

WELFARE REFORM

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FIRST SESSION

ON

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OCTOBER 14 AND 28, 1987

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WELFARE REFORM

WEDNESDAY, OCTOBER 14, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The Committee met, pursuant to notice, at 10:07 a.m. in Room SD-215, Dirksen Senate Office Building, Hon. Lloyd Bentsen (chairman) presiding.

Present: Senators Bentsen, Moynihan, and Durenberger.

[Prepared statements of the Senators and background information on the welfare reform bills before Congress appear in the appendix.]

[The press release announcing this hearing follows:]

[Press Release No. H-63, Sept. 23, 1987]

FINANCE COMMITTEE TO HOLD SECOND HEARING ON WELFARE REFORM

WASHINGTON, DC.—Senator Lloyd Bentsen (D., Texas), Chairman, announced Wednesday that the Finance Committee will hold the second in a series of full Committee hearings on the subject of welfare reform.

The hearing is scheduled for Wednesday, October 14, 1987 at 10:00 a.m. in Room SD-215 of the Dirksen Senate Office Building.

“Welfare reform is one of the most important issues we face,” Bentsen said. “Several specific proposals are now before the Congress. As we move forward with legislation, we will want to have the benefit of the views and knowledge of experts across the Nation.”

The full Committee hearings build upon a series of seven Subcommittee hearings held earlier this year by the Subcommittee on Social Security and Family Policy, chaired by Senator Daniel Patrick Moynihan. Another full Committee hearing on welfare reform is expected to be scheduled later.

OPENING STATEMENT OF HON. LLOYD BENTSEN, A U.S. SENATOR FROM TEXAS, CHAIRMAN, SENATE COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

Good morning. Today's hearing is the second by the full Committee on Finance on the subject of welfare. This hearing should be especially helpful, because it provides the committee with the first opportunity to hear the views of witnesses on specific legislation.

We now have before us S. 1511, the Family Security Act, introduced by Senator Moynihan; S. 1001 and S. 869, child support enforcement bills introduced by Senators Bradley and Dole; and S. 1655, the AFDC Employment and Training Reorganization Act, introduced by Senator Dole, companion to a bill introduced in the House by Representative Michel. In addition, welfare reform legislation has recently been reported out by three House committees.

Earlier this year, the nation's governors issued a statement recommending that we "turn what is now primarily a payments system with a minor work component into a system that is first and foremost a jobs system, backed up by an income assistance component."

Now, that statement underscores a point on which most Americans agree—that welfare reform legislation must bring about a fundamentally new direction for the nation's welfare system.

We know from experience that this is going to be difficult to accomplish. In years past, the Congress has enacted other laws designed to achieve that same objective. I guess the most notable example I can think of is the WIN program. It started about 20 years ago, offering a generous open-ended entitlement funding for day care. I can remember I voted for Fritz Mondale's day care bill, which was a highly controversial bill at the time. But the WIN program had a wide array of education, employment, and training programs. The experts estimated that these programs would help large numbers of welfare recipients out of dependency.

Unfortunately, WIN never lived up to its promise. It was enacted at a time when the value of employment and training programs was seriously questioned. It had an administrative structure that was complex, and it lacked accountability. And neither the Administration, the Congress, nor the governors and state legislators were fully supportive of it. Since it lacked that kind of broad support, it was whittled away year by year, demoralizing recipients and administrators alike.

So, I think the lesson of WIN was costly, both in time and human resources, and we can't afford another 20-year digression.

What we need now is to fashion a firm and effective welfare structure, one that addresses the needs of all regions of this country of ours.

I believe that there is a consensus on two major elements included in the bill before us. One is that the Child Support Enforcement Program just has to be strengthened.

The second is that we must build a vastly improved program of education, employment, and training for welfare recipients. Enabling the parents of needy children to participate more fully in the economic life of the country is surely the most important task before us. And how we go about doing this will determine whether we initiate real reform, or just another program that later proves to be a disappointment.

Building a new program is a complex task about which there are many views, and we will hear some of them today. But I would like to take a minute or two to outline what I believe to be several fundamental principles for a successful new program.

First, we need a system of financing that is stable and sustainable, and that takes into consideration the fiscal capacity of both the Federal Government and the individual States.

Second, we need an administrative structure that builds on existing resources, encourages State and local initiative, and that can be accountable for success or failure.

Third, we need to establish an effective planning process, to assure the best use of limited resources, and to coordinate those

training programs with available jobs in the community. Otherwise, it just doesn't make sense, and it's not effective.

Fourth, opportunities and obligations must go hand-in-hand. Programs must be perceived as fair, both by recipients and by the community at large.

Fifth, we need a program that is flexible. Recent research has given us some new insights into the value of employment and training programs for welfare recipients, but there is much yet to be learned. States must be able to adapt to changing situations and take advantage of new experience and knowledge.

And then there is one final observation I would like to make. This committee and others in the Congress are currently engaged in the process of budget reconciliation. We are being asked to make some very tough choices—raise taxes and cut spending, to reduce that deficit and promote a strong economy, without which any effort at welfare reform is going to fail.

