing efforts.

These principles presume and build upon the biblical, theological, and ethical understandings articulated in the social statements of the ELCA and its predecessors, as indicated in the endnotes. In these social statements, the ELCA has, among other things, committed itself to "defend human dignity, to stand with poor and powerless people, and to advocate justice."¹ The economic sector, families, and voluntary associations play important roles in this. However, the focus in these principles is on the role of government.

In 1986-87, a "More than Charity" campaign (of the church bodies that formed the ELCA) held hearings on poverty and welfare reform throughout this country. Out of this process came "Guiding Principles in Social Welfare Reform," which have informed the development of the following principles. In 1993 the ELCA adopted a many-faceted strategy on "Women and Children in Poverty," as a priority emphasis for the rest of this decade. That strategy recognizes that, in addition to the many kinds of church-based assistance, policy and practices that create and sustain poverty need to be challenged and changed.

The following format sets forth:

Some basic theological affirmations, grounded in Scripture, the confessions, and the social statements of the ELCA.

Some ethical interpretations and implications of these theological affirmations for the discussion of welfare reform today.

Some specific public policy positions that can be deduced from the above.

In moving from broad affirmations to specific positions, ELCA members are likely to have significant differences and to give different weight to the various principles. As a church we encourage ongoing deliberation as to what policies will best serve God's intentions for persons in community. Although the positions cited here are intended to serve as a current basis for ELCA public policy advocacy, they are subject to change in the future, especially through the study and deliberative processes that will occur as part of the development of an ELCA economic social statement.

THE OBLIGATION OF GOVERNMENT: The government's obligation under God includes establishing justice, protecting and advancing human rights, and promoting the general welfare of all persons.²

Government has the responsibility to help meet the needs and uphold the rights of those who are at the margins of the economic system.³

Government is responsible to establish just welfare policy. This includes determining who receives welfare and raising necessary revenues.

REFORM OF THE SYSTEM OF GOVERNMENT-PROVIDED WELFARE SHOULD BE CONSIDERED IN LIGHT OF SOME BASIC AFFIRMATIONS ABOUT HUMAN BEINGS...

DEPENDENT ON GOD: As human beings we are dependent on God for all we have and are.⁴

None of us are truly "self-sufficient," "deserving," or autonomous. These distinctions are only relative and should not be used to separate some people (i.e., those on welfare) from others, as if they were somehow of less value.

Welfare policies that make distinctions between persons who are "deserving" and those who are "undeserving" need to be questioned.

"Self-sufficiency," although an important goal in welfare reform, should not necessarily be seen as the only or highest goal in all cases.

INTERDEPENDENT WITH MUTUAL RESPONSIBILITIES: Human beings are intended by God to live in interdependent relationships with one another. It is in the basic human relationships of domestic, political, and economic life that persons share in their common humanity.⁵ A society and the persons in it have mutual responsibilities toward one another.

In the public realm, this interdependence is reflected in income-support programs that transfer funds from taxpayers to a designated group of persons within a society. Most citizens, at some time during their lifetime, are both payers and receivers of public transfer payments, some of which are means-tested (e.g., welfare programs), others of which are not (e.g., Social Security, Medicare, veteran benefits, unemployment compensation).⁶

Welfare reform should be motivated not primarily by the cost to taxpayers but by a sense of interdependence and responsibility toward all people.

Government is especially obligated toward those who are the most vulnerable. Structures and supports are required to undergird the development of skills and capabilities needed for persons to function in society and thus live out their obligation to contribute toward the social good.

Welfare reform should seek to enable persons to rise out of poverty, affirm their human dignity, and empower them through education, training, and services to achieve long-term economic sufficiency.

Long-term economic sufficiency cannot occur apart from adequate social, structural, and relational support, including stable families, safe communities, adequate schools, preparation for, access to, and opportunities for jobs.

When persons cannot generate an income adequate to live in a decent, humane way, a safety net must continue to be available to meet their basic needs.

Persons fulfill their obligation to society not only by becoming economically self-sufficient, but also by contributing to the common good of a society in other ways (e.g., caring for children).

HUMAN DIGNITY AND BASIC NEEDS - All human beings are entitled to the basic necessities of a dignified, humane existence and/or to the means of securing such. A right is what justice requires in response to particular human needs.⁷

Human dignity should not be violated through provisions of a welfare policy that view human beings primarily in terms of their cost to the wider society, their job skill value, or the income they are able to generate.

Public policies should assure persons of their fundamental rights of adequate income, decent housing, health care, nutrition, and education.⁸

In order to bring those in need closer to a sustainable income, the benefit level for the federal Aid for Families with Dependent Children program (AFDC) should reflect regional differences and cost-of-living increases.

In addition to income support:

- ◆ *nutrition programs should be made more available through improved access and education;*
- ◆ *the number of safe, affordable housing units needs to be expanded;*
- ◆ *universal health care coverage, key in reducing the need to stay on welfare, should be in place;⁹*
- ◆ *educational systems, key in preparing people for changing employment opportunities, need to be revitalized.*

FREEDOM AND INITIATIVE: Human beings have been created with moral agency and freedom, with a power to act responsibly in light of their particular circumstances, accountable to God, self, and others.¹⁰ God has given human beings the capacity and initiative to define the problems of material existence in community and to effect positive change.

A society is healthier when its members are encouraged to participate responsibly in determining their own lives rather than being only the passive consumer of goods and services.¹¹ No person or community should relinquish the initiative or capacity to affect the conditions of their life, and social and political institutions should encourage such initiative.¹²

Welfare policies should nurture the power to act responsibly, with possible incentives and rewards for accomplishing planned goals. Coercive or punitive measures should not be used to compel human action.

Inadequate grant levels force most recipients of welfare to seek unreported income if they are to survive, and thereby encourage lying and cheating.

Grant levels either must be increased so they are adequate for the basic necessities of life, and/or the present earned income "disregard formula" must be adjusted to allow families to keep a greater portion of the income they earn and to save for the future. Grants, loans, or scholarships for education and training should not be factored into income.

HUMAN WORK: Through work, human beings are privileged and obligated to reflect the Creator whose work they are. The exclusion of persons from the community of work is a denial of the opportunity of realizing God's intention for humanity. Work is important for human well-being, but not as an end in itself. Work is thus meant for persons in community, not persons for work.¹³

Making it possible for people to move from welfare to work is important because employment is a means by which people become contributing participants in society. However, this is hindered in a labor market increasingly dominated by low-wage, part-time or temporary jobs that cannot support a family.

Effective job training (on the job, technical, and non-traditional) and educational programs (vocational, secondary, and higher) must be expanded so that participants can acquire the skills necessary for stable employment.

Stable jobs with living wages and adequate benefits should be the goal. Provision of these jobs should be done in ways that do not have the direct effect of displacing other workers.

Welfare-recipients should not be forced into jobs that will make them worse off, that is, low-paying jobs without basic benefits they receive under welfare (e.g., health care, child care, food stamps, transportation). Such benefits should carry over temporarily and be phased out only as the employment income and benefits increase.

"Workfare" (requiring work in exchange for welfare) may not actually increase people's long-term employability, but may contribute toward a permanent working underclass, eroding both wages and employment standards for other workers. Short-term structured work experience, however, may have a positive effect on some persons who have never been employed outside the home.

For all workers, the minimum wage should be increased and indexed according to the rate of inflation. In addition, an expanded Earned Income Tax Credit (EITC) is important because, in effect, it subsidizes low-paying jobs through the tax system.

INVESTMENT IN FAMILIES: Families are the basic communities in which personhood is fostered, and from which members move out to participate in society.¹⁴ Families are entitled to protection from forces that would tear them apart.¹⁵

Men and women should not become parents until they are able to nurture and support their children. Public policies should support responsible family life.

Appropriate forms of sexuality education in the schools, community pregnancy prevention programs, and parenting preparation classes are to be supported.¹⁶ Programs to enhance self-esteem and life options are important deterrents to teenage pregnancies.

Welfare policies should encourage continuing parental or other adult support and guidance for minor parents, for example, through mentors and living in a household with a responsible adult (when appropriate). Minor parents should never be required to return to an abusive home in order to qualify for government assistance.

Policies that require or encourage parents to remain unmarried or to separate in order to qualify for welfare programs must be changed.

NURTURE AND SUPPORT OF CHILDREN: All children have the right to parental care and affection.¹⁷ Caring for and providing for the manifold needs of children is an important way in which people contribute to the common good of society.

In each set of circumstances, there must be a realistic assessment of what is necessary to bear, nurture, and provide for children over the long-term, and what resources are available or need to be provided for this purpose.¹⁸

Single parents of young children should not be required to seek employment outside the home if they decide that the good of their children, and thus the social good, is best served in their circumstances through the work of nurturing their family, rather than through efforts to become economically self-sufficient.

Quality, affordable child care should be made available to parents who are employed outside the home, or who participate in education, training, and job search programs.

Strong child support and/or assurance programs are needed.

The law must hold both parents responsible for the financial support of their children.¹⁹

Programs such as job training, education, and/or substance abuse treatment can help some custodial as well as non-custodial parents to meet their child support obligations. Custodial parents should generally be given priority.

Families with children should be helped to move out of poverty, rather than penalized.

Sanctions should not be imposed if additional children are conceived by parents already receiving AFDC.

A refundable children's credit, in place of a tax deduction, can help provide greater tax equity and assist low-income families to rise out of poverty.

CARING FOR THE STRANGER: "You shall not oppress a resident alien...for you were aliens..."(Ex. 23:9). Regardless of their citizenship, all human beings are equally entitled to what they need to live in meaningful relation to God and neighbor.²⁰

A society's health can be measured by how it treats those in its midst who are most impoverished, who often are refugees and non-citizens.

Refugees have distinctive needs, which should continue to be addressed under a separate program and not subsumed into the AFDC program.

After an initial period of residency, welfare benefits should not be denied to legal immigrants, who typically contribute to the economy and pay taxes.

Supporting welfare reform by taking from other disadvantaged groups is unacceptable.

EACH IS UNIQUE: As creations of God, each human being and the circumstances of his/her life are unique.

A welfare policy must have flexibility in the kinds and length of assistance and supportive services that are provided.

Individual plans should be developed that respond wholistically and directly to a family's particular needs and challenges. In addition to an income grant, some combination of job training, education, job counselling and placement, personal management skills, parenting skills, and substance abuse treatment may be needed. Child care and transportation must be available to those who need it.

Time limits on the receipt of benefits should not be arbitrary. They should take into account individual circumstances, the needs of dependent children, and the failure of the economy to generate enough jobs with adequate income and benefits.

Some persons may not be employable or should not be expected to work, such as those caring for disabled persons or children. Some requiring assistance may have been traumatized by physical or sexual abuse, permanently damaged by substance abuse, or have experienced another type of trauma or disability. An expansion of the SSI program may be necessary to assist persons in these situations.

A case manager approach should be more fully utilized. Trained with skills and culturally-specific sensitivities, such a case manager works with a client in a spirit of respect. The task is to develop a plan, monitor it, and provide the ongoing personal support that enables a client to carry out the plan. The two work together, with mutual responsibility and accountability. If the assisting agency does not provide the services designated in the plan, clients should not be obligated to fulfill their commitments, and any mandated sanctions should not be imposed.

While innovative demonstration projects should be encouraged, they must not impose punitive behavioral requirements or result in further deprivation of recipients.

The listed principles should be considered in the negotiating and budgeting processes for welfare reform. Given limited revenues, programs consistent with these principles that begin on a small-scale are preferable over large-scale programs that are inadequately funded and less likely to be effective.

For further information contact the Lutheran public policy office in your state, or the Lutheran Office for Governmental Affairs, 122 C. St., NW, Suite 125, Washington, D.C. 20001; (202) 783-7501.

Chairman SHAW. Thank you.

Again, we are going to have to recess for a few moments while we go over to vote. Again, we have two votes. I keep trying to keep this going, but as long as they keep putting the votes one after another, we have to recess, so as soon as we get through with that, we will be back and we will resume with Rabbi Saperstein. We are in recess.

[Recess.]

Chairman SHAW. OK, the hearing will resume and Rabbi Saperstein, we have your statement. Please proceed as you see fit.

STATEMENT OF RABBI DAVID SAPERSTEIN, DIRECTOR, RELIGIOUS ACTION CENTER OF REFORM JUDAISM, ACCOMPANIED BY JENNIFER FRIEDMAN AND JASON BORDOFF, STAFF

Rabbi SAPERSTEIN. I thank you, Mr. Chairman and Members of the Subcommittee for the opportunity to offer my testimony. I am Rabbi David Saperstein, the director of the Religious Action Center of Reform Judaism, which represents 1.5 million Reform Jews—

Chairman SHAW. Rabbi, pull that microphone toward you, please.

Rabbi SAPERSTEIN [continuing]. In 850 synagogues throughout the Nation. I want to acknowledge the presence of two superb staffpeople from my office, Jennifer Friedman and Jason Bordoff who assisted in the preparation of this testimony.

I come to you today on behalf of the Reform Jewish movement; the Conservative Jewish movement; the Reconstructionist Jewish movement; the large umbrella community relations organization in the United States, the National Jewish Community Relations Advisory Council; the North American Association of Jewish Homes and Housing for the Aging; and the Council of Jewish Federations, a network of Jewish fundraising and social service delivery agencies that spends several billion dollars each year to provide direct community services to well over 1 million people nationwide, mostly non-Jews.

The need for our services has increased dramatically over the past decade. San Francisco reports a 500-percent increase since 1984. Chicago reports a 300-percent increase, and similar increases have been reported across the nation.

Now, with decades of experience in assisting AFDC recipient families to become self-sufficient, our social service network has learned what works and what does not work.

In Chicago, a very large pilot program was successful in bringing three-quarters of the families involved in the program off of dependency on AFDC and into a state of economic self-sufficiency. We support reforms that bring families together and help those on welfare become self-sufficient. Helping people to achieve self-sufficiency and providing vulnerable populations, such as the elderly, children and single-parent families, with nutrition, health care and education will be costly in the short run, but immensely cost efficient in the long run. Conversely, effecting short-term savings by pushing large numbers of people into poverty, particularly children, violates the Biblical prohibition against casting the sins of the parents onto the children and will in the long term cost our Nation morally and economically.

Above all, I come to you today to say that no matter how proud we are of the quality and the quantity of our social service programs, no matter how confident we are about the generosity of our constituencies, those who suggest that the private charity sector, above all the religious sector, can fill the void of a government withdrawal from guaranteeing assistance for the poor greatly misread the realities that we face. Such a withdrawal will cripple our ability to maintain current levels, let alone expand to meet an explosion of new needs that such a withdrawal will precipitate.

The Jewish tradition, 2,000 years ago, created the first social welfare system in the history of the world. The rabbis at that time set out a broad framework of social service programs. They knew, incidentally, that there would be freeloaders in the system. But, with a sense of frustration, humor, and irony that the Talmud records, the rabbis thank God for the freeloaders. Without them, our stinginess would lack its chief excuse.

We cannot solve all the problems in any program, but one thing that the Bible was clear about was that there had to be a zone of protection for children, for the truly needy. That should be the test of any reforms you make. Does it create a zone of protection for the children? Any program that plunges more children into poverty, any program or "reform" that creates more hungry and homeless children should be unacceptable to this Committee. Such protection is what the Bible calls for and this Committee can do no less.