Now, that painful budget process reminds us that we must choose our priorities with care. In welfare reform, as in every other area of national policy, we cannot do everything we would like to do.

Now, having sounded that cautionary note, let me say that I believe we can move forward, clear in our purpose of setting a new direction for welfare, and committed to make the long-term investment that is necessary if we are going to succeed.

We welcome our witnesses today. They are diverse in their perspectives, and they will surely enrich our understanding of the important issues before us.

With that, I would like to defer to my distinguished friend, the Senator from New York, who has been in the forefront of this fight for a number of years, whose expertise and knowledge of the subject I think is as good as anyone in the United States Congress. I yield to him.

**OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, A
U.S. SENATOR FROM NEW YORK**

Senator MOYNIHAN. Mr. Chairman, I would say no more than thank you for finding time for this hearing, when I think of the things that you have got to do. You are managing the Catastrophic Health Insurance Bill on the floor just now, you are reconciling the irreconcilable demands of the House and the Senate and the White House with respect to tax programs. The only thing you aren't working on is the space shot. And that is not being done.

The CHAIRMAN. I returned from that Monday, in Houston.

Senator MOYNIHAN. You returned from that on Monday.

It is extraordinarily generous of you to find this time. We have one more of these hearings required before we might get a markup of some kind.

I just make this single pledge, that if ever there was a moment to direct this sometime widow's pension to job training and job entry, it is now. We have the best unemployment rates we have seen in years in this country.

We had Governor Kean speak to us a few months ago, and I would just read to you a passage, he said.

We haven't got any spare people anymore in our society, if we ever did. In my State we are going to create 600,000 jobs in the next decade. Many are going to have to be filled, really, by the women and the children who today are on the welfare rolls. If these people aren't qualified, the jobs are going to go elsewhere. In other words, if passion doesn't motivate us, then economic necessity will have to motivate us.

And for perhaps the first time in the history of the present-day social policy, the demographics are going with us. Between now and the year 2000, the number of persons between 18 and 24 dropped by a quarter in this country. So, as we start trying this effort, we have one demand, more jobs are opening, and fewer people are available for them. Things are kind of in sync.

Again, I thank you, and I look forward to our first distinguished witness, an eminent social scientist in her own right, and a person who has been there.

The CHAIRMAN. Thank you very much, Senator.

As I look at that first witness, I have rarely seen someone come to the Senate and move as quickly in being accepted by her peers. And that acceptance has turned to admiration. She is a person not just of compassion; she has a toughness about her. She is a realist, and she knows how to influence her colleagues. And we are here, ready to be subjected to that influence.

The distinguished Senator from Maryland, Senator Mikulski.

**STATEMENT OF HON. BARBARA MIKULSKI, A U.S. SENATOR
FROM MARYLAND**

Senator MIKULSKI. Thank you, Senator Bentsen and the Senate Finance Committee, for the opportunity to testify this morning on the Family Security Act.

I would agree that this is a wonderful window of opportunity to reform the welfare system. And for those of us who pledge our support to bring about such a reform, we bring a great deal of experience. Certainly you, Senator Bentsen, in the years that you sat on the Finance Committee, from trying to fashion a day care policy back in the Mondale days, to the WIN program, to now, you know what works and what doesn't. Certainly Senator Moynihan, from his days as a scholar to a White House spokesman, to a member of the Senate, too, has studied these issues. We know what's effective, we know what is efficient, and we know how to separate out good intentions from good legislation.

And I think that the Family Security Act is that legislation. It is a significant step forward in addressing the welfare system. I am pleased to join as a cosponsor of this legislation, which has both bipartisan and bicameral support.

I want to commend you, Senator Bentsen, for your long interest in children and making sure that the welfare of children is ensured; and you, Senator Moynihan, for your deep commitment on this very difficult and important issue.

As the architect of this far-reaching proposal, Senator Moynihan has brought all of our attention and energies to bear on an issue which will determine the future of many Americans.

I am probably the only United States Senator to serve with a Masters Degree in Social Work, and I am probably the only United States Senator ever to have been a welfare worker and to have

been out on those streets, in those neighborhoods, trying to help the poor help themselves, and, along with our colleague Jay Rockefeller, to have actually worked in the War on Poverty.

One of the reasons I went into social work was to try to help people, and one of the reasons I came into politics was to try to bring about institutional change. As a social worker, working in AFDC and other forms of welfare, I learned that what we needed was to change the system and to create opportunity structures.

We have known for some time that the welfare system needs to be reformed. The poor who endured it knew we needed reform, the social workers and administrators knew we needed reform, and certainly the taxpayers who paid for it knew we needed reform. And that's what this bill does. It meets the needs of the poor, it cuts out red tape, and adds local flexibility to help social welfare administrators be creative and be helpful, and at the same time it meets fiscal responsibility.

What I like about the bill is that it reaffirms parental responsibility, an affirmation that must be continually made, and at the same time, the bill creates a parental opportunity structure. It talks about people helping themselves, but it creates the resources for people to be able to help themselves—through training programs, transitional aspects of Medicaid and other supplements until the people are self-sufficient. And it is those other aspects that provide a safety net to people as they move out into the mainstream.

There are several areas I would hope the committee would explore as it considers this legislation. In doing so, I know you will look at the solutions proposed by our colleagues in the House. I make these suggestions mindful, like Senators Moynihan and Bentsen, that social reform is constrained by fiscal reality and our very difficult budget situation.

Some issues that require closer examination would be:

The adequacy of the transition benefits, which is a key element in the success of any program. We need to evaluate whether the 9-month cap on transition benefits currently in the bill is sufficient. It would be useful to explore different ways of targeting such benefits, if budget constraints limit movement in this area.

As Senator Moynihan has pointed out in his writings, that Medicaid transition benefits are the key issue for the majority of recipients. Single mothers must have access to medical care for their children.

Second, I hope the committee will consider being more specific about what the State's job training obligations should be. Remedial education, job search, and skills training are important, if not essential, elements of any jobs program. From being a welfare worker, I know the single mother on welfare can get off of welfare, and stay off, but she can't do it without her G.E.D. or getting job skills or training.

Third, child care. We need to look to the needs of workers between now and the twenty-first century, and that means child care must be provided. We cannot require a single parent to work without providing for the care of her children.

I also want to raise a concern about the waiver authority issue and underscore my concern about the mandated participation in the jobs program.

An important element of the Senate bill is the flexibility that it provides the States. I am a strong supporter of such flexibility. The Federal Government should set the standards, guaranteeing all of those who need assistance an even shot at getting it. But the adequacy of the system should not vary because of what State a person lives in. In considering whether to waive requirements in States for programs such as AFDC, child welfare, and child support enforcement programs, we need to insure against possible unintended negative consequences.

On mandated jobs programs, I long ago said that the best social program is a job, and we want to send the message out there to those who want to work that the right message is there is an opportunity to work, but let's not punish those who are unable to work.

Finally, as a dues-paying member of the National Association of Social Workers, I must make a plug about exploring a minimum benefit for recipients. AFDC and other federal programs produce benefits which vary dramatically from State to State—as much as \$118 per month for a three-person family to \$617 per month. If we can't set a floor for benefits, recognizing fiscal constraints and maybe resistance among the States, let us encourage States to increase benefits by perhaps adding some incentives.

Mr. Chairman, I want to thank you for the opportunity to talk about this important bill. This is the kind of bill that, when I worked in the neighborhoods and then went to graduate school taking courses in public policy, we dreamed about. This is the kind of bill that, when I joined the Legal Aid lawyers in Maryland, taking the Welfare Maximum case to the Supreme Court, we hoped one day we wouldn't have to rely on the courts but could turn to a legislative body. This is the kind of bill we have been waiting for, in my judgment, for over 50 years since AFDC was created. I am happy to be part of it and look forward to shaping it and passing it through the United States Senate.

The CHAIRMAN. Senator, that is a fine statement, and I do think it is a chance for a real breakthrough and a turnaround in getting people off of welfare to fill the productive role that the vast majority of them want to do. So, I am optimistic that we will be able to put it all together and put it into effective legislation, which is going to be a great benefit to our Nation.

Senator MOYNIHAN. Could I just thank Senator Mikulski? My God, when it comes to heavy lifting, we have got a champion here.

Senator, just to make a point, I wonder if you wouldn't agree that one of the events of recent years is the energy which we now see out in the State governments? You raised that nice point about waivers, and we absolutely agree with you, but the interesting thing is the number of States that really want to do things and think they can't.

I had a letter just the other day from an old colleague of yours, Don Frazer, now Mayor of Minneapolis, pointing out that in Minneapolis one-third of the school children are on welfare, and one-half of the school children in Minneapolis come from single-parent

families. They have an interesting, complex set of ideas they would like to put in place if they can move this around a bit, that around a bit. And there is energy out there in the State and local governments that I don't think we have seen before. Wouldn't you agree?

Senator MIKULSKI. Absolutely, Senator Moynihan. What I think we have seen in the past has been a kind of grudging attitude of States towards AFDC. They had a Federal program which they had to implement, and in some ways provide certain maximum funds, and so on; and yet, it was a headache.

And then I think this new breed of governors, some of which we are actually going to hear from—Governor Dukakis and Governor Clinton—who really took a situation, took hold of it, and through creativity, through energy, through involving the private sector as well as the social welfare administrators, have come up with programs that have worked far beyond anyone's imagination. And also those programs have staying power.

One of the concerns I think we would share is the revolving door of past programs. Senator Bentsen talked about WIN. A woman might get a little training, move off of welfare, get a job, and then within 18 months she was back on welfare. That didn't serve the family, it didn't serve society.

Because of what the governors have done and the commitment the governors have made, people moving off of welfare have actually stayed off of welfare.