We have a number of principles that are agreed on in the Jewish community as principles that should underlie welfare reform. With your permission, I would like to actually submit as an addendum to my testimony the statement on welfare reform of the large community relations umbrella group in the Jewish community, the National Jewish Community Relations Advisory Council, NJCRAC. These principles ask for a comprehensive set of adequately funded services, including: Maintenance assistance; vocational and social services not only before people get jobs, but after they get jobs to help them maintain them; continuing medical insurance, since the greatest disincentive to moving into work is the loss of benefits; child care, to make it possible for them to move to work; rehabilitation, vocational and social services; and parenting skills training and life skills training. Finally, welfare reform must be coupled with job creation.

One thing more. No matter what reforms you end up with, there is—as anyone out in the field can tell you—a great problem about getting coordination and cooperation between the Department of Health and Human Services and the Department of Labor. The systems run separately and even where in a local level—as our Chicago Federation attempted—we try to bring the parties together representing the Federal bureaucracies, we are often unsuccessful in doing it. That ought to end, no matter what reforms you implement here.

In conclusion, let me just say that we have an enormous system of social service programs. They work. You will destroy those programs if many of the reforms that you have called for go through. No matter how generous our people are—and, comparatively, a large percentage of our money comes from donations—they cannot make up the difference of that withdrawal.

Offering less is simply wrong if we think that the synagogues and churches of America can make up the difference. In a voluntary capacity without government funds, our local synagogues and local churches, particularly in the inner cities, including the historic black churches who do an extraordinary job on this—we do fill much of the void that exists today and, even so, we still don't come close to covering everyone.

We are at our upper limit. We are filled to overflowing. Everyone who works in this area will tell you the same thing: Do not cripple us further in achieving the work that should be the work of all of us: Caring for the poor and the truly needy in our society.

Chairman SHAW. Thank you, Rabbi. Without objection, the additional material you referred to will be made a part of the record.

[The prepared statement and attachment follow:]

Statement of Rabbi David Saperstein
Director, Religious Action Center of Reform Judaism
Before the House of Representatives Ways and Means Committee
Subcommittee on Human Resources
January 30, 1995

Introduction

Thank you Mr. Chairman and Members of the Subcommittee for the opportunity to offer my testimony before you today. My name is Rabbi David Saperstein. I am the Director of the Religious Action Center of Reform Judaism, American Reform Jewry's Washington office, representing 1.5 million Reform Jews in 850 synagogues throughout the nation. I want to acknowledge the presence of two superb staff people from my office, Jennifer Friedman and Jason Bordoff, who assisted in the preparation of this testimony.

Today I also come before you on behalf of much of the organized Jewish community, formally representing the Reform Jewish Movement through the Union of American Hebrew Congregations; the Central Conference of American Rabbis; the Conservative Jewish Movement through the United Synagogue of America; the Reconstructionist Movement through the Federation of Reconstructionist Congregations and Havurot; the National Jewish Community Relations Advisory Council (NJCRAC), the planning and coordinating body for the organized Jewish community, representing a unique partnership of 117 local and 13 national agencies throughout the United States; the North American Association of Jewish Homes and Housing for the Aging; and, of key importance to the deliberations of this committee, the Council of Jewish Federations, a network of Jewish fundraising and social service delivery agencies that spend several billion dollars each year to provide direct community services to substantially more than a million of people nation-wide, mostly non-Jews. The need for our services has increased dramatically in the last decade. San Francisco reports a 500 percent increase since 1984 in individuals and families seeking assistance; Chicago reports a 300 percent increase, and similar increases are reported across the nation.

I am deeply pleased to have the opportunity to speak with you about the topic of welfare reform, a social, ethical and political issue that cuts to the heart of this nation's values as exemplified through its attitudes toward its poor. The religious communities provide programs that are among the largest and most effective social service programs in the nation. With decades of experience in assisting Aid to Families With Dependant Children (AFDC) recipient families to become self-sufficient, our social service networks have learned what works and what does not. We know that social policies have the potential to make or break families, and that currently many families are being broken. It is clear that our current welfare system is inadequate. We believe that public welfare funds should be distributed in an equitable fashion,

maintaining adequate standards applicable throughout the nation and assuring respect for human dignity.

Indeed, we will support programs that bring families together and help those on welfare become self-sufficient. Helping people to achieve self-sufficiency and providing vulnerable populations such as the elderly, children, and single parent families with nutrition, health care and education will be costly in the short-run, but immensely cost efficient in the long-run. Conversely, effecting short-term savings by pushing large numbers of people into poverty -- particularly children -- violates the Biblical prohibition against casting the sins of the parents onto the children and will, in the long-term, cost our nation morally and economically.

Above all, I come to you today to say that no matter how proud we are of the quality and quantity of our programs, how confident we are about the generosity of our constituents, those who suggest that the private charity sector, above all the religious sector, can fill the void of a government withdrawal from guaranteeing assistance for the poor gravely misread the realities that we face. Indeed, such a withdrawal will cripple our ability to maintain current levels of services, let alone expand to meet an explosion of new needs.

Jewish Values and the Poor

The Jewish tradition offers important perspectives to our current debate over how best to provide for those in need. America's concern for the poor is based, in part, on the legacy of the Jewish ethics derived originally from the Hebrew Bible. Judaism teaches that poverty is destructive of human dignity and that helping fellow human beings in need ("*tzedaka*") is a matter of responsibility, righteousness, and justice -- not an act of charity. Such a responsibility rests on both individuals and government.

The American Jewish community has preserved this legacy by adhering to the dictate, "There shall be no needy among you" (Deuteronomy, 15:4). We have sought to implement these ideals by working to ameliorate the plight of the poor, the disenfranchised, the elderly, the sick, and the young. As I will discuss in a few moments, the Jewish community puts these ethics into practice every day through our Federation network of social service activities and the charitable activities of our synagogues.

In almost every area of social welfare concerns, the Jewish tradition mandated that it was not only the right, but the obligation of the society and the public sphere to intervene in the economic and social institutions of our society to make them fairer and more equitable. In the Talmudic period, beginning nearly 2,000 years ago, the Jewish community supplemented the obligations of private *tzedaka* with an elaborate system of public welfare -- the first recorded in history -- including food, money, burial and clothing funds as well as publicly funded schools for rich and poor alike.

By the Middle Ages, these had grown into a widespread network of social welfare institutions for the poor, including a broad array of food programs, health care funds, dowry funds, funds to rescue and absorb refugees, shelter and food for poor travelers, and education programs. Since members of the Jewish community were compelled to support these institutions, they are analogous in our time to the institutions of government and not the voluntary private charities.

Underlying these programs was a pervasive concern for the inherent value and equality of each person leading to the requirement that, whenever possible, help must be given to the needy in such a way as to enhance the dignity of the recipient. For example, those who claimed

that they were poor were given relief immediately and investigation of the claim was done afterwards. Now, the Rabbis knew that some freeloaders would sneak into such a system, but with a sense of frustration and irony, the Talmud found a use even for the freeloaders, noting, "Be good to the impostors. Without them our stinginess would lack its chief excuse." More importantly, since *Tzedaka* is an individual as well as a communal obligation, the communal authorities taxed every person in the community. Even the poor who are the recipients of welfare funds were taxed. This helped each person fulfill the mitzvah (commandment) of *Tzedaka* and prevented the stratification of society into two classes. Every person was a giver. Each person -- even the poor -- helped the poor. But no requirement more enhanced the dignity of the poor than the understanding of our tradition (and, I am confident, that of this committee), that the highest form of charity, was, in the words of Rabbi Moses ben Maimon (Maimonides), the greatest of the Medieval Jewish scholars, to avoid charity by providing a loan or a job.

Today, we continue to believe that the larger community must play a central role in providing for the poor in ways that enable them to live independently, with dignity, and to move from poverty to economic self-sufficiency. In 20 years of crisscrossing the nation and witnessing with pride the Jewish community's extensive social welfare services, I have never met one of our social service professionals who, based on his or her interaction with clients, was not convinced that the majority of those served want deeply and genuinely to be off of welfare and able to provide for themselves and their families.

Principles for Successful Welfare Reform

The organizations in the Jewish community that I represent today feel strongly that successful welfare reform must provide women on AFDC with the support necessary for them to live their lives with dignity, to be caring and responsible parents for their children and, ultimately, to make the difficult transition from welfare to work. There is a consensus among our community organizations as to the principles that ought to underlie effective welfare reform. Let me mention just a few, drawing from the work of Anita Friedman, Director of the San Francisco Jewish Family and Children's Services, and from the National Jewish Community Relations Advisory Council, the largest umbrella community relations organization in American Jewish life:

1. **A comprehensive set of adequately funded services must be provided, including:**
 - a) **maintenance assistance**, in the form of financial aid for food and shelter;
 - b) **vocational and social services**, including not only job training and placement but also essential supportive services after a job is found to solve problems so individuals can keep their jobs;
 - c) **continuing medical insurance for all**, because the loss of health insurance is one of the major disincentives for AFDC recipient clients to achieve self-sufficiency; and
 - d) **child care** to make it possible for clients to participate in vocational programs and the job search process.

2. **Rehabilitative vocational and social services, as well as education, counseling, life-skills, and parenting skills training must be offered.** There must be a continuum of benefits and case management available to the recipient until she obtains employment that

will economically sustain her family. Because many AFDC recipient families have inadequate marketable skills and limited English literacy, job training programs are an essential component of welfare reform. In addition, the AFDC public welfare system serves not only well functioning families who need a temporary "safety-net" until they "get back on their feet," but also individuals who have been damaged personally or who face major obstacles to employment. The majority of welfare recipients therefore require a full range of rehabilitation, counseling and social services as a prerequisite to self-sufficiency.

3. **Job creation must be coupled with welfare reform.** Work-eligible AFDC recipients prefer work to welfare. But entry-level jobs which pay enough to support a family and which provide medical insurance are rare, and becoming rarer due to structural changes in the American economy. Job creation is therefore essential as one component of an overall public policy strategy. Employer incentives such as on-the-job training programs, which have proven to be effective public policy strategies for inspiring business sector involvement in solving the long-term welfare dependency problem, should be instituted. Indispensable to this must also be better cooperation between Department of Health and Human Services administered welfare programs and Department of Labor employment and training programs. One stop, integrated services, with plans tailored to the needs of individuals and families are essential if people are going to be helped to leave the welfare system.
4. **Reasonable alternatives without punitive measures or arbitrary time limits that take no heed of individual circumstances must be offered to encourage self-sufficiency.** Disincentives to dependency will be so only if the system is redesigned to offer dependent families reasonable alternatives. Giving up a steady income and the security of health coverage for a minimum wage job with no medical insurance makes no business sense for parents receiving AFDC. (For example, we know that in California it takes a job that pays the equivalent of \$8.50 an hour to compete with what welfare has to offer.) Simply denying public benefits to families with dependant children in order to force individuals to find work is most likely to create widespread hunger, homelessness, and increased crime, not self-sufficiency.
5. **Welfare reform must support responsible parenting.** An equitable system would foster responsibility by both the mother and the father of a child, and it would improve child support enforcement without penalizing the single parent for the failures of the non-custodial spouse. Moreover, women should also be allowed to work part-time, rather than full-time, if they do not utilize outside child care.
6. **Citizenship should not be a requirement for eligibility for AFDC or SSI.** True reform of the welfare system should not pit one needy population against another. It should not fund programs necessary to some by denying assistance to others.

The Jewish Community's Role in Direct Service Provision

Today, the Jewish community provides services to people in need of food, health care, education, shelter, and counseling throughout the nation. To a large degree, these charitable activities fall under the auspices of the Council of Jewish Federations (CJF). Founded in 1932, the Council of Jewish Federations is a national association of nearly 200 local autonomous Jewish Federations that coordinate Jewish social services for approximately 800 localities in North America. This network provides a range of services including nutritional support programs for infants, meals on wheels, low income housing assistance, and nursing home care for the frail and elderly.

In addition, one of the central missions of the Federated system has been the rescue and protection of Jews and others worldwide. On behalf of the U.S. Department of Health and Human Services, the Council of Jewish Federations provides for basic refugee care and intensive up-front service delivery designed to enable refugees to attain durable self-sufficiency. The success of the absorption of 350,000 Soviet Jewish refugees over the past two decades is an inspiring model of what an effective public/private partnership can accomplish.

Our Federations have long had a strong and productive partnership with government that is the result of decades of mutual work and cooperation. This relationship is designed to further our community's interests while meeting our obligations to the larger society. The U.S. Government relies heavily upon a vibrant non-profit sector to deliver quality health care and human services, and Federations contribute to fulfilling this essential role in our communities.

Yet I know of none of the social service providers in our vast network who think that the religious community could fill the void left by government withdrawal from the struggle against poverty. Indeed, we are already stretched to the limits and know that too many still fall through the cracks of the safety net.

In the synagogue community, we work primarily in the voluntary realm with approximately three-fourths of our synagogues running feeding and shelter programs within their synagogue structures or participating regularly in community programs. They too are at their limit. Let me provide just a few snapshots of our community's programs -- both large and small.

In a speech before the Government Affairs Institute at the 1994 Council of Jewish Federations General Assembly, the President of the Jewish Federation of Metropolitan Chicago, Steven B. Nasatir, described the activities of the Federation social services in Chicago. He states that, in Chicago alone:

"Federation social service agencies are responsible for providing critical care and sustenance to nearly 100,000 children, youth, elderly, and families each year. In 1993, the Chicago Federation agencies provided 2.5 million units of different services to people in the community, Jews and non-Jews alike."

However, in Chicago, as in cities across the nation, our Federations cannot provide these services alone. As Joel M. Carp, Senior Vice President of the Jewish Federation of Metropolitan Chicago states:

"Despite our comprehensive network, we cannot provide the ongoing income maintenance and child care services required by poor families, or those who are elderly or disabled. We cannot be the safety net, as much as we might want to be. We raised and are spending \$27 million [not including service fees and other supplemental fund raising done by our agencies] for local services in Chicago this year. We also spend another \$23 million in government funds

under various contracts we and our agencies have. These numbers do not include yet another \$68 million in government funds, including Medicaid, which support our Mt. Sinai Hospital Medical Center, 80 percent of whose revenues come from government funded programs enabling them to serve the West Side of Chicago.

"The point is that if there is any diminution of government support for the \$23 million worth of social services and employment and training programs, the Jewish community of Chicago will not be able to make up the difference. We struggle mightily to maintain our local fund raising campaign and to produce some increased giving each year. If government funded programs are cut, then the vulnerable people we now serve will just not be served."

In San Francisco, where the Jewish Family and Children Services program is the largest family service institution in the San Francisco area, more than three-fourths of the families in its programs designed to achieve self-sufficiency have been successful within a two-year period. This has been done through a careful mix of financial assistance with social services, and through a partnership of public and private sector resources. We have a track record in how to achieve the goals of welfare reform.

In New York City's extraordinary Jewish Educational and Guidance Service (FEGS), one of the largest non-profits in the nation, serving 50,000 people a year in their 117 locations, FEGS utilizes a broad array of government funding to help sustain its service network. Cutbacks could not realistically be made up by private contributions.