We heard a case over in the Labor Committee where some women who actually moved off of welfare, because of trades and skills they had learned, were actually starting some small businesses on the side.

Senator MOYNIHAN. Great. Thank you so much.

Senator MIKULSKI. Thank you.

The CHAIRMAN. Let me ask you one more question.

To what extent do you think these young mothers should participate in an educational program, where they haven't completed high school? I notice the House Republican bill requires participation by mothers of children aged 6 months and above, and Senator Moynihan's bill requires participation by mothers of children aged 3 and above.

Senator MOYNIHAN. That is an option, if you want it.

The CHAIRMAN. To what extent do you think we should ask mothers to participate in that kind of an educational program? Which age do you think we ought to recommend?

Senator MIKULSKI. Well, I think I support the Moynihan concept, for several reasons:

Number one, some of the mothers are children themselves, Senator Bentsen. They might be in their late teens. They themselves are in the process of finishing high school or need also some more skills in parenting, and so on.

The other is, the Moynihan Bill doesn't put the same amount of pressure on limited day care resources. As you know, when you take a look at the legislation, the provision of day care and the adequate funding of such is probably one of the more difficult parts of the legislation. I believe the House bill guarantees, we assure. And I think one of the reasons you added the flexible language was, how much day care do we have, and how could we afford to pay for

it? Whereas, by starting at three, you take the pressure off the family day care, and you have more of an opportunity that day care will be available when the mother moves off. That, to me, is that; as well as the fact that, as I said, some of those mothers are very young themselves.

The CHAIRMAN. Thank you very much, Senator. We appreciate your comments.

Senator MIKULSKI. Thank you.

[The prepared statement of Senator Mikulski appears in the appendix.]

The CHAIRMAN. Our next witness will be Senator Sanford.

We are very pleased to have you here, Senator. As a Governor, you had an outstanding record and great concern for education and for working to find productive employment for people on welfare.

Now you are making a major contribution to the U.S. Senate. We are very pleased to have you, Senator.

STATEMENT OF HON. TERRY SANFORD, A U.S. SENATOR FROM NORTH CAROLINA

Senator SANFORD. Thank you very much, Mr. Chairman.

I certainly am cheered to know that you have chosen to take on this task. Because of your vision and your many contributions, I see now the possibility of our realizing some of the things we hoped for years could be achieved, and I am so pleased that this falls now within the scope of your official duties as well as your long-time interest in improving this situation.

I know all of us thank Senator Moynihan for his quarter of a century devotion to doing something about this, from the Kennedy years to the Nixon years to all of his work in and out of academe, and now in a position to bring together these ideas and in a position to carry it forward.

I am delighted to be associated with both of you, as we attempt now to make this very substantial turnaround.

The current welfare system does not work as well as it should. We all know that. For so many on welfare today, it is degrading, causing a deterioration of the human spirit, because it destroys the sense of purpose and meaning of life and living. It is not in the nature of the human spirit to be satisfied with living on the dole. We no longer can lock people into a welfare way of life that destroys the sense of purpose and the meaning of life and living. Instead of a welfare check, it is far better that we take by the hand those who have not been able to cope with the system, to counsel and advise and lead them through additional training and education, and find them some useful work, getting them situated where they can give something to society by using their minds and hands, and where they can get something from society in pay for work done and satisfaction for a life well spent.

I am not so much worried by welfare cheaters as I am by the lack of vision that has cheated the taxpayers out of their money and cheated welfare recipients out of their lives.

We need a new approach that says people are more important than programs, that opportunity and a chance in life are more important than being on the dole. It is time to bring the welfare era

to an end. It is time to give people, all people, their place in the American promise. Education, training, and jobs is the course on which we should set our nation.

I began by saying that reform is long overdue. To dramatize this, I should point out that everything I have said so far was taken from a speech I made over in Baltimore in 1975. Reform was overdue then, as both of you know, and it is even more important today that we get on with this dramatic change in the direction of our welfare efforts.

I think this bill offers real reform. It emphasizes education and training and jobs, as well as the necessary support services, and the absolutely fundamental support service of child care. It is a good bill.

I might make a few suggestions, not to even hint that we ought to slow up or wait for perfection. This bill doesn't just tinker with the problem; it gets to the real solution of it.

Education has got to be a fundamental part of welfare reform. This bill now requires that welfare parents return to school if they are 22 years of age or younger and have not earned a high school diploma. I wouldn't mind just taking that requirement out; no matter what the parent's age we ought to have the door open for them to return to school and to get the kind of education that will help them then make something of their lives, no matter how late the start. The opportunities are so much greater for someone who has got the equivalent of a high school education, and I don't know that I would draw the line precisely at high school.

And then, as I have already suggested, a limited number of demonstration projects under Title VI is a very good idea. I would like to see that number increased at both the State and local level, because much of today's innovation is developed at the State and local level.

You spoke of the energy that is now out in the nation, directed at this problem—the energy, the determination. I have seen, as you have, a complete turnaround in the attitude of the professionals, who for long years used their position as a paternalistic position. And that was the concept of welfare for at least the first 30 or 40 years. Now we have seen that change, but we have also seen the energy coming up in the federal system, through local communities, and through the States, the kind of energy that gives us the chance at innovation, and we don't have to do everything alike everywhere in this country. That is a concept of this bill: we can do it in different ways, with demonstration projects.

I would like to put into the record two North Carolina examples of this kind of creativity, and an indication that creativity doesn't mean finding ways to spend more money—frequently it means finding ways to make money go further or to save money.

In Charlotte, the business community formed a partnership with Mecklenburg County, with the social services, to provide child care for children of welfare mothers who wanted to work. They would provide the jobs, but they had to have child care. \$600,000 was put up immediately, \$300,000 from the county in county funds and \$300,000 from the private sector, to begin what they called a day care recycling program that would allow mothers the opportunity to work. This approach, the recycling concept, would allow the wel-

fare mother to recycle into child care services a portion of her welfare benefit, which she would no longer receive if she were employed. The jobs were available, welfare mothers were eager to fill them, and employers were eager to hire them.

For most of these women with small children, only access to child care stood in the way of their making something of their lives. Well, because the Department of Health and Human Services has been reluctant to grant Mecklenburg County a waiver to divert a portion of the basic AFDC benefit into child care when a welfare mother accepts employment, backed up by this recycling fund, that community still hasn't put that recycling program into effect. The \$600,000 start-up money is drawing interest in the bank, and we are pushing for approval here.

But that is a good example of local initiative, of local cooperation, finding a way that is going to save taxpayers money.

In Guilford County, North Carolina, there is an interest in creating a quality child care program similar to Head Start. We know Head Start works. We know that the children who have gone through the Head Start program are less likely to drop out of school—we have already demonstrated that—are more likely to graduate from high school, are more likely to continue beyond high school. And we know that Head Start students are more likely to become employed and less likely to end up on public assistance. We know this, and we have for a long time. And yet, the Head Start program serves less than 20 percent of those eligible.

Now, there is an interest in Guilford County to do something about this. They are attempting to find local ways and local contributions. They want to make the Head Start program 100-percent available, or at least a similar program for children not quite ready for that in terms of age.

I think State and local demonstration projects are very important in shaping the future of our welfare system. That is where we are going to get the new ideas, and the new interest, and the new energy, the innovative approaches to change.

So, coming out of this committee, encouraged by the terms of this bill, I think we are going to see that kind of new energy and innovation reflected all over the country, with far-reaching effects—not just another federal program.

I thank you for giving me an opportunity to say something about my great faith in what you are doing in this committee. I am delighted to see this progress made, and I volunteer to help in any way I can.

The CHAIRMAN. Well, thank you, Senator; that is good testimony for us.

Let me ask your counsel on this: If we put in a new education and training program, there is a lot of concern across the nation, and Senator Mikulski referred to it in part, that you will not get the same kind of effort in all areas because of high unemployment and other serious economic problems.

I can think of my own State, as an example, today. I can look at Louisiana, Oklahoma, the energy-producing States, and then I can look at some of those agricultural States up there through the Middle West, that are really having an extremely difficult problem.

What thoughts do you have in regard to trying to get some uniformity of effort, uniformity of availability, of that kind of educational and training program for people on welfare, to try to help them get off?

Senator SANFORD. Meaning that there might not be jobs out there, or there might not be opportunities?

The CHAIRMAN. There may not be jobs out there, and if you have severe economic problems within a State, there may be problems as far as State support.

Senator SANFORD. And where is your incentive?

Well, you and I came through a period of time in the development of this country, especially in the development of the South, when we were living in poverty. And a great many people then said the answer to poverty is education. And then we said, "Well, how can we educate people when we are living in poverty? Where do we get the money?" And we demonstrated, I think, in State after State, and I know in North Carolina, that you just have to do it, and indeed it does pay off. And the more educated people you have, the more jobs are going to be created; the larger pool of educated people that you have, the more industry is going to not only be attracted but is going to spring up locally.

It is just an element of faith, I think—it has to be. And wherever we have to dig out of a situation, as with the appalling statistics that you gave about Minneapolis, whenever we need to dig out, I think the best investment is education, because educated people can't be limited, they are going to move on, and that just has to be our faith.

My sense of the Governors I know and the State governments that I am familiar with—and it is something that I have followed very closely for 25 years—is that they know that. I think Governor Clinton will talk about that.

We believe out in the country that education is the greatest answer to the future. So I would just have faith that we would buckle down and do it.

The CHAIRMAN. Thank you, Senator.

Senator Moynihan?

Senator MOYNIHAN. I think, Senator Sanford, with the energies that are developing around the country—the Charlotte/Mecklenburg example—Washington has become the problem. The idea that they wouldn't give you a waiver, a self-evident effort to do what we ought to be doing, finding work for women who want it, and child care in order that they can do it. And you can't get it through downtown. That is what our waiver section is.