As noted above, in addition to the work of our Federations, thousands of synagogues throughout the country also provide direct services to people who are needy. Our synagogues most commonly provide shelter to homeless women and children who need a place to sleep, nutritious meals for hungry people, and tutoring programs for children and adults, among many of the social services. Many of these programs are funded entirely by the synagogue's own social action budgets and out of synagogue discretionary funds. Some are funded in partnership with government programs. They are largely staffed by volunteers who give freely of their time in the spirit of providing another human being with the basic necessities -- food, clothing, education, and shelter.

One example that is typical is Central Synagogue, the oldest synagogue in continuous use in New York City, which provides a hot breakfast and a bagged lunch to hungry people two mornings per week, as part of a feeding program coordinated with area churches and other houses of worship. Together, they feed this group of people seven days per week. Created ten years ago and run completely by volunteers, the program originally served approximately 100 people a day.

Today, this program feeds more than 400 people daily, totaling 2,800 people per week, even though it is located in a space suitable to fit no more than 200 people, thereby forcing many to stand outside in the winter cold as they wait for their hot meal. Simply put, this program has grown because the number of needy people in New York (and other major cities) has escalated dramatically during the past decade. Nonetheless, this program is a model of the types of public service activities that have been touted by some as the answer to meeting the needs of the poor in the United States today. Thus, for example, Marvin Aleski (author of The Tragedy of American Compassion), an influential writer on these issues who has helped shape the current debate, argues that individual "churches, synagogues, and mosques" will step up and increase their programs to fill the void of government's withdrawal from welfare. Clearly, however, Central Synagogue's resources are over-burdened and its facilities are over-crowded, as are the resources of all synagogues, Federations, and community centers across the country. It is not only unfair, but more importantly unrealistic to expect such private charity organizations

to provide the services that are currently administered by the government.

Across the nation, programs like those in San Francisco, Chicago, and New York have already stretched their resources to meet the needs of those in their communities. These institutions would not be able to provide even basic services if government programs are further cut back. The states, already pressed for funds, are highly unlikely to make up the difference. Repeated studies of the non-profit sector generally and the religious community specifically refute the notion that it can provide for the truly needy without an expanded partnership with government. This committee must not ignore this data in deciding how to reform welfare.

As Diana Aviv, Director of the Washington Action Office of the Council of Jewish Federations, stated in written testimony before this subcommittee on January 27:

"I believe that it is unrealistic to think that billions of additional dollars will pour into charitable coffers if the public sector retreats from providing basic income support to people in this country. The Jewish Federation network is one of the finest social service systems in the country. Our collective campaigns raised nearly \$1 billion in 1994. But in 1995, we are struggling to keep our campaigns at last year's level, and in some economically hard hit communities we are failing. We will do our best to restore our system to vigorous health, and I suspect that we and other charitable institutions will succeed in doing better. But it is imperative that the federal government maintain its role in the public-private partnership that has been created for caring for our nation's needy."

Today's Welfare Debate

The Jewish organizations I represent today are especially concerned about provisions that would have the following effects: taking a federal safety net away from poor children; defunding and devaluing AFDC and food nutrition programs from entitlement status; arbitrarily ending benefits to women without providing employment options; and penalizing legal immigrants. Many provisions in the Personal Responsibility Act, the Contract with America's welfare bill, would produce these undesirable ends. Even beyond this specific legislation, a variety of suggested reform proposals include some or all of these harmful elements.

Impact on Children

The ultimate judgement of a nation -- of its values, its honor, its basic decency -- rests upon how it treats its children. A nation that neglects its children, that allows children to go hungry or homeless, that fails adequately to educate its children, is a nation that short-changes its future.

In the zeal to reform the welfare system, members of Congress must not forget how the actions they are now considering affect our children and America's future. America already has too many homeless children huddled and shivering against winter's chill without adequate shelter, too many children whose young stomachs know too well the empty pain of hunger. Those who would alter the welfare system in order to cut budgets will cite the financial benefits of their cuts, will claim that by reducing the national deficit they are *securing* our future. But by reducing that deficit by penalizing children -- by making the weakest and neediest among us bear the burden of reform -- they only *bleaken* that future.

There are four ways that the Personal Responsibility Act and other bills would devastate

millions of American children. First, these proposals would permanently bar children from receiving AFDC benefits if their mothers were unmarried and under the age of 18. Second, they would disqualify children who were conceived while their mothers were already receiving AFDC. Third, they would prohibit children from receiving AFDC benefits if paternity had not been established. Finally, one of the most controversial provisions would favor state guardianship of children over familial care by allowing states to spend funds, saved from the paternity exclusion, on orphanages and group homes for teen mothers.

The Center on Budget and Policy Priorities estimates that if these proposals were in full force today, at least five million children, more than half of the AFDC caseload, would lose all cash assistance. The paternity requirement alone would immediately end assistance to 2.8 million children -- 29 percent of all children now receiving AFDC.

Though people may disagree about how best to solve our nation's problems, I am certain we all agree that our children are our most valuable and precious resource, and we must treat them accordingly. We must protect our children from an indiscriminate budget ax just as resolutely as we would protect them from violence. We must carefully scrutinize cuts in the welfare system, including cuts in AFDC benefits, in the Food Stamp program, in school lunch programs, and in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). Our children, all too many of whom already are poor and are forced to rely on the food and benefits provided by the welfare system, are meant to walk with us on the road to peace, freedom and prosperity. We dare not walk that road to a better tomorrow while leaving them trapped in a bleak, a cruel, today.

In the Senate, there is growing bipartisan support for a child protection provision to this type of legislation ensuring that no more hungry or homeless children are created by acts of this Congress and requiring a child impact analysis from committees on legislation they send to the floor for a vote. In keeping the focus of our actions in conjunction with God's children, this amendment keeps the political and moral focus of our nation on the appropriate target. This is what the Bible did; it created a zone of protection for the least of us. This Congress and this committee can do no less.

Block Grants for AFDC and Food Programs

Many legislators now champion proposals to block-grant AFDC, Food Stamps, and other Federal nutrition programs. They argue that block-grants would provide states with more flexibility in administering assistance to their own populations.

In reality, block-granting AFDC would devalue the program from its current status as an entitlement program with guaranteed full-funding. Instead, the program would fall within the discretionary funds subject to budgetary caps, the annual appropriations process, and incomplete funding. Funding for vital programs like child care and child support would be capped and forced to compete for funds with other deserving programs for scarce federal dollars. And, given the current push by many legislators for a Balanced Budget Amendment to the U.S. Constitution, AFDC would be among the discretionary funds most vulnerable to cuts or total elimination.

Similar proposals would combine Food Stamps with other nutrition programs, such as the school lunch and breakfast program and WIC, and would turn them over to the states in the form of block grants. These are among some of the nation's most successful and cost effective programs representing a wise investment in our children and our future. Like the change in the

status of AFDC, block granting the Food Stamp program, the most critical safety net for poor families, would lead to reduction in funding, increased competition among programs, and, potentially, total elimination.

The Center on Budget and Policy Priorities estimates that if the Congress follows this approach and turns these programs over to the states in the form of block grants, the total cuts in federal funding for food, housing and income programs would reach approximately \$57 billion over four years. Nobody can articulate the social costs of undercutting the poor.

Arbitrary Time Limits and Employment

Many legislators now support proposals to cut women and their children off of AFDC after two years. New proposals would allow states to cut off all of a family's AFDC benefits, without assuring that the recipient has reasonable access to work, whether it be in the private sector or subsidized by the federal government. The Jewish groups I represent have grave concerns about this approach to welfare reform not only for powerful moral reasons, but practical reasons as well. Where do supporters of these time limits suggest that families without incomes live? Where will their meals come from? How will they clothe and support their children? Time limits can be part of an overall reform program but not in the form of imposing a lifetime limit on any form of assistance without regard to availability of training, jobs, necessary social support and other impediments to work. Such proposals cannot possibly meet the varied and complex needs of all AFDC recipients.

Immigrants

Finally, many welfare reform proposals suggest that money be saved by barring legal immigrants from receiving any AFDC or Supplemental Security Income (SSI), which currently grants benefits to 225,000 disabled immigrants. These measures would be devastating to the thousands of Jewish immigrants who enter the United States annually, especially those from the former Soviet Union, as well as the hundreds of thousands of others from all over the world who come to the United States in search of opportunity and the pursuit of happiness. Denying benefits to some low-income families in order to pay for services for other low-income families contradicts the overarching principles of a credible and fair anti-poverty strategy.

A Proposal

At the least, let us test the efficacy of the different approaches. Members of this committee have their own views; the members of this panel of religious social services providers also have detailed recommendations for reform based on our long experience as the nation's largest, and arguably most successful social service providers. Before eviscerating the current system of welfare, let us test these different approaches in several states apiece through performance based contracts with careful evaluations of what works, and what does not, in moving people off of welfare.

Conclusion

In conclusion, I would like to thank the Subcommittee for the opportunity to speak before you today. It is my hope that the original intent of welfare reform, to assist poor families and children attain self-sufficiency, will not be obscured by political issues that are not related to welfare.

So, Mr. Chairman, on behalf of many national Jewish organizations, I urge all members of Congress, regardless of political leanings, to search their souls when voting on proposals that would strip the poor of their only source of sustenance. I urge them to keep the well-being of all Americans always in their minds, and especially to recognize that when we short-change children for short term financial gain, we make a Faustian bargain that will cost this nation dearly down the road.

Jason Bordoff and Jennifer C. Friedman, Legislative Assistants at the Religious Action Center of Reform Judaism, assisted with the preparation of Rabbi Saperstein's testimony.



United States Community
Relations Council

NICORAC
JOINT PROGRAM PLAN

1994 - 1995

*Guide to Program Plans
of the
Constituent Organizations*

NJCRAC Constituent Organizations

National Agencies

American Jewish Committee
 American Jewish Congress
 B'nai B'rith/Anti-Defamation League
 Hadassah
 Jewish Labor Committee
 Jewish War Veterans of the U.S.A.
 National Council of Jewish Women
 Union of American Hebrew Congregations
 Union of Orthodox Jewish Congregations of America
 United Synagogue of Conservative Judaism/Women's League for Conservative Judaism
 Women's American ORT

Community Agencies*

Alabama
 CRC of the Birmingham Jewish Federation

Arizona
 CRC of the Greater Phoenix Jewish Federation
 JCRC of the Jewish Federation of Southern Arizona

California
 Jewish Federation of Greater Long Beach and West Orange County
 CRC of the Jewish Federation-Council of Los Angeles
 JCRC of Greater East Bay Jewish Federation of Orange County
 JCRC of Sacramento
 JCRC of United Jewish Federation of San Diego
 JCRC of San Francisco, the Peninsula, Marin and Sonoma Counties
 JCRC of Greater San Jose

Connecticut
 Jewish Federation of Greater Bridgeport
 Jewish Federation of Greater Danbury
 Jewish Federation of Eastern Connecticut
 CRC of Jewish Federation of Greater Hartford
 Jewish Federation of Greater New Haven
 United Jewish Federation of Stamford
 Jewish Federation of Waterbury

Delaware
 Jewish Federation of Delaware

District of Columbia
 Jewish Community Council of Greater Washington
 (Includes Northern Virginia and Montgomery and Prince George's Counties, Maryland)

Florida
 Jewish Federation of South Broward
 Jewish Federation of Fort Lauderdale
 Jacksonville Jewish Federation
 Greater Miami Jewish Federation
 Jewish Federation of Greater Orlando
 Jewish Federation of Palm Beach County
 Jewish Federation of Pinellas County
 Sarasota-Manatee Jewish Federation
 South Palm Beach County Jewish Federation

Georgia
 Atlanta Jewish Federation
 Savannah Jewish Federation

Illinois
 JCRC of the Jewish United Fund of Metropolitan Chicago
 Jewish Federation of Peoria
 Springfield Jewish Federation

Indiana
 Indianapolis JCRC
 Jewish Federation of St. Joseph Valley

Iowa
 Jewish Federation of Greater Des Moines

Kansas
 (see Missouri)

Kentucky
 Central Kentucky Jewish Federation
 Jewish Community Federation of Louisville

Louisiana
 Jewish Federation of Greater Baton Rouge
 Jewish Federation of Greater New Orleans
 Shreveport Jewish Federation

Maine
 Jewish Federation-Community Council of Southern Maine

Maryland
 Baltimore Jewish Council

Massachusetts
 JCRC of Greater Boston
 Jewish Federation of North Shore
 Jewish Federation of Greater New Bedford
 Jewish Federation of Greater Springfield
 Worcester Jewish Federation

Michigan
 Jewish Community Council of Metropolitan Detroit
 Flint Jewish Federation

Minnesota
 JCRC/Anti-Defamation League of Minnesota and the Dakotas

Missouri
 Jewish Community Relations Bureau/American Jewish Committee of Greater Kansas City
 St. Louis JCRC

Nebraska
 ADL/CRC of the Jewish Federation of Omaha

New Jersey
 Federation of Jewish Agencies of Atlantic County
 United Jewish Community

Bergen County/North Hudson
 Jewish Federation of Central New Jersey
 Jewish Federation of Clifton-Passaic
 MetroWest United Jewish Federation
 Jewish Federation of Greater Middlesex County
 JCRC Jewish Federation of North Jersey
 JCRC of Southern New Jersey
 Jewish Federation of Mercer and Bucks Counties

New Mexico
 Jewish Federation of Greater Albuquerque

New York
 Jewish Federation of Broome County
 Jewish Federation of Greater Buffalo
 Elatira Jewish Welfare Fund
 Jewish Federation of Greater Kingston
 JCRC of New York
 United Jewish Federation of Northeastern New York
 Jewish Federation of Greater Orange County
 Jewish Community Federation of Rochester
 Syracuse Jewish Federation
 Utica Jewish Federation

Ohio
 Akron Jewish Community Federation
 Canton Jewish Community Federation
 Cincinnati JCRC
 Cleveland Jewish Community Federation
 CRC of the Columbus Jewish Federation
 JCRC of the Jewish Federation of Greater Dayton
 CRC of the Jewish Federation of Greater Toledo
 JCRC of Youngstown Area
 Jewish Federation

Oklahoma
 Jewish Federation of Greater Oklahoma
 Jewish Federation of Tulsa

Oregon
 Jewish Federation of Portland

Pennsylvania
 CRC of the Jewish Federation of Allentown
 Erie Jewish Community Council
 CRC of the United Jewish Federation of Greater Harrisburg
 JCRC of Greater Philadelphia
 CRC of the United Jewish Federation of Pittsburgh
 Scranton-Lackawanna Jewish Federation
 Jewish Federation of Greater Wilkes-Barre

Rhode Island
 CRC of the Jewish Federation of Rhode Island

South Carolina
 Charleston Jewish Federation
 Columbia Jewish Federation

Tennessee
 JCRC of the Memphis Jewish Federation
 Jewish Federation of Nashville and Middle Tennessee

Texas
 Jewish Federation of Austin
 JCRC of the Jewish Federation of Greater Dallas
 JCRC of the Jewish Federation of El Paso
 Jewish Federation of Fort Worth and Tarrant County
 CRC of the Jewish Federation of Greater Houston
 JCRC of the Jewish Federation of San Antonio

Virginia
 United Jewish Community of the Virginia Peninsula
 Jewish Community Federation of Richmond
 United Jewish Federation of Tidewater

Washington
 Jewish Federation of Greater Seattle

Wisconsin
 Madison Jewish Community Council
 Milwaukee Jewish Council

► *CRC
 Community Relations Committee
 or Council

► *JCRC
 Jewish Community Relations Council

Preamble

Helping Jewish poor as well as those in the general community achieve self-sufficiency has been a fundamental commitment of the Jewish people. Jewish tradition and values emphasize the responsibility of the larger community to provide for the poor and the near poor in ways that enable them to live independently, with dignity, and to move from poverty to economic self-sufficiency. Most welfare recipients are eager to achieve this goal. Blaming welfare recipients for their own plight rather than addressing the inadequacies of the welfare system and of the nation's economy, are cause for alarm. Instead, a comprehensive approach should be developed, using a full range of collaborative programs and realistic measures of accountability on both the system and the recipient.