And in that Title VI, we have included specific demonstration provisions for Maine, Minnesota, New York, and other States whose officials asked us to give them greater flexibility. I know out in Washington, I think Governor Evans is going to talk about something they would like to begin right away, in the expectation that we might get this legislation quicker than some people think, we would be happy to put any demonstration authority you want in Title VI.

Senator SANFORD. Well, I think it is a broad question. Senator Mikulski pointed out that there is a certain danger that too many waivers or too much flexibility could lead to some State deciding

that this is not important, that we have to have national goals, and we have to outline the importance of people receiving what they need to receive under this new concept, and that therefore we ought to approach waivers with a certain degree of caution. But I think that we need to open up that section; I think we ought to anticipate the Mecklenburg Counties all across this country coming up with ideas, and we ought not to block out with a limited number of waivers available.

It would seem to me that, with good administration, every waiver requested would have to be examined; but nonetheless, almost every waiver requested would improve the system.

That was the only thing that I suggested earlier to you, that I thought maybe we ought to open that up a little more, so that we wouldn't have to list specifically Mecklenburg County but we would have the door open for all of the Mecklenburg Counties.

Senator MOYNIHAN. I much agree, sir. And may I just say I think you and I would know why that waiver doesn't get through HHS downtown. They are saying, "You can't help Charlotte/Mecklenburg," and my feeling is that you can.

Senator SANFORD. This bill is just limited to welfare reform. There are some other reforms that are needed in the country, too, and downtown is one of them.

The CHAIRMAN. Thank you very much, Senator.

Senator SANFORD. Thank you.

[The prepared statement of Senator Sanford appears in the appendix.]

The CHAIRMAN. Our next witness will be Senator Daniel Evans, the distinguished Senator from the State of Washington, former Governor of the State of Washington, a man who has played a leading role in the concerns of trying to get people off of welfare and to do so by a means that is not an undue economic burden to the community or to the State.

Senator Evans, we are delighted to have you here.

STATEMENT OF HON. DANIEL J. EVANS, A U.S. SENATOR FROM WASHINGTON

Senator EVANS. Thank you, Mr. Chairman. I will try to abbreviate my written statement and ask that the full statement be included in the record.

The CHAIRMAN. That will be done.

Senator EVANS. Mr. Chairman, I am delighted to have this opportunity to testify before this committee on a matter of such extraordinary importance to the nation.

Reform of our federal welfare system is long overdue, and I suspect that statement has been made by previous witnesses, in previous years, in front of previous committees for as long as any of us can remember. But I think they have made those statements because welfare programs nationwide are failing to help the very people they were intended to serve.

Hard-core poverty and long-term unemployment persists. Too many of our children confront a world of limited hope and opportunity. When a recent study by the American Enterprise Institute reports that between 35 and 40 percent of the nation's poor in the

mid-1980s were children, and their caretakers in families headed by women, something is wrong.

Millions of our citizens are functionally illiterate. A government such as ours, premised on equity and fairness and ensuring that all of our citizens share in prosperity, cannot and must not tolerate the ill effects of our existing welfare system.

I really do commend this committee, and particularly the distinguished Senator from New York, for the enthusiasm with which we are moving ahead on welfare reform. It is important. It is long past due to bring this issue back to center stage in domestic policy debate.

Mr. Chairman, today I would like to comment on three areas which I think are important in the crafting of this particular legislative reform package.

Always we have got to consider the framework within which welfare reform must take place; namely, a strong and cooperative Federal-State partnership—I should say Federal, State, and local partnership. Although most of the welfare responsibilities are at the State level, certainly in some States the cities have a large role to play.

Secondly, I think we ought to recognize the current efforts by States to develop and implement welfare demonstration projects. I have always been a believer, certainly as a Governor and with equal enthusiasm now as a Senator, in the ingenuity and ability of our States to handle problems, given the opportunity, and handle them perhaps in different ways. But, in doing so, they can give us a lot of information about what works best and what, then, is worthwhile to take on as national policy.

So, with that, let me say that I was an original cosponsor, and proud to be, of S. 1511. I strongly endorse the major elements of this package. For example, it requires all States to join the 26 States already participating in the AFDC Unemployed Parent program. I can't think of anything more important to keep families together.

We had some extraordinary results in first having and then denying a program in the State of Washington. We discontinued the AFDC/UP Program in February 1981. In the next 17 months, in just 17 months, 38 percent of former AFDC/UP families became eligible for regular AFDC benefits, in almost all instances because there were no longer two parents in the home.

The CHAIRMAN. Would you repeat that?

Senator EVANS. We discontinued our AFDC Unemployed Parent program, which would have given benefits to those families in which there were two parents in the home. They did it in February 1981 because of fiscal stringencies. And in the next 17 months, 38 percent of those families who had been drawing the AFDC/UP program, shifted to regular AFDC benefits where the eligibility was for only a single parent. So, these 38 percent, for the most part, had been families which had broken up, very likely, in most instances, simply because the need was there to support the family, and the children especially, and they no longer were eligible for governmental help.