Conditions which enable families to leave the welfare system include: jobs that pay enough to allow families to support themselves, opportunities for affordable housing, child care, and other social services that meet basic needs. The NJCRAC will support measures which provide families with realistic work opportunities and adequate financial and other supports, especially for the children in such families. While such reforms may require meaningful financial investment in the short term, they save money in the long-term by constituting a worthwhile investment in people, effectively enabling them to move from welfare to work and ensuring the well-being of children.

Principles

The NJCRAC therefore has set forth the following principles as a basis for developing a comprehensive and humane welfare reform policy:

1. Welfare reform is part of an overall commitment and strategy to reduce poverty and promote economic independence and social well being among the poor. A wide range of policies and programs, including job creation, health care for all, child care, and other support services, must be developed to enable the working poor, as well as those dependent on public assistance, to become self-supporting. A commitment to adequate funding is necessary to ensure that these goals are met.
2. The federal government has a primary responsibility for alleviating poverty by providing the necessary programs to enable individuals and families to progress from poverty to economic self-sufficiency.
3. The federal government should ensure a basic minimum level of support to provide a decent living standard for the poor. The level of government funding for welfare benefits should be brought, as quickly as possible, to the federally defined poverty line, with regional adjustments for differentials in living costs. Any action which would further reduce net benefits to individuals, such as taxing welfare dollars, should be rejected.
4. Government policy should recognize the diversity of those who are poor and include programs which respond to the heterogeneous needs of this population. One group requiring targeted services is the long-term poor, who face the greatest barriers to employment. Another key target group, requiring special attention by government, educational and community institutions, is children who have children. Preventing pregnancies among teenagers could have a substantial impact on breaking the cycle of welfare dependence. Children who become parents, or who may potentially become parents, both fathers and mothers, require the following specialized services: targeted education and employment programs; inducements to remain in school; child care and health care counseling, to include programs and social service supports which reduce pregnancy rates and encourage parent responsibility.
5. Training, education, and job creation programs should be funded at a level that enables such programs to be effective in moving clients from welfare to employment and sustainable self-sufficiency. Federal funding for the Job Opportunities and Basic Skills (JOBS) program — or any successor program — should be increased to expand education and training opportunities. Adequate funding must be provided also for job development strategies, as well as for job search assistance. Matching state funding requirements should be reduced and application procedures simplified so that administrative and fiscal constraints no longer prevent states from accessing their full allocation from these programs.
6. Welfare reform should not be funded at the expense of established government benefit programs which currently serve welfare, low-income, and immigrant populations, the working poor, the disabled, and other needy groups.
7. Government policy should provide for comprehensive support services for welfare recipients enrolled in job training, education, and placement programs and for recipients in transition from welfare to work. Services should include health care, child care,

housing transportation, legal services, and other social service supports.

8. Any mandatory employment, whether in the private or public sector, to which welfare recipients are assigned must not displace current workers and jobs, must provide pay and benefits equal to those of other workers doing the same work, and should not at any time pay wages below the minimum wage.

9. If fixed limits are established, such as time limits in programs associated with training and job placement, they should be contingent upon individual circumstances (including provision of waivers for people with disabilities or other needs), the capacity of the federal government to guarantee adequate education and training services within the given time frame, the ability of the economy to generate sufficient numbers of permanent jobs within reasonable geographic access, the needs of dependent children, and the government's capacity to provide the necessary support services.

10. Government policy should be flexible in assigning operational responsibility for the design and implementation of non-cash welfare programs, such as job training and child care, enabling participation by a range of state and local government and non-governmental agencies experienced in developing effective, localized service delivery programs. The policy, however, must be based upon an adequate level of government funding for service provision and clearly established government standards of accountability.

11. Welfare programs should emphasize incentives over penalties. Family cap provisions and other punitive restrictions endanger the welfare of children and families and do not promote self-sufficiency.

12. Welfare programs should facilitate family stability by removing bars to participation by two parent families, and by not penalizing impoverished families in which both parents are employed. Reforms should make it easier to combine some paid work with welfare benefits, particularly in cases where only part-time and low wage work is available, without loss of health care, child care, and other support services, and to allow recipients to retain more of their earnings in order to save for future needs.

13. Preferred remedies to poverty are those which support families, promote self-sufficiency, and reward work, such as the earned income tax credit (EITC). The recent expansion of the EITC means that families with one member working full-time in a minimum wage job will be able to live above the poverty line. To ensure use of the EITC, including awareness of advance payment availability, outreach efforts, to both recipients and employers, should be enhanced. All welfare recipients, upon application for and departure from welfare programs, should be notified in writing of the availability of the EITC. Employers should be required to inform new employees of the option of having advance EITC payments available through their payroll. At the same time, the federal government should continue to explore ways of establishing a more effective and efficient advance payment system.

14. Given that child support enforcement services are critical to preventing poverty, child support by absent parents should be enforced more vigorously through mechanisms such as: establishment of paternity as soon as possible following birth; periodic update of guidelines for appropriate support payment levels; interstate coordination of central registries for collections and disbursements; and a federal child support enforcement

clearinghouse, and other federal assistance wherever possible. However, failure of efforts to establish paternity should not result in disqualification for welfare eligibility. A safety net of assured minimum child support must be provided regardless of parents' employment status.

Conclusion

The NJCRAC is committed to calling to the attention of the Jewish and general community the problems associated with poverty, and to advocating support for those programs that will move individuals and families out of poverty toward self-sufficiency. The NJCRAC recognizes federal, state, local, private, and individual responsibility in working to develop a coordinated program of support for welfare recipients and their families.

The NJCRAC urges local and national Jewish organizations to join in coalition with other civic, religious, and advocacy organizations, and together to disseminate this or similar welfare reform position papers in their states and communities, and to express these positions as preferred public policy to government officials, newspaper and magazine editorial boards, and candidates for office in this election year.

Chairman SHAW. Reverend Jones.

**STATEMENT OF REV. LARRY JONES, PRESIDENT AND
FOUNDER, FEED THE CHILDREN**

Reverend JONES. I want to thank you, Mr. Chairman, and also Members of the Subcommittee, for inviting me to speak on behalf of the hungry children in America.

A very specific word is missing in the Contract With America. I would like to add one word, Contract With America's Children. I would also like to say that I am among friends. I have been to three Congressmen's districts who are present this evening delivering food.

I would also like to say that I have been here since 3:30 and I have heard my testimony about 10 different times, in some cases, much better than I personally could give it. So I would like to veer from it just a little bit because you have my written testimony. I would like for you to know that we have taken food to all 48 continental States and have 30 semis that are going all the time. In December 1993, we took over an old college in Oklahoma City, and the first thing we did was start a Head Start Program, then job training. We have counseling for substance abuse and first-time offenders.

Most people don't know it, but over 80 percent of the people in prison in Oklahoma, when they come out have a problem with substance abuse. We have afterschool tutoring. We have a class on Tuesday and Thursday nights so they can get their GED. We have Granny's Closet so poor children can check out books and educational toys. We have an athletic program and then we have midnight basketball.

You see, I work with Democrats and I work with Republicans. When we came up with midnight basketball, somebody said, oh, that is a Democrat idea. All of a sudden that just set me off because I am an old basketball player from Kentucky, and I didn't know the difference between a Democrat and a Republican on the basketball floor. But one of the things that I think is going to have to be addressed is what we have witnessed tonight.

They have had three breaks. When they had the first break, I went back over across the street and saw positioning between the Republicans and between the Democrats, and the thing that is going to have to be settled before the problem of welfare can be resolved is positioning.

I have heard people today who have jumped on the poor. We all know somebody that has abused the system, but I also noticed today on the front page of the "Washington Post" that States had taken \$3 billion in Medicaid that they weren't supposed to take. So when you start making block grants to the States, somewhere there is going to have to be a safety net.

Of course, I have always worked off the assumption that Will Rogers had, there is not a dime's worth of difference between a Democrat and a Republican. I love you both. But this positioning has got to stop, and we are going to have to quit using the poor as political football.

When they asked me to give testimony, I bought and read the Contract With America. Page 75 is one of the simplest answers. A

person on welfare gets \$12,000 a year. A person on minimum wage gets \$9,000. Very simple math. Get them a job at minimum wage, let them keep the medical benefits and the food stamps, and you work them right out of poverty.

Even the Word says, the Word became flesh and dwelt among us. We are going to have to walk with the poor. They are not going to jump out of poverty. They may crawl. They may start walking. They will not jump.

Now, you have already heard testimony that we are all maxed out. We cannot do any more. We are doing more than we possibly can. Giving is down. People are tired of seeing us come to the door with our handout.

Therefore, I think we are going to have to use the words of Martin Luther King who said, folks, the church is not the servant of the State; the church is the conscience of the State. I am sitting here tonight telling you that on Saturday nights, poor children have nothing to do. Over Christmas vacation, they don't go skiing. Over spring break, they don't go to Fort Lauderdale.

Gentlemen, it is hell being poor, and I feel that my—all my views have changed since I started with my wife, feeding the children in 1979. We have got a problem out there and the problem is too big to be left up to politicians.

We are going to have to roll up our sleeves and work together and get down in the ditch, and here is what I have discovered in the ditch. In the ditch, you don't ask, are you a Republican, are you a Democrat? You don't ask if you are a Christian or if you are a Jew. You have a job that is so immense in front of you and that child of the future is so precious to you that you roll up your sleeves and you go to work. This is what we need today. I am outraged sitting here for 5 hours and going across the street and seeing the positioning.

Did you know that right now the Republicans are acting like the Democrats did 2 years ago and people are saying to me, didn't the Democrats get it in November? Hold it. Republicans didn't get it in 1992 when they lost the Presidency. Nobody knew that was coming, and the real question is, what does it have to do with hungry children?

And so tonight I hold up to you the hungry children of America, and I am saying to you, I will come to your district, I don't care what your religious faith is, what your political party is, we will work with you. These people here will work with you, but we got a problem that is bigger than all of us and it is going to take us all to solve it.

Please, in the name of hungry children of America, quit bickering over whether it is a Democrat or Republican idea and remember, it is amazing how much you can get done when you don't care who gets the credit.

Mr. LEVIN. Amen.

[The prepared statement follows:]

REVEREND LARRY JONES TESTIMONY
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
WAYS AND MEANS COMMITTEE
HUMAN RESOURCES SUBCOMMITTEE

JANUARY 30, 1995

Dear Mr. Chairman and Members of the Subcommittee:

Thank you Mr. Chairman and Members of the Subcommittee for inviting me to speak on behalf of the hungry children in America.

There is a only one word missing in the "Contract With America."

1995 is the most pivotal benchmark in modern American politics, and this is the time to seize the atmosphere and bring about real, effectual change in welfare that clearly tells your constituents that today Congress is making a bipartisan "Contract With All America."

For the past quarter of a century, Democrats and Republicans; the rich and poor; the white collar and blue collar; men and women; young and old have complained about the welfare system.

Everyone in this room agrees, change is desperately needed. On history's clock, this may be our only hour to make the welfare programs work for the children who Feed The Children delivers food to every day.

Let's not lose time on history's clock. We have an opportunity to write the pages in our children's history books on how America's poor was not lost to partisanship nor a periodic political skirmish.

The families we meet through Feed The Children's programs are not graduates from high-level schools and colleges that teach theory, but the College of Life - where every day is a lesson in choices and decisions in order to survive.

As they struggle through the courses of the College of Life, lobbyists representing other interests are pounding the hallways of Congress.

Who is lobbying for the poor? Who is lobbying for the children? No one because without funds, they are powerless. Therefore, their concerns are not heard in the hallways of Congress.

When these programs were developed in the mid-1930s, they were developed to serve children, orphans and widows.

Now, somewhere in the rhetoric of the day, children have gotten lost. And if we don't find them, we're setting a whole different tone and flavor for what our society is going to be in the future.

The poor children are crying out for help, but our society is not hearing them until they grow up and become gun-toting teenagers.

It is a matter of having programs and services that will not penalize the children who right now cannot care for themselves or scream loud enough to be heard.

In addition to the 1 in 7 children who are currently on welfare, there is another whole segment sitting on the edge of welfare whose parents are working more than one job.

Last month, the Labor Department stated that there are more Americans holding down two or more jobs than there are unemployed.

For the past 25 years, multiple-job holders has increased 88 percent, and it is this segment of the population who are going the extra mile to provide for their families and trying to stay off of welfare.

Obviously, they do not have the financial means nor time for lobbying state and federal governments. However, appropriate programs and services will help keep them from slipping across the edge into welfare.

Welfare reform will always be an intensely debated issue because old stereotypes die hard.

TOP 10 FACTS THAT BREAK WELFARE RECIPIENT STEREOTYPES:

1. 90% of welfare recipients are acting personally responsible because they are pursuing means to provide for their families. Several million families use welfare programs according to its original intent;
2. Over half of welfare recipients are white;
3. Most AFDC recipients do not have another child for a mere \$83 a month which doesn't even buy diapers;

4. Welfare programs combined are only 3% of the federal budget; it's not the threat to balancing the budget;
5. Oklahoma's average AFDC recipient is a 24-year-old divorced woman with 11 years of schooling, some work experience and two children;
6. The average age of first receipt of Oklahoma's AFDC services is 24.3 years old;
7. A majority of AFDC recipients already leave the program at around 2 years (26 months in 1993);
8. Two-thirds of all women raised in welfare families avoid turning to the system as adults;
9. Most recipients would get off of welfare if they could keep their medical benefits;
10. More than half (57%) of welfare mothers have a high school diploma. The average educational level in Oklahoma is 11.8 years.

Feed The Children has found that a home without enough food to feed a family is also a home lacking other basic essentials, such as proper clothing, electricity to warm the home, medicine, transportation and a working-level education.

Then, the family finds itself entrapped in the agonies of poverty.

TOP 10 AGONIES OF THE POOR:

1. The "Contract With America" cites one of the major agonies on page 75: A single mother can make \$3,000 more per year by staying home receiving welfare benefits versus working at a minimum wage job while losing the benefits;
2. There are usually more days in the month than money for most poor families. Likewise, most of the feeding centers across the country run out of food before the end of the month. The last week of many months, American families are penniless and hungry;
3. Fixed income creates depression which manifests a lack of motivation to work. People need something to get up for in the mornings.
 - Just south of the glitzy, high-rent Dallas skyline is an area called Sand Branch where the living conditions are comparable to any Third World neighborhood -- no indoor plumbing, homes filled with smoke from wood-burning stoves for warmth and some have 15 people living in a two-room shack.
 - We met a lady there a couple years ago who said she was depressed because she was living on a fixed income and not working. Recently, we met her again.
 - She told us how the simple act of bringing her food two years ago made her feel that someone cared and that the food gave her the little extra hope and courage necessary to look for a job.
 - Today, she is employed and has extra cash to repair the holes in her home's exterior walls so that she can provide a warm, respectable home for her son.
4. They risk their medical benefits if they take the initiative to get off of welfare because many jobs do not come with health insurance, or it is too much of a deduction out their paycheck.
 - At Feed The Children, we have one of the most economical health insurance programs. For a family, it still costs over \$200 a month which is a substantial amount of money for anyone;
5. The cost of day care cancels any incentive to work at low-paying jobs;
6. The risk of selling drugs makes more sense than working at low-paying jobs.
 - In our work with gang members, one told me that it did not make economic sense for him to work at a minimum wage job when he is supporting his mother, wife and child and can make a \$1,000 a day without even working. But, he decided that a minimum wage job made personal sense because it would keep him out of prison.
7. Many welfare recipients are bound to their locale and cannot afford to move where jobs are more accessible, nor are they able to travel for interviews;
8. Many cannot afford a car to drive to work because owning a car also requires money for insurance, gasoline, parking, maintenance and repairs;

9. Some families get so far behind that when they do get a job, it takes years to catch up, long after losing welfare benefits;
10. Constant trade-offs: Do I pay the electricity or water before they're cut off which will require additional costs to reconnect, or do I feed the children?

To address these traps, a couple years ago Feed The Children went beyond putting food on the table and began The S.P.O.T. which is short for Shaping People of Today.

The S.P.O.T. provides welfare families services for all of its members in order to halt the inter-generational cycle of poverty.

Parents and single mothers receive job training, assistance, placement and follow-up counseling, educational training, nutritional and budget classes, and life-skills training; teenagers benefit from a variety of athletic programs; and smaller children participate in Head Start programs, access to a library filled with educational toys and books and athletic programs.

At our basketball clinics for small children, we noticed that they arrived lethargic. We soon discovered that none had eaten breakfast, so we began providing food each morning. They had a sudden burst of energy, enthusiasm, increased level of concentration and motivation to learn for the next three hours.

Many opinion leaders have criticized midnight basketball programs, but they are admitting their own ignorance about the daily lives of poor children. They simply do not have anything to do on Saturday nights.

Idleness is the devil's workshop. In America, we have given Saturday nights to idleness which has precipitated the drive-by shootings and gang-related crimes that we read about in the Sunday papers.

We must address the effects of poverty on today's children before they grow up and become gun-toting teenagers.

In Pearl's Kitchen, Pearl Bailey wrote over twenty years ago that "hungry people cannot be good at learning or producing anything, except perhaps violence."

During 1994, 300 single mothers with children and older adults, who have never faced the need for assistance, have graduated from The S.P.O.T.'s job assistance program. Their current employers are so happy with their work ethic and ability to perform the duties, that many are requesting additional referrals for employment.

The first graduate who we placed in a job, Ismael, was receiving food stamps and living in a shelter because he had no place to go after being released from prison. Before coming to The S.P.O.T., he had no hope of ever finding a decent wage-earning job.

Within the first 90 days at his new job, he was selected Employee of the Month and later promoted to supervisor. He now has a home, a secure job, owns a car, and most of all, a new lease on life. His employer has hired additional graduates from The S.P.O.T..

This example is typical of the responses we receive from graduates and employers.

In our fifteen years of delivering food to poor families across America and during the past year of personally assisting individuals and families to get back on their feet, we have found that the following incentives would be real reforms:

TOP 10 WAYS TO IMPROVE WELFARE PROGRAMS

1. Increase jobs in rural and small town areas. Job training is great, but inconsequential when there are not any jobs in the welfare recipient's locale;
 2. Provide incentives to finish high school. 68% of those on AFDC rolls have never finished high school and many lack even the most rudimentary skills, such as the ability to read a map;
 3. Provide an incentive to work. During former President Ronald Reagan's transition in 1980, many able-bodied recipients were petrified that he would carry out his campaign promise and slash welfare. They hustled to get jobs. But soon their fears of campaign rhetoric subsided and many returned to the public dole. It was clear that simply fearing the loss of social assistance may have been the greatest motivator to get their lives in order.
- Rather than using fear as the big stick, we can utilize compassion and commitment with a "fill the gap" measure which will reduce the number of recipients returning to welfare. Once employed, "fill the gap" by continuing medical and child care benefits for a period of transition while the recipient is trying to catch up and get their feet on the ground financially;

- For example, a single mother can make \$12,000 per year on welfare programs, but only \$9,000 at a minimum wage job. The government can save \$9,000 per family by continuing her medical and food stamps while she's being paid by a private employer. Most of all, she is gaining self worth and independence.
- 4. Provide a tax credit to companies as an incentive for employing individuals who are trying to get off of welfare;
 - Oklahoma has been at the forefront of welfare reform, and last year, more than 3,500 people moved into unsubsidized employment. These numbers could increase by providing a tax credit to employers.
- 5. Deter inter-generational dependency through Learn-fare which requires 80% school attendance to receive AFDC benefits. Learn-fare begins this spring in two Oklahoma school districts.
- 6. Deter food stamp fraud and theft. Although a small percentage of welfare program users abuse the system, in all the homes I have visited across the country, I have never seen a \$600 toilet seat in a welfare home.
 - Oklahoma will begin this summer an electronic benefits transfer card that functions similar to a credit card and will reduce abuse.
- 7. Provide public service work opportunities which will help weave welfare recipients into America's mainstream working fabric.
 - Oklahoma is seeking a 3-year limit on benefits, at which time recipients have to fulfill public service work requirements.
- 8. Raise the maximum worth allowed for a recipient's car from \$1,500 to \$5,000. Recipient families need a car so they can have transportation to interviews and jobs that may be outside of their immediate locale and because public transportation, if available, has limited routes and time schedules.
- 9. "Head Start" should be renamed "Equal Start" so that poor children feel that they are on the same playing field as middle-class children;
- 10. Take reform to the front lines. The Personal Responsibility Act acknowledges that the best solutions come from the states, not Washington, D.C. Regardless of success or failure, Washington cannot wash itself from responsibility by turning it over to the states. Whichever level welfare programs are administered, safety nets need to be built in for the thousands of unique cases ranging from south Chicago to the Appalachia to Indian Reservations.
 - The government can assist in taking the aid directly to the needy by providing tax credits to non-governmental groups, such as feeding centers that are on the front line distributing food and other essentials directly to the people.
 - Hubert Humphrey stated "the impersonal hand of government can never replace the helping hand of a neighbor."
 - A report in the Independent Sector found that churches and synagogues are the primary service providers for neighborhoods. The poorer the community, the larger impact by the church or synagogue.
 - Programs similar to The S.P.O.T. in Oklahoma City, which provide a variety of social services, can be the safety net for those who need extra attention not provided by state or local governments.
 - A middle-aged mother who graduated from The S.P.O.T. program stated that it helped her to overcome fear of applying for jobs and boosted her self-confidence. She felt looked down upon by the Department of Human Services staff which perpetuated her loss of confidence and courage.

MINIMUM-WAGE COMPUTER JOB

I know that the subcommittee members have heard countless reasons why people remain on welfare and how it can be fixed, so I would like to recap these reasons by taking a closer look at the old adage, give a man a fish and you feed him for a day, but teach him to fish and you feed him for a lifetime.

For the sake of today's reality, I will use a minimum-wage job as a substitute for going fishing.

Once upon a time, a mother of two children wanted to get off welfare; she decided to take control of her life, apply this old adage, and began working in an entry-level position at a computer firm as an assembler at minimum-wage.

First, the mother, Alison, has to have a car to get to work because the bus route doesn't include the suburbs.

But, she's afraid to drive because her car frequently breaks down.

Alison cannot afford to pay \$200 to have it fixed because then she wouldn't have any money to pay the gas, water and electric bills.

She's determined not to let any barriers obstruct her path toward independence and a productive life, so she goes ahead and drives to work, dropping off her toddlers, Ryan and Leslie, at the day care center.

The cost of day care is \$135 per week for both children, but her minimum wage job as a computer assembler only brings home \$180 per week.

While restoring self-worth and earning independence, she's now spending 75% of her money -- earned the old-fashioned way -- on day care.

On Alison's first day at work, she finds her peers are mostly college graduates, who are also trying to make ends meet.

But now, she loses a little bit of hope for a promotion to a better paying job within the company because her peers have an advanced education, and she is still completing her GED in between working 40 hours a week and maintaining a decent home for Ryan and Leslie.

Alison remains motivated to get off welfare and refuses to lose any courage or to feel threatened by her fellow high achievers and works as hard as she can.

At 10:00, Alison meets some of her new colleagues in the coffee-break room. The first person she meets is Patty who has worked on the assembly line for four years and is still making minimum wage.

Patty had one year of college before marrying and now is the single mother of three children. She explains that after four consistent years of working, she still cannot properly feed and clothe her children on her wages.

Since the assembly-line work is a dead-end job at this company, Patty said she works a second job on Friday nights, Saturdays and Sundays.

Although this second job helps her pay the bills, she never gets to see her children.

Patty said she read an article last month where the Labor Department released figures citing more Americans are holding down two or more jobs than there are unemployed.

"You know," said Patty, "they say teach a person to fish and you feed them for a lifetime, but I've been fishing and I still can't feed my family through the end of the month. Apparently, fishing in this market doesn't pay."

Patty tells Alison that if the power suiters in Washington really wanted us off welfare, they would at least encourage companies to pay what welfare pays.

"I may have only completed one year of college, but you know the Democrats approach hasn't worked and I checked out the 'Contract With America' the other day at the library," Patty continued.

"The solution is very simple, but because they try to complicate everything, they didn't even notice it in their own book." (Patty's answer is on page 75 in the "Contract With America" paperback version.)

"I can make \$12,000 a year on welfare programs, but only \$9,000 at my minimum wage job. The government could easily save \$9,000 by letting me work and continuing my medical benefits and food stamps. In the meantime, I'm restoring my self-worth and being a productive citizen."

Sitting at the next table is Natasha who begins to tell Alison and Patty how she completed her masters degree in business administration and even worked for a National Football League player.

Natasha added that the government could provide an incentive to companies by offering tax credits for hiring employees who are trying to get off of welfare.

At the end of football season, Natasha lost her job and has not been able to find another one. So she's assembling computers in order to put food on the table for her children.

Natasha confided to the group about how she and her husband decided to divorce so that she could get more money as a single mother -- for the children's sake.

She said it seems that this cycle of poverty breeds dissension.

Then during the scheduled lunch hour, an older woman named Betty told Alison that if it had not been for her church food pantry, that her family would not have had enough food to eat after her husband lost his job at the town's Savings and Loan due to layoffs.

Betty said "Hubert Humphrey must have been right when he said 'the impersonal hand of government can never replace the helping hand of a neighbor.'"

However, her husband's hopes had been raised upon hearing that one of his laid-off friends got a decent-paying job at the next town's bank.

Betty told Alison "well, that's great, but he is only one in 259,529 Oklahomans in line for decent-paying jobs."

Alison wondered how it is that during campaigns when politicians listen to the voters concerns at media-hyped town hall meetings and when they arrive in Washington, they seem to lose their memory.

Alison's remedy is that politicians may need to be treated for Alzheimer's.

Natasha looks and sees two pastors on their weekly visits. She calls them over and tells them that they were discussing the downside of their jobs and why we are worse off than when we were on welfare.

Dr. William Bonner, of Christ Church, and Reverend Homer Smith, of Greater Hope God In Christ Soon Coming King A.M.E. Church, said they combined the efforts of their exclusively white and African-American churches because they were amazed at how much can get done when no one cares who gets the credit.

Reverend Smith said he doesn't understand Washington. People say Democrats understand what happened in November 1994, but I don't think they understand any more than the Republicans did in 1992.

I guess Will Rogers was right -- there's not a dime's worth of difference between the Democrats and Republicans.

Dr. Bonner agrees by saying we ought to follow the command of our Lord by having a banquet for the poor, the hurting and the rejected. Today's political parties have "parties" for themselves.

Dr. Bonner asks everyone if they read about the \$15,000 -- and the \$50,000 -- per plate parties.

Alison said "you don't have to have a party for me . . . just help me keep food on the table."

Reverend Smith mentioned that he saw on ABC "Prime Time" a story about an African-American woman who sells food stamps and buys drugs which gives the wrong impression since most Americans already believe more blacks are on welfare than whites.

Reverend Smith continued that we all should know by now that actually half of welfare recipients are white and that only 10% misuse the system.

Another employee said "well, all I have to say is that no one will ever find a \$600 toilet seat in a welfare mother's home."

Betty laid bets that probably most sitting legislators did not personally know a poor person, nor anyone who had ever been on welfare.

But, she hoped that maybe Congresswoman Lynn Woolsey will begin to educate her peers about life on welfare.

Betty said if the government gives the money to states, they had better have safety nets because everyone will not fall into the same category.

Just as they were wrapping up on how Washington probably intends to throw the responsibility back to the states so that they can escape any blame, a part-time employee, Jeffrey, became ill. Everyone rushed to his aid, and one of the college-graduates started to call for an ambulance.

But the ailing man said not to call because his medical bills are already insurmountable, taking every penny he earns at work. As a part-time employee, Jeffrey said that he does not have any medical benefits.

A sense of hopelessness overwhelms Alison and squashes any courage and motivation. She begins to leave work, and now her car won't start.

If her children, Ryan and Leslie, are not picked up within 15 minutes, the day care will charge her an extra \$1 per minute that she is late.

Panic takes over, eventually the car starts. Alison is 15 minutes late to the day care center and she has to fork over \$15 which was budgeted for food.

It's the last week of the month when the local food pantry usually runs out of food, so Alison, Ryan and Leslie arrive home to sit down for dinner -- at an empty table.

The next morning, Alison has to miss work in order to locate a food pantry with food which can only be done during business hours. In the meantime, she loses her morning wages - \$17.

The frustration is too much, so she buys some cheap cocaine in order to escape the moment. But she still finds herself entrapped in the cycle of poverty.

These are real stories, but the names were changed to protect the victims of poverty.

CLOSING

American voters made one of the boldest moves ever in modern political history. Collectively, they have become the commander-in-chief of the legislative branch with orders for a revolution of far greater impact than the executive branch during the Reagan Revolution.

The American electorate has breathed a second wind into President Abraham Lincoln's Gettysburg Address "that this nation under God shall have a new birth of freedom, and that government of the people, by the people, for the people shall not perish from the earth."

Your constituents, in their new role as commander-in-chief, expect a bold, swift response to a tall order. Otherwise, they are capable of ordering dishonorable discharges again in November 1996.

An African proverb states "poverty makes a free man become a slave."

Programs like AFDC, combined with food stamps and housing assistance, although meant for good, have broken up more families than slavery ever did.