That is anti-family, it is anti-children, and it seems to me it is the worst kind of direction we can take, the worst kind of discrimi-

nation we can make in this country. And I think this is a critical and an important part of this legislation.

Along with this provision, I think the strengthening of child support enforcement laws, and enhancing work and training opportunities, the child care, and assistance for transportation costs are all important and desirable standards which we ought to endorse.

But there are other provisions which I would like to see addressed by S. 1511.

I think at some point, Mr. Chairman, we simply have to consider the inclusion of some type of national minimum benefit standard. The national disparity between States is disgraceful. Such grants vary up to 500 percent between the most generous and the least generous of States. But to be poor and hungry in New York is not much different than to being poor and hungry in Missouri or Texas or Washington or any other place in the country.

To eliminate these inequities, I believe we should work hard toward establishing national minimum benefit standards and levels in both the AFDC and Medicaid programs. Ultimately, this national benefit floor should be established at somewhere between 75 and 90 percent of poverty-level income. I fully recognize, however, that we "maybe" do not have the opportunity in today's budgetary world to accomplish this proposal. But I say "maybe," because I believe, at least as an alternative, that we should add to this legislation a provision calling on the National Academy of Sciences to complete a comprehensive evaluation of the minimum benefit proposal.

This study could include assessments of how to establish performance standards, the State impact, other implementation issues. I understand a similar provision is in the House bill. And I would urge that this be done. In fact, I would urge that this study be expanded beyond the House proposal, to give us an opportunity to look seriously at what I have introduced as a Federalism proposal; to really look at what responsibilities are and should be at the federal level; what are and should be at State and local levels. And how, by sorting things out, we can really take care of a national safety net for all of our poor, and do it in a way that won't break the Federal bank. And I think that can be done.

Second, Mr. Chairman, I would suggest that the waiver requests which have been set forward for demonstration projects are highly desirable. They will give us a good deal of information from States that are able and willing to move ahead.

Washington State's waiver request is far along. It has already achieved legislative approval in the Washington State legislature for a dramatic new approach to welfare. The AFDC portion, I understand, has been included in S. 1511. I would urge that this provision be expanded to include Medicaid, which is an integral part of our whole welfare program and, I believe, would make our ability to provide a good demonstration that much better. It is a five-year demonstration project as an alternative to the current AFDC program. It is a work and training intensive project, aimed at enhancing job skills for welfare recipients. In my view, and I believe I am correct, it is probably the most developed of all the State waiver proposals now in front of the Congress. And if S. 1511 doesn't move in this session of Congress—I would hope that it

would, but if it does not—I would hope that some point before we adjourn we are able to at least attach that waiver proposal on some legislation, because the legislature and the Governor are prepared to move in January of 1988. And I don't think we ought to delay that opportunity to learn a good deal from this proposal.

Finally, Mr. Chairman, we do need to reform our federal quality control program. But our efforts to reform our whole system will be futile if we are unable to ensure that States have the necessary resources and capabilities to carry out these new proposals.

The existing quality control programs for AFDC, Medicaid, and Food Stamps, if left unchanged, will prevent States from moving forward. They are atrocious programs, in terms of the aim toward penalty, with the lack of incentive. Huge fiscal penalties have been levied against virtually all States in the nation for so-called "excessive error rates" in program administration.

During the last session of Congress we recognized the serious flaws in federal quality control and commissioned a study by the National Academy of Sciences to explore reform alternatives. Although the study has not yet been completed, we have some initial information that indicates clearly that our current program is off base, that we need to have new direction, that we need to move strongly toward incentives and away from inordinat penalties. And I believe that, while the current moratorium in the AFDC program will expire in July 1988, I strongly urge the committee to include a provision extending the moratorium to Medicaid and making both long enough so we have an opportunity to finish these studies and to implement the necessary corrections.

Anytime you have a program where 49 out of the 50 States are under sanction in one or another of these quality control programs because of excessive error rates, that indicates clearly to me not that 49 out of 50 States are incompetent in their administration but that the system itself is giving us the wrong answers.

We now have over a billion dollars in fines levied against 49 of the 50 States of this nation. That billion dollars, if collected, comes right out of the opportunities to build better systems, and right out of the opportunities to do a better job in handling the new responsibilities which are likely to fall to States if we move ahead on this very important welfare program.

In conclusion, Mr. Chairman, S. 1511 I look on as an important first step in building a strong and secure safety net for all of our citizens. But as we move ahead, we should keep in mind the critical next steps in this continuum. They require a determination of how the Federal Government will finance its increased role in providing a more secure safety net. We must begin the important task of sorting out and returning to State and local governments programs and responsibilities they can operate more efficiently and more effectively.

The legislation I introduced earlier this year, S. 862, I believe offers such a concept. And a more secure safety net can be achieved by gradually terminating federal responsibilities for a variety of intergovernmental programs that can be operated better by State and local governments; and in turn, we, then, would have the resources to assume a broad safety net of proportions that would aid—really aid—the citizens of our country who need help and give

them the opportunity to work back to a position of true independence.