As a result of these broken families, children are being raised without fathers in the home. This single fact contributes more than anything to the chaotic atmosphere in America.

The downward spiral of poverty is the root for many of our country's ailments. The deeper the root grows, the more crime, drugs, illegitimacy and illiteracy sprout like uncontrollable weeds.

As a child, I remember watching my mother pull weeds in the yard. Congress needs a weed-pulling 104th Session and spend the necessary time on shaping an effective welfare program that encourages an upward spiral out of poverty and starves the ailments.

Even Aristotle and Marcus Aurelius knew in their days that "poverty is the mother of crime."

A current congressman of the majority party told me recently that both Democrats and Republicans are only nibbling at the welfare problem.

In the meantime, the new Congress is distracting itself by playing "gotcha politics" and "gotcha journalism," instead of focusing on real problems.

I hope that I do not have to return in 25 years to testify about a mess that was created in 1995. Welfare reform is inevitable. It's something that is needed. Hopefully, we have learned why the War on Poverty programs have not worked and we'll get it right in 1995.

As a voter, I charge each of you to respond to the electorate's order for welfare reform with boldness, statesmanship and leadership.

Voters have expressed a contempt, similar to Walter Lippmann's tone in Drift and Mastery, for "anyone who picks his way through the world as if he were walking on eggs."

Government exists not that some can have more, but that all can have some.

Make today the beginning of the "Contract With All America."

Mr. RANGEL. Listen, there goes those bells again, but let me say this. Those children are going to need some help. If we were dealing with capital gains tax cuts tonight, there would be lines outside trying to get into this room and every seat would be filled, but unfortunately, if you have the votes, you move with it and the kids are going to lose.

I just wish there was some way that nobody in America could say, I didn't know they meant that. And I want to thank you all for waiting so long to share with us what is in your hearts and try to think of some way that the rest of America that mean well, look at the fine print. Everyone is frustrated with the system, but most people didn't know that they meant to do this.

Thank you so much.

Mr. FORD. Thank you very much.

Mr. Collins.

I am going to be very brief. I have to go and vote as well.

I would like to associate myself with the remarks made by my colleague from New York, Mr. Rangel. And I would like to thank Ms. Nelson and the ministers of the clergy for your testimony before this Committee. And I, too, would trust that all of us, Democrats and Republicans alike, will put children first and think what is in the best interest of our children and the poor children of this country more so than anything else.

Thank you again.

Mr. COLLINS [presiding]. Well, as you can see, we are quite busy running back and forth across the street. I think we all need a set of roller skates. We do appreciate each of you coming and your patience in waiting to testify, and we do hate it that there has been such an interruption in between testimonies.

Larry, I just caught the tail end of your comments. I wish I had been here to hear the full amount, as I had heard most of the other speakers, because it sounded like you were just bringing over a carryover from yesterday. I am sure you had a real stemwinder yesterday morning in the pulpit, so it sounded like you were carrying it forward.

I think it is very important to understand that no one group, no one party, no one individual has the answer to the situation we are facing with welfare reform or welfare replacement, or however you want to describe it. I think you made a very good point that it shouldn't matter who gets the credit, but what is done. Getting the job done is what is important.

We are not only faced with trying to do something in the area of just welfare reform itself as far as that type of legislation, but we are faced with several other areas of legislation that we are dealing with that I think go hand in hand with welfare reform, and that is in the area of job creation. We must put back in place the necessary incentives, and I don't think we are looking at quite all the things that we need to look at in tax reforms with just the bills that we have facing us, we have put forth with the Contract With America.

I think we have to go further into the Tax Codes later on this year or sometime early next year, but if we are going to have any success with this program, we must look at the incentives and cre-

ate jobs that pay people enough to look away from that incentive to stay on welfare and look toward the job placement.

So I am hoping again that not only will we have bipartisan efforts in the area of welfare reform or welfare replacement, but we will also have bipartisan effort in the area of creating jobs to put those people—remove them from welfare to a work setting.

I see a couple of my colleagues are back.

Questions, Ms. Dunn, or Mr. Ensign.

Mr. ENSIGN. Thank you, Mr. Chairman.

Sorry about not hearing the rest of your testimony. They got us on a wild schedule tonight.

Rabbi, I would like to have a little dialog about some of the things that you addressed. You mentioned in the Bible that there is a long history of taking care of the poor, those who are truly needy, but from my understanding of reading the Bible, it was voluntary. It was not a forced giving—I mean, it was a commandment from God but it wasn't a commandment from the government to take care of the poor.

Rabbi SAPERSTEIN. Yes.

Mr. ENSIGN. And the reason I bring that up is because the word "compassion" means to suffer with, and it seems difficult to me for the government to be compassionate by definition. It seems that private organizations, churches, synagogues, local charitable-type organizations, there is that human factor there, that somebody is not subjugated to a bureaucrat waiting in a line. And while there needs to be some—whether it is Federal Government, local government, State government, whatever—there has to be some kind of an involvement there, especially how massive the system is now, until at least we can work toward more of a charitable-type situation, but it seems to me that it is so much more compassionate.

It seems to me that it is a system that is more of a hand up than a handout, and it is done so much more with taking into account specific needs instead of a cookie-cutter approach to every single case.

Your comments?

Rabbi SAPERSTEIN. These are important questions and I am glad that you put them on the table. In each profession, there are certain assumptions that people who live and breathe in that profession know about, and there is much you take for granted in political life that we may not know. Let me just share with you one thing that everyone at this table is aware of.

Mr. ENSIGN. By the way, I haven't been here long enough to take it for granted.

Rabbi SAPERSTEIN. In the Bible, there is no word for charity. Let me also point out: I have been teaching Jewish law for 15 years at Georgetown Law School and have written widely in this area. There is no word for charity. It doesn't exist. The word in the text is tzedaka, and it is the only word we have that approximates charity. It is a word that means righteousness and justice, and it refers to the money an individual gives to help poor people. It is called tzedaka money.

That system was incumbent upon people. It was the equivalent to a taxation system. You could do more over and above that if you wanted, but you owed that, coming from the Biblical idea that

what we own, we own in a trust relationship with God. "The Earth is the Lord's and the fullness thereof." And the Jewish tradition understood that, as trustees we were obligated to share the wealth that God had entrusted to us with those of God's children who were less fortunate.

The second point I would make is that, in the Bible, it wasn't totally clear who insured that the poor would be fed and the widow and orphan taken care of, who would insure that the corner of the field would be set aside for the hungry. But by Talmudic times, 2,000 years ago—at the time that Jesus lived—it was widely agreed upon. And it is different than either liberalism or conservatism today. It was both an individual responsibility and also a governmental responsibility.

Every community had to have at least four major social welfare funds, plus a school for rich and poor alike, a food fund, a money fund, a clothing fund and a burial fund. In the Middle Ages, that had grown into a full network of social welfare institutions run by the community, as a matter of fundamental justice, akin to the ones that we have today. And government could intervene in the workings of the economic institutions in order to make them fairer and more equitable.

The tradition was also very sophisticated and knew many of the counterproductive problems that we face today, problems with which you are wrestling with. The tradition dealt with all of these problems, but the test was always protecting the children and the vulnerable to make sure that, in Paul Tillich's words, I think it was, God's pervasive preference for the poor was taken care of. That was our responsibility, and that is what we are asking of you.

Reform it in whatever way you want, but make sure we don't reform it by plunging more people into poverty and hurting more children. That is the basic test.

Mr. ENSIGN. The point I think a lot of us want to make is that right now we are destroying the children. We have done that for the last umpteen number of years, percentagewise so many more children than we ever destroyed before by our welfare system. Our welfare system has destroyed the inner-city family, has destroyed those children. They grow up with more crime, with more feeling of despair under the current system. And saying that we are doing that to protect the children would be just as wrong as doing nothing. What we have to do is we have to seek to try to do the best that we can for these children, for the next generations.

Rabbi SAPERSTEIN. We are the ones who work on the ground with these people. None of us are naive about the reality of the problems that you identified. There may be a little of the post hoc, propter-hoc policy that because two things happen in sequence, they are connected, because welfare is what it is and the other problems are connected.

Putting that aside, every one of the problems you are wrestling with, we recognize. And as you heard alluded in the testimony here, to every one of those problems, we can suggest effective, proven responses. Substantial programs to address them not in a naive sense of maintaining just the status quo, but changing the status quo to strengthen families, to reduce illegitimate births, to reduce

fraud. We can talk about things that work, that really work, in a way that won't penalize the children.

We ask you to look at this testimony carefully in that light to see other ways than the Contract has proposed, the Personal Responsibility Act has proposed, to achieve the very goals you want without punishing the children.

Mr. ENSIGN. Thank you, Mr. Chairman.

Reverend KAMMER. May I add something?

I think there is a vast misunderstanding of the capacity and the relative roles of government and the churches. What we do, most of us, all of us I think, is we help people in those moments of crisis when whatever their means of income—job, AFDC, SSI, Social Security—doesn't meet their needs. So we help them with the rent deposit that they can't put together or to pay the medical bill that they can't deal with, and so forth.

None of us provide baseline income to poor families. That is a task, and this is in Catholic social teaching, that this Nation recognized 60 years ago that we did not have the capacity for.

Mr. ENSIGN. If you will indulge me for 30 seconds.

Mr. COLLINS. Thirty seconds.

Mr. ENSIGN. Thank you.

From my perspective, that is wrong. From my perspective, the church isn't an institution. The church is the people in that institution. We need to have the church, the synagogues, take the roles back. Bring back where a family sees another family in need, a widow, or whoever it is, in need and they adopt that family as a body, and that is where I think the church's role is. I don't think that is government's role.

Reverend KAMMER. Let me give you an example; we were serving 3 million people in 1981. We are serving 10.5 million people in 1993. In those 3 million people in 1981, only 1 million needed emergency assistance, food and shelter. So for 2 million others, what we were doing was helping people get back on their feet. Now it is 7 million people needing emergency assistance, food and shelter, because of the downturn in the economy and the cutback in government programs and services.

So we have reached out and stretched ourselves, and all of us can give you statistics like that, but, in fact, the very burdens that have been pushed onto us because people can't meet their basic needs, make it impossible for us to do the long-term personal change kinds of work we had always done to help people get back on their feet. We have—I mean, it is a 700-percent increase in Catholic Charities across this country in 12 years. So we have done that.

But what we hear you saying to us, sir, in the Contract is, there are another 5 million people coming, folks, who are going to need that baseline income for themselves, which we have never had the resources to provide. Our people are immensely generous, and our parishes across this country have opened soup kitchens and food banks and food pantries and reached out to families and done emergency assistance and driven people to the doctor, and so forth, but we cannot carry the burden that we see—this is universal—you are about to lay on us.

Mr. COLLINS. Let's move on and Ms. Dunn, do you have a question, please?

Ms. DUNN. Thank you, Mr. Chairman.

Sorry that I missed most of your testimony, but it wasn't because we didn't want to be here.

Father Kammer, I wanted to ask you a question. I was interested in your question, the idea of the atonement child, and it is a point of view I hadn't considered before. It was very interesting to me. I wanted you to link that up with your comment that "orphanages are us."

As you know, we have discussed this concept and been ridiculed by a lot of folks who don't understand the meaning behind it. I would like you to give us the perspective of the Catholic Church and how you provided the sort of care that is so useful to a mother and child together and perhaps design a model that might be useful to us as we put our program together.

Reverend KAMMER. Thank you for the question. As I say, we take care of about 20 percent of the kids in the country who are in some form of alternate care, out-of-home care, whether it is foster care, group homes, or the more traditional residential facilities.

We think there is a place for all of that spectrum of care, depending on the kids. Our people who run the more, what you would call, restrictive residential facilities, think we often get kids too late off the foster care system that come to us with very, very severe, multiple presenting problems, who would have been better off if they had come to us 5 years earlier. There is a need to look at the child welfare system around that question.

We distinguish, and this is the point, the conversation on welfare and the problem of orphanages which was the political debate over the last 6 or 8 weeks. The question about child welfare and the child welfare system and abuse is separate from the question of AFDC or family income support, and I think they have to be looked at separately.

But in that area, let me come back to that, of young teen parents, we have argued for, in our presentation and from the experience of our agencies of about 10 years of some trial and error programs, that for young teen mothers, we think they need a structured environment with supportive services to help them be good parents and to raise their kids and to avoid future pregnancies, and so forth. And that can be done either in their home, if the home is not a place of violence and sexual abuse, and so forth, or it needs to be done in an alternate structured environment, which could be, again, depending on the mother and child, a group home, sheltered environment, apartment living, where the other services are offered to them. And we think they need that. And that will, in our experience, reverse the repetition. There is both a cycle of poverty and a cycle of teen pregnancy in this country.

And so that is what we have tried to offer to the Committee. And so we would see just not giving a check, for example, to a young teen mother and sending her out to an apartment. That is a destructive process, we think.

Ms. DUNN. And I really think that is what we are trying to get at when we hear Members on our side of the aisle talk about orphanages. Maybe that is not the right term anymore. It is that

same idea of a structured, loving environment, where the young girl and her child will have a chance of avoiding that cycle that none of us wants.

Reverend KAMMER. But they are immensely expensive, and that part of the debate was correct on the other side of the aisle. In other words, the whole country made a decision 50, 60 years ago—actually the material I read says at the turn of this century—that it was better not to institutionalize children unnecessarily. Nobody is talking orphanages in the sense of taking 1-month-old babies and putting them into a facility. None of those exist anymore. It is always done in the context where you can have either a loving parent or an alternate to a loving parent, but that some children, and even some mothers with children, need a more structured environment.

But it is very expensive, and so all the States, everyone, have pushed the people needing help as much as possible into the least structured environment. But we think the full spectrum has to exist across the country, and different people will need different responses to their needs.

Ms. DUNN. Thank you.

Mr. COLLINS. Thank you.

Again, thank each of you.

Chairman SHAW. Mr. Chairman, let me if I could, just put a point in here with Father Kammer, because I think there is a lot out there that is misunderstood.

What you are talking about for the young mom, putting her in a structured environment, that is what our bill says. It just says that we are not going to pay cash benefits. You are against that.

You are against the cash benefits, so are we, but we are not cutting them off. We are not walking away from these people. They are the most vulnerable among us. We want to keep the mother with the child and we are going to do all we can to see that that happens.

So I think there is a lot of fear out there that is unjustified. This is not a heartless bill. We are working together, we are trying to work together.

I think, Reverend Jones, you made reference to some bipartisan efforts going on. There are. We have a team put together of the Governors. We have heard from three Democrat and three Republican Governors. We are on the same track. We disagree around the fringes and around the edges, but we are working together.

The President convened us down at the White House this weekend. We saw people working together and cooperating like we have never seen before. And so we are working together. We are talking about the poor. We are talking about children, and we are going to see these children are taken care of.

I think one thing that everyone on this panel and everyone up here on the Committee will agree upon, the present system is broken, the present system needs to be repaired, and we are going to do it and we are going to do it in a bipartisan way.

We will have our disagreements and those disagreements will be what is amplified, but when it is done, we are going to have a product that is a lot better than what we have today.

Thank you, Mr. Chairman.

Mr. RANGEL. Mr. Chairman, every time I hear from Chairman Shaw, I feel better, because the things I have been reading that have been attributed to your party, are not the kind, compassionate words that I hear from you, I believe.

I have just heard these wonderful centers for mothers being described, that is what the Speaker meant when he said orphanages. And I just wish, Mr. Chairman, Chairman Shaw, that we can get some sunlight on these meetings where you are coming up with all of this compassion, because I am still reading from the old papers that were submitted.

Now, is there a safety net in the Contract For America, to America, that provides that the child would be protected? It sounds like that is what you are saying.

Is there a safety net that if there is no employment at all in a particular community and the person tried to find work, the Contract says 2 years and it is all over. Is there anything that says that if a mother really tries to identify the father and they can't, the State won't help, according to the Contract, it is all over. So if we are changing these rules, let us all work together and throw away the Contract and come up with something that has some compassion for, if no one else, for the child.

Now, I hate to keep doing this but you have to admit that the Contract is pretty mean spirited. I mean, it doesn't have these things that you talk—

Chairman SHAW. I think it is a question of really reading the Contract. When we talk about the question of the young mothers, there are provisions for them and it is set out in there. Unfortunately, the only one that anyone has been reading about is the one that says orphanage and that is the only time that word is even used in the whole Contract.

Mr. RANGEL. Strike orphanage. I am saying 18 years old, you are not living with your mother, you have been kicked out, can you get any welfare at all?

Chairman SHAW. Yes, yes, they will be helped.

Mr. RANGEL. AFDC? That is in the Contract?

Chairman SHAW. They will not get it in the form of cash benefits. That is in the Contract.

You know, you sat through these hearings, too, just like I did. We had one witness that said something that I think is just staying right with me. They said giving a 14-year-old, a 15-year-old cash benefits, is a federally funded form of child abuse. And I think that is what we are hearing from the witnesses. We need a structured environment. We need to bring them together and there are provisions where they can be held. Group homes, foster homes, and these moneys can be used for this purpose and that is where it ought to be spent.

Mr. RANGEL. What I am asking is, is there a safety net? I don't want to just tell the States these are the wonderful things we can do.

Chairman SHAW. I will be offering an amendment that will provide that a certain percentage can be set aside by the States to take care of exceptional circumstances, and these circumstances will be in the areas that you are referring to.

Mr. RANGEL. If I didn't have faith and confidence in your friendship and compassion, I would be a very disappointed Member of this Committee. So I am going to disregard what is in that Contract and I am going to depend on you.

Chairman SHAW. Thank you, Charlie.

Reverend JONES. I think I should just say one thing. We were just given 16 apartments and a group has come to us in Oklahoma City addressing this very issue. The girls are kicked out, they are under 18, they don't have a place to stay, and we are fixing these apartments up so that these girls can live. We are giving up 32 other apartments, but they were in what you would call an unsafe part of town.

So I think this problem may be larger than most people realize. When a young girl does have a child, often times she is kicked out of the house and has no place to go. And then, of course, the next step is if we can take care of her child at day care and get her back in school, that is what we want to do. We want to make them productive citizens.

But my concern is, because I am dealing with that as we speak, there has to be some kind of safety net. Young girls in exceptional circumstances are out there and we can't control them. We wish they weren't, but they are. So I would just second that because we are dealing with this issue as we speak.

Mr. COLLINS [presiding]. Thanks again, and I think that safety net is going to come from the fact that there are 50 States out there that we are going to give some flexibility to, and we are also going to have the appropriations process to fund those needs as they come about.

We have got another vote on the floor, Mr. Chairman.

What do you want to do?

Chairman SHAW. I would say, we have got three Members who have come back religiously with us wanting to be heard. If you want to be heard tonight, we will come back and take your testimony immediately following the next vote, or we can schedule you first thing in the morning on Thursday's hearing, whichever you prefer. I would hope you would make the decision together.

Mr. KNOLLENBERG. We prefer to do it tonight, I think.

Chairman SHAW. Very fine. We shall return.

[Recess.]

Mr. COLLINS [presiding]. By order of the list, we will start with Joe Knollenberg, Michigan.

STATEMENT OF HON. JOE KNOLLENBERG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. KNOLLENBERG. Mr. Chairman, thank you, and thanks to the Members of the Committee who haven't arrived as yet but will be soon.

I want to thank you for the opportunity to appear here today. Mr. Kolbe and I have asked to be here because we feel that we have an idea that can revolutionize the way we deliver social services to the Nation's poor.

Over the last 60 years, government, whether it be Federal, State or local, has assumed almost complete responsibility for caring for the Nation's poor. Like it or not, our delivery system has essen-

tially become a government monopoly, and it exhibits all the worst symptoms. It is woefully expensive, it is overly bureaucratic, preoccupied with process and client ignorant.

The American welfare monopoly has also undercut the efforts of private organizations, it has made it nearly impossible for charities to place conditions on their aid, when prospective recipients can walk down to the local welfare office and pick up a government check, no strings attached. It has almost singlehandedly created what the "Wall Street Journal's" John Fun calls the "I gave at the office syndrome." In fact, the portion of charitable giving in this country devoted to alleviating poverty has declined by a shocking one-third since 1960.

The question remains, how should we reform the system? Yes, program consolidation and State block grants, we feel, are steps in the right direction, but they are not enough. Our bill, like many others, would consolidate dozens of overlapping, inefficient Federal programs and put that money into a State block grant.

Briefly, it provides for a choice in welfare tax credit that would give individual citizens a voice in how this country fights poverty. Under our plan, every taxpaying American would be free to direct up to 10 percent of their Federal income taxes to a charitable organization in their community that is engaged in antipoverty efforts. Each time a taxpayer claimed this credit, the Federal Government would make a corresponding reduction in their State's block grant, thereby making it revenue neutral.

In addition, to insure that tax credit contributions are reaching the people they are intended to serve, it would be necessary to place certain restrictions on participating charitable organizations. For instance, charities would be prohibited from using the proceeds to engage in lobbying or litigation activities. It would also require that at least 70 percent of the participating charity's expenses be directly allocated to the poor, and to maintain the separation of church and state, religious organizations must have a subsidiary devoted to social welfare to be eligible. Organizations that have a religious component but are primarily focused on social welfare, such as the Salvation Army would be eligible as well.

Finally, to guard against fraud, taxpayers themselves would not be allowed to donate tax-credit-funded contributions to charities in which they have a financial interest. Once Congress appropriated the money for this account, I am talking about a funding mechanism, a revolving account that would be set in motion within the Treasury Department, once Congress had appropriated the money for this account, a small portion would be set aside to cover the cost of the tax credit and the rest would be given to the States in block grant form.

It is important to note that the tax credit block grant funding mechanism will be separated at the State level, and, for instance, I can draw upon my own State of Michigan, that the total Federal grant would be determined by how many of its citizens gave to instate qualified charitable organizations. This is to insure that the effects of competition are always tangible.

A couple of other provisions worth noting. First, we phase in the tax credit over 5 years to insure that a transition to a public-private partnership is a gradual one. And second, while we place

dollar caps on the credit, any contribution above the level would be tax deductible, as it currently is. Similarly, contributions to other nonprofits would also retain their present deductibility.

In closing, I would ask that the entirety of our testimony, my testimony, be submitted for the record. We believe that if our bill was enacted, we could at once reduce Federal spending and micromanagement, create competition among the aid providers, reinvigorate a charitable sector whose tremendous capacity has been subverted by government intrusion, and finally begin to attack poverty in a truly meaningful and effective way.

That concludes my testimony, and I wait for any questions.

Thank you, Mr. Chairman.

[The prepared statement follows:]

TESTIMONY BY CONGRESSMEN JOE KNOLLENBERG
BEFORE THE HOUSE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON HUMAN RESOURCES
JANUARY 30, 1995

Mr. Chairman, members of the Committee, I would like to thank you for this opportunity to appear before you today.

Mr. Kolbe and I have asked to be here because we feel we have an idea that can revolutionize the way we deliver social services to the nation's poor. Until now, the welfare reform debate has focused primarily on changing the behavior of the welfare recipient, through time limits, work requirements, denial of benefits for out-of-wedlock births, etc. But while these issues are important, we have concentrated our focus on the shortcomings in the way we deliver aid to the poor. Yes, program consolidation and state block grants are steps in the right direction, but we believe that these reforms alone will not change the inefficiencies of our current system.

Since the 1930s, America's welfare delivery system has become a government monopoly. And like other government monopolies, it is woefully expensive, bureaucracy-laden and out-of-touch with the needs of the people it serves. Every year, it gobbles more of our tax dollars without any incentive to cut costs or streamline itself. In the words of Indianapolis Mayor Steve Goldsmith, "the federal government offers the best deal in town: The more you spend, the more you get. Don't worry about results."

How should we reform the welfare *delivery* system? The answer is: the same way we would reform any other government monopoly -- by breaking it up creating **competition**.

Tomorrow morning, we will be introducing legislation that seeks to break the welfare monopoly by putting the reins of reform directly in the hands of the American people.

Our bill, like many others, would consolidate dozens of overlapping, inefficient federal programs and put that money into a state block grant. However, we would also provide a "Choice in Welfare" tax credit to give individual citizens a voice in how this country fights poverty. Under our plan, every taxpaying American would be free to donate up to 10% of their federal income taxes to a charitable organization engaged in anti-poverty relief efforts in their community. This credit would be paid for by making corresponding reductions in the their state's block grant.

The federal government already has a regulatory framework in place for overseeing non-profit organizations, thus minimizing the need for additional bureaucracy. However, for the legislation to work properly, it would be necessary to place certain restrictions on participating charitable organizations. For instance, charities should be prohibited from using the proceeds to engage in lobbying or litigation activities. We would also require that at least 70% of a participating charity's expenses be allocated directly to the poor.

And charities would be required to expend tax credit-generated contributions within one year of receipt.

To maintain the separation of church and state, religious organizations must have a subsidiary devoted to social welfare to be eligible. Organizations that have a religious component, but are primarily focused on social welfare (i.e. Salvation Army) would be eligible as well. Finally, taxpayers themselves would not be allowed to donate tax credit-funded contributions to charities in which they have a financial interest.

While the concept of "Choice in Welfare" is a simple one, its implementation at the federal level proved to be one of the trickier provisions of our bill. We believe that the tax credit could be adapted to a block grant system regardless of its structure. However, we wanted to create a direct link between the tax credit and the block grant, while at the same time giving the states some ability to anticipate future funding levels.

Our bill would create of a revolving account within the Treasury Department that would hold the vast majority of the money the federal government intends to spend on poverty in the next fiscal year. Once Congress appropriated the money for this account, a small portion would be set aside to cover the cost of the tax credit, and the rest would be given to the states in block grant form. At the end of the fiscal year, any funds left in the set-aside because taxpayers opted not to use the tax credit, would be given to states as a "bonus."

It is important to note that the tax credit/block grant funding mechanism will be separated at the state level. For instance, Michigan's total federal grant would be determined by how many of its citizens gave to in-state, qualified charitable organizations.

There are a few other provisions worth noting. First, we phase in the tax credit over a five year period to insure that the transition to a public/private partnership is a gradual one. Secondly, while we place dollar caps on the credit, any contribution above that level would be tax deductible as it is now. Similarly, contributions to other non-profits would also retain their present deductibility. (Phase-in: FY 1996-2%/\$500; FY 1997-4%/\$1,000; FY 1998-6%/\$1,500; FY 1999-8%/\$2,000; FY 2000-10%/\$2,500)

In closing, we believe that if our bill was enacted, we could at once reduce federal spending and micro-management, create competition among aid providers, reinvigorate a charitable sector whose tremendous capacity has been subverted by government intrusion, and finally begin to attack poverty in a truly meaningful and effective way.

Chairman SHAW. Mr. Kolbe.

**STATEMENT OF HON. JIM KOLBE, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARIZONA**

Mr. KOLBE. Thank you, Mr. Chairman, for this hearing to allow Congressman Knollenberg, my colleague and I to testify on our proposal which we have dubbed the "Common Sense Welfare Reform Act."

We think it is possible, as I think many of you do, to turn the administration of the welfare system over to State governments and to city halls, and block granting social programs to the States is obviously a first step in that direction. Common sense tells us that a program that may work in rural Arizona may not be one that works in Congressman Knollenberg's district in Michigan. But we think the debate ought to be taken a step further, and that is why we are here tonight.

If States can better administer welfare programs, doesn't it follow that citizens ought to know best which programs work in their communities and which are the most cost effective? That is what the Common Sense Welfare Reform Act is about. It is a partnership of State and local entities with individual taxpayers.

As Congressman Joe Knollenberg has explained, our proposal gives the people that pay the bills and provide the services in the community a role in how poverty relief efforts would be structured. We start with the consolidation of 60 overlapping programs run by the Federal Government, and turn the money back to the States in block grant form. That is a step that this Subcommittee is already undertaking, although the debate as to exactly how that block grant would work is not yet completed. It is a precondition, I might add, to making this privatization proposal work.

In our proposal we would allow the taxpayers to contribute up to 10 percent, or an amount not to exceed \$2,500, of their Federal income taxes to qualified private charities in their State in return for a dollar-for-dollar tax credit. The tax credit is paid for by corresponding reductions in the block grant to the State in which the taxpayer lives. By empowering taxpayers to participate in funding decisions for poverty relief services, our proposal serves two purposes.

First, it gives taxpayers a voice in how services are delivered in their communities. We think that individuals who are in the communities and working in these programs and living with them every day, know what is working well. The Federal Government or State governments, for that matter, shouldn't have a monopoly on where welfare dollars are allocated.

Critics of block grant programs contend that many States do not have a good track record of administering social programs. Our proposal diffuses the concentration of authority over spending on poverty relief efforts by leveling the playingfield on which private and public charities compete.

Representative Ensign said something earlier that I thought was very interesting. He said private charities are more of a hand up than a handout, and that is the second purpose of the Common Sense Welfare Reform Act. We reward private charities for doing what they have traditionally done best, and that is providing

prompt, temporary assistance. Private charities view assistance as a tool by which to change behavior. It is not a right nor a way of life, and I think you have heard that in some of the testimony you have had.

Because of this philosophy, both in theory and in practice, it is inconceivable that a family would subsist for generations on a local soup kitchen, food bank or shelter. Private charities stress personal responsibility and provide hands-on management for recipients. The humanizing aspect of private charities is missing from the impersonal public welfare bureaucracy which requires nothing from the recipient except eligibility for aid.

Americans need to become personally involved in reforming the welfare system. If I may be so immodest to suggest that what Congressman Knollenberg and I are proposing this evening is a bold and innovative approach in the Common Sense Welfare Reform Act to allow Americans to do just that.

We hope you will consider taking the welfare debate further to the next step. Let's allow taxpayers a role in providing assistance while giving private charities the opportunity to compete for welfare dollars in a true competitive atmosphere instead of making their funding a function of who has the best grantwriters or who has the best connections in Washington, or for that matter, in Lansing or in Tallahassee.

Thank you, Mr. Chairman.

[The prepared statement follows:]

JIM KOLBE

8TH DISTRICT, ARIZONA

COMMITTEE ON
APPROPRIATIONSSUBCOMMITTEE ON
INTERIORSUBCOMMITTEE ON
COMMERCE, JUSTICE,
STATE AND JUDICIARYCOMMITTEE ON
THE BUDGET

Congress of the United States
House of Representatives
Washington, DC 20515-0305

Testimony by Congressman Jim Kolbe
before the
Committee on Ways and Means
Subcommittee on Human Resources
January 30, 1995

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Thank you, Mr. Chairman, for allowing Congressman Knollenberg and me to testify on our legislation, the "Common Sense Welfare Reform Act."

We believe it is not only possible, but sensible, to turn the administration of the welfare system over to the state capitols and the city halls. Block granting social programs to the states is a first step in reform of the welfare system. This flexibility is critical to allowing states to test assistance programs best suited to their needs. Common sense tells us that a successful program in rural Arizona may not necessarily work in Detroit, Michigan.

We believe, however, that the debate should be taken a step further -- and that is why we are before you today. If states can better administer welfare programs, shouldn't it follow that citizens know best which programs work in their communities and which are the most cost-effective? That's what our legislation is about -- a partnership of state and local entities with individual taxpayers.

As Congressman Knollenberg has explained, the "Common Sense Welfare Reform" bill will give the people that pay the bills and provide the services in the community a role in how poverty relief efforts are structured. The "Common Sense Welfare Reform Act" consolidates over 60 overlapping, inefficient programs run by the federal government and gives the money directly to the states in block grant form. That's a step your committee is already taking, and is a necessary pre-condition to making our welfare privatization proposal work.

Our proposal allows taxpayers to contribute up to 10% (not to exceed \$2500) of their federal income taxes to qualified private charities in their state in return for a dollar-for-dollar tax credit. This tax credit is paid for by corresponding reductions in the block grant to the state in which the taxpayer lives.

The "Common Sense Welfare Reform Act" serves two purposes by empowering taxpayers to participate in the funding decisions for poverty-relief services. First, we give taxpayers a voice in how services are delivered in their communities. We have faith in the ability of individuals who are in the communities to know what is working well. The federal government -- or state governments, for that matter -- should not have a monopoly on where welfare dollars are allocated. Critics of block grants contend that many states do not have a good track record in administering social programs. Our proposal, however, diffuses the concentration of authority over spending on poverty-relief efforts by leveling the playing field on which private and public charities compete. The "Common Sense Welfare Reform Act" allows taxpayers to determine where their poverty-relief dollars are spent the most effectively.

Second, we reward private charities for doing what they have traditionally done best, and that is to provide prompt, temporary assistance. Private charities view assistance as a tool by which to change behavior -- it is not a right nor a way of life. Because of this philosophy, both in theory and in practice, it is inconceivable that a family would subsist for generations on the local soup kitchen, food bank or shelter. Private charities stress personal responsibility and provide hands-on management for recipients. The humanizing aspect of private charities is missing from the impersonal public welfare bureaucracy which requires nothing from the recipient except eligibility for aid.

Americans need to become personally involved in reforming the welfare system. If I may be so immodest, I would suggest that Congressman Knollenberg and I have a bold and innovative approach in the "Common Sense Welfare Reform Act" to allow Americans to do just that. We hope you will use the momentum in the welfare debate to take your deliberations a step further. Let's allow taxpayers a role in providing assistance, while giving private charities the opportunity to compete for welfare dollars in a true, competitive atmosphere, instead of making their funding a function of who has the best grant writer or the best connections in Washington -- or Lansing or Tallahassee.

Thank you Mr. Chairman.

Chairman SHAW. Mr. Hall.

**STATEMENT OF HON. TONY P. HALL, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF OHIO**

Mr. HALL. Mr. Chairman, I have a statement, I would like to submit it for the record. I won't read it.

I would like to speak very briefly about microenterprise IDAs, which are individual development accounts, and briefly about block grants. Microenterprise is not something that is new to the world, it is fairly new to the United States.

I have seen microenterprises work in many countries of the world, specifically in Bangladesh. They are experts on it where they provide small amounts of capital to people and they produce a trade, and they have started thousands upon thousands of businesses in Bangladesh, and in many ways, cottage businesses.

I have seen it in the Dominican Republic, where we loaned a man \$50 who was a cobbler, and he, in fact, turned it around and bought some tools to make shoes. He not only makes shoes, he has 22 employees, he exports to all the Caribbean nations, including the United States.

If microenterprises work overseas among poor people, why wouldn't it work in the United States? It has been here awhile, it has been here a few years.

I have been promoting it, a lot of people have been promoting it. It started very big in Iowa, Chicago, some places in New York. I have it in my own district, where we hope to produce 60 new jobs. But the biggest problem with the IDAs and the microenterprise is that we have this asset limitation of \$1,000.

It needs to be weighed, it ought to be increased standard, across-the-board, in my opinion, up to about \$10,000, because what it does is it encourages people to cheat, it encourages people to lie. It is basically, in my opinion, un-American.

We ought to allow people to get medical services and to get some kind of public assistance until they can produce their own job. And it has been my experience of all the microenterprise programs that I have seen in the United States, not one of those people that I am familiar with that ever started in a microenterprise, ever went back to public assistance, ever went back to welfare.

The second thing is, we ought to provide for a way for the poor people to save, and we ought to provide pilot projects in States. There are currently about seven States that are looking at this now, as a matter of fact, they are encouraging legislation, passing legislation, specifically, in Iowa.

I would even go so far as to provide public moneys for it. I have seen poor people save, but they are penalized, here again because of the asset limitations. If we have IRAs for the middle class, we ought to have something for the poor. Poor people say, a lot of people say, well, poor can't save any money. That is not true. They can save a few bucks.

I have seen it down South when I travel with Mike Espy to Mississippi. I have seen it in many different States where they have done IDAs on the local level and microenterprise. And one of the discouraging things I saw is a lady who had a place without running water, there wasn't even an outhouse, they didn't have any-

thing, but she was saving, she was saving about \$5 to \$10 a week, she had an insurance policy she was posting on the wall—not an insurance policy, a burial policy. She wasn't preparing to live, she was preparing to die. And I am saying there is a way to encourage savings.

The third thing is block grants. I believe in what the clergymen say, I don't believe if you put block grants in here on nutritional programs that you create a safety net, and I think you are going to have some major problems. Under the best circumstances in this country today, I pride myself in knowing a little bit about the hungry, both here in the United States and overseas, because I work in this area, not only through churches but through the government, under the best circumstances, even in my district, where we have 3.6 percent unemployment, which we consider full employment, there is still a 25 percent asking of food at food banks and soup kitchens. Most of these people, for the most part, are working poor, so 2 or 3 days out of every month, they have to decide, do I pay for my rent, do I pay for my utility bill, what is going to suffer?

They have to go to the food banks. That is happening under the best circumstances. My district is not unusual. It is a middle-class district, Dayton, Ohio, the suburbs, it is happening across the country.

You put all of the nutrition programs into block grants, as I read your bill, I think we are going to have major problems here in a couple years. It could come much quicker.

Thank you, sir.

[The prepared statement follows:]

**TESTIMONY BY
 REPRESENTATIVE TONY P. HALL
 SUBCOMMITTEE ON HUMAN RESOURCES
 HOUSE WAYS AND MEANS COMMITTEE
 JANUARY 30, 1995
 ON WELFARE REFORM**

Thank you Mr. Chairman for this opportunity to testify before your committee on welfare reform. As you know, I have been a strong advocate for welfare reform and this year I will once again reintroduce the Microenterprise and Asset Development Act with Congressman Bill Emerson. This bipartisan legislation is based on the belief that asset-based anti-poverty strategies are an invaluable tool for breaking the cycle of poverty.

The current rules for AFDC provide cash payments for consumption while discouraging savings and enterprise. Too often, welfare reform attempts have been centered on modifying recipients' behavior with penalties. In contrast, asset-based anti-poverty strategies create a path to savings, investment, and accumulation of assets which leads to ending one's own poverty with dignity.

This legislation would remove the restrictions on asset accumulation by poor people by raising the AFDC savings limit above the current \$1,000 ceiling for recipients starting businesses, saving for education and training, or saving to purchase a new home. The legislation would also create Individual Development Accounts (IDAs) which would encourage and reward poor people for savings. These IDAs would be an earnings-bearing, tax-benefitted account whose deposits would be matched on a sliding scale by the Federal and/or State governments. Amounts from an IDA could be withdrawn without penalty only for the purposes of a first-time home purchase, post-secondary education, business development, or retirement.

Mr. Chairman, these are the types of innovative approaches the States are looking for and are already doing. Over 23 states have already adjusted their asset limits and 7 states have made changes to allow for Individual Development Accounts. I was glad to see that the Personal Responsibility Act (H.R. 4) gives the States more flexibility to disregard income from microenterprises in Section 605. However, it needs to include some type of provisions that will support the creation of special savings accounts for the poor like IDAs.

The Federal government spends more than \$100 billion per year to provide incentives to middle-income and upper-income people to accumulate savings and assets through home mortgage interest deductions and tax deductions for retirement pension accounts. Federal anti-poverty policy should support asset-building activities, not penalize them. Current policy is telling the poor that they cannot save for their children's education, that they should sell everything they have just to get some temporary assistance. This traps people on welfare -- which is both morally wrong and economically foolish.

Mr. Chairman, while I support the microenterprise provisions in H.R. 4, I am strongly opposed to the provisions which block grant Federal nutrition programs such as WIC, Food Stamps, and the School Breakfast and Lunch Programs. This would be a terrible mistake.

Block granting these programs would in all likelihood increase hunger amongst our nation's children. States will now have to bear the burden of administering the programs with less funding. States will be forced to make extremely difficult choices like reducing funding for WIC or eliminating the school breakfast programs because they are short of funds.

I believe it is part of the Federal Government's job to set priorities for our nation; and for me, our children are the priority. We can't, in good conscience, be unmoved when children go to bed hungry at night. We can't just send the issue of childhood hunger to the States and hope the problem goes away.

These food assistance programs serve as an important safety net for children. The Food Stamp Program alone serves ten percent of the population in America - half of which are children. We know that for every dollar spent on WIC, we save \$5 in health care costs later on down the road. We know that every child who participates in the school breakfast program is better able to learn in school and thus is more prepared to meet the challenges of the 21st century.

It is time to end childhood hunger, not successful nutrition programs that feed hungry children.

Chairman SHAW. Thank you.

Mr. Hall, the last thing you spoke of is outside of the jurisdiction of this Committee, as I know you are aware. Your friend and cochair on the Hunger Select Committee, Bill Emerson, is carrying the ball in Agriculture and working with Chairman Goodling on that, so this Committee will not be addressing that.

Mr. Collins.

Mr. COLLINS. No questions.

Chairman SHAW. Ms. Dunn.

Ms. DUNN. I am so intrigued by, Mr. Kolbe and Mr. Knollenberg, your idea, and I think I am curious about the management end of it. Maybe you could go into a little bit more depth about how the charitable groups would qualify for the program, whether it would conflict with other supportive organizations like United Way in communities, maybe just tell me a little bit more about it, it is so interesting.

Mr. KNOLLENBERG. I will begin to speak and do that, Ms. Dunn. Any charity that delivers about, about 70 percent or more versus expenses, to an antipoverty effort would qualify. Now, this might mean that some new organizations would be spawned. We have found, I think, the floor is around 60 percent, that is an average, I should say, that most organizations use in terms of delivery. So what we are doing is trying to encourage, obviously, existing organizations that do deal fundamentally with alleviating the welfare or the antipoverty situation, and perhaps encouraging some more to come onstream.

I don't know if that totally answers your question, but it is to really instill some life into those that are there now on a local level, a community level, a State level, so that there might be, and I bring up the word, it may be dangerous to some, competition, there might be some competition between one organization and another, but it is whoever delivers the product the best, in the most cost efficient way. And there are going to have to be some reporting requirements required by this bill that provides greater scrutiny for the average American to make decisions about where he wants to send that money to, whether it is the Salvation Army, whether it is to a shelter of some kind or a home for unwed girls, or what have you, but that is the basic movement, I would say.

Jim, you may want to answer.

Mr. KOLBE. Let me just add that you would create a new category in the 501(c)(3) organizations, so that the symphony which is a nonprofit, doesn't qualify. But this new category, which includes those that specifically provide services in the poverty area, and there will be a designation, they would have to show that they are delivering services in that area. Those would be the ones who qualify. You make your contribution, they give you a receipt, which includes their tax I.D. number, you include that on your tax return, and you take the credit directly off of your taxes from that.

Ms. DUNN. OK.

Chairman SHAW. Mr. Rangel.

Mr. RANGEL. Congressman Hall, I would hope that you would send some additional information on microenterprises. It might do well if we could find some way to "Dear Colleague" the Members,

if you haven't already. This is exciting to hear from you, and I think our Chairman is equally interested in that proposal.

Mr. HALL. As a matter of fact, a lot of the language that is in the bill is very similar to the language that we had in our bills that we have introduced the past couple of years. About the only difference is that you give it as an option to the States, and I don't necessarily give it as an option, that they can, that they will provide the fact, that there will be a waiver.

The problem with it, is now when I started my program on microenterprise in Dayton to start 16 new businesses, I have to get a waiver from the Federal Government. It has to go through the State, and so forth. It is time consuming, it is bureaucratic. It took me 1½ years to get it, and the term of the grant was only 3 years. And there should be a waiver, not only automatically, but we should increase the asset limitation across the board. We can allow the States to do it individually, but it is very cumbersome.

Chairman SHAW. Just very, very briefly; I believe under the bill that we will be marking up, that that would be permitted by the States. If it is not, I think we will look into seeing that it is, but I believe that it is available without a waiver.

Mr. Ensign.

Mr. ENSIGN. Just real quickly, obviously, we have a vote, but I was fascinated actually by both proposals. Regarding the microsystems, as a small business person, I found that regulation was very punitive to business and small business especially. Would there be some sort of mechanism for these businesses, maybe to be exempt from some of the regulations? Should that be written into the bill to make it easier or is it already there?

Mr. HALL. We take a lot of regulations away from it, and we even allow for the option of a local group, a local church, a local nonprofit group to take it over and run it. The only obstacle we have had is the waiver, you have to get a waiver.

Mr. ENSIGN. I don't mean necessarily regulation on running the micro, I mean regulation that is normally on business, some of the reporting requirements with OSHA, with EPA, some of the things that are—for businesses that are solvent, that is fine, they can get away with it. But some of the other businesses maybe that are trying to get people off welfare, maybe we should take a look at, at least, other than the bare minimum of a regulation.

Mr. HALL. I would be glad to work with you on it. I would like to send you some stuff that we have done.

Mr. ENSIGN. I would really like to receive it.

Mr. HALL. It is very interesting. It has been my experience, although I haven't started one myself, but they have very little regulation as compared to a small business man.

Mr. ENSIGN. OK.

Thank you, Mr. Chairman.

Chairman SHAW. Thank you, and thank you to this panel and thank you to the Members of this Subcommittee.

We have heard from some 45 witnesses today, and I think that is a good day's work. And I appreciate the attendance that we have received so that these hearings could continue to go on while other business was going on about the Capitol.

Thank you so much.

This Subcommittee meeting is adjourned.

[Whereupon, at 9:05 p.m., the hearing was adjourned, to reconvene at 9 a.m., Thursday, February 2, 1995.]