As a Nation, we cannot afford to continue proposing reform and always falling short. The mood in Congress and throughout the Nation I believe is receptive to change. If we are clever and prudent, we can make the necessary changes proposed by Senator Moynihan and others and add to it, and make this really an important first step in what must be a continuing effort to finally remove from the backs of this nation the continued plague of poverty.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Evans, I think that testimony is helpful, and particularly so because of your experience as the Governor and as chief executive of the State that has been in the forefront of trying to make this system work, insofar as welfare reform and getting people off the welfare rolls in productive roles. I am delighted to have your testimony.

I defer to Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, Governor Evans—Senator Evans—made a number of very powerful points. The first are the striking statistics about what happens to AFDC/UP families when that option is taken away. But there is a correspondence between the Washington data and the Missouri data; they are in the same range of experience. You always feel you know something there.

David Broder writes this in his column this morning in the Washington Post, and he notes, and it is hard to understand, that the White House, which is trying to work with us, opposes more than anyone thinks our provision in this legislation, which is the most costly, that extends this program nationwide. We should have done it in 1962 when we adopted it. Twenty-six States have it now.

The White House writes, and Broder comments, "the distorted view that this simply would be 'increasing the welfare load.'" Well, to the contrary, it is just the opposite, as I think we at least have your experience and Missouri's to tell.

Senator EVANS. I concede to the Senator from New York that I am absolutely convinced, from my own experience and I think from just pure logic, that you are likely to save rather than spend money by opening up or ensuring that there are opportunities for poor families headed by two parents to draw help for the time they need it.

We found, during the time I was Governor, we had some pretty tough times, also. We went through an aerospace recession where unemployment went to 13 percent State-wide, but we maintained to the maximum degree we could that Unemployed Parents program. It is an important one, and we found that they were the first families off welfare, as soon as there was opportunity, as soon as there was education. They tended to be temporarily in trouble; but if you force them in order to feed their children and to maintain a family, which they care about every much, to split up and to have one parent leave the home, you are almost by definition ensuring that that that is left will remain on welfare much longer.

I frankly cannot understand the logic of those who would assume that it would increase welfare costs. I think quite the contrary.

Senator MOYNIHAN. On the subject of a national minimum, true, we should move in that direction. Yes, I think that is a first-rate idea, the National Academy of Sciences study, and we can work on that.

May I make the point that, while we have spent lots of time talking about the disparities in the nation—and clearly, they are there—not perhaps enough attention has been made to the fact that the provision for children under AFDC, has in constant dollars dropped by one-third since 1970 in the median state. The only people in the Social Security System, the only citizens who we have cut.

In my City of New York, the provision for children—you know, Canadian forest's perish every year, in order that New Yorkers can proclaim their concern for the poor in print—and it goes on and on, indefinitely—and yet the provision for the poor, the children, has been cut almost 40 percent since 1970. And 45 percent of the children entering our school system are on welfare, and we give them half as much to eat. It wasn't that good in 1970, but it was almost double what it is now. It doesn't speak well of our attention to matters that we let this happen to children.

Senator EVANS. If I could interrupt at that point—and I am certain, during all of those years, we have not cut by one dollar the COLAs for the very wealthiest of our Social Security recipients.

Senator MOYNAHAN. No, nor anyone else.

Senator EVANS. Nor anyone else.

Senator MOYNIHAN. Yes.

Could I just say, if we can't get the Washington program, if we aren't moving in the sense that we ought to or could, I think you are right, that we should find a vehicle to put it on, because the States want to do these things.

Senator EVANS. Surely. And I think that they are prepared. It is hard enough—I know from serving in both the Legislative and Executive Branches of the Government—it is hard enough to get an executive and a legislative branch together on a program that represents a very big change from current policy. But I think the Governor has had remarkable success in Washington State in thinking through a program and gaining legislative support, and now having all of the laws passed at the legislative level, the State level, required to embark on this brand new program. And I think it would be a no-cost investment by the Federal Government in learning something that might be of great use to us in designing national programs.

Senator MOYNIHAN. I would just finally say that your moratorium point is so clear. I am happy to be a cosponsor. And Mr. Chairman, if we could include this in this legislation, I think it is in order.

Thank you very much, Senator.

The CHAIRMAN. And I must say, Senator, your comment about the entitlement programs not being cut, and often for the more wealthy, that is true, but children don't vote, and that is part of the problem.

Senator EVANS. They will someday.

The CHAIRMAN. You bet. But today's politician figures he will be long gone by that time.

I know I rarely try to intervene in those things in the State legislature—I have learned better. But in the last session, when it came to the question of children and what happened there in the way of health care, I chose to intervene. We were able to make some headway in that regard. But it is a tough fight in every State to see that we get the proper care for our children.

Senator EVANS. It is, indeed.

The CHAIRMAN. Thank you very much.

Senator EVANS. Thank you, Senator.

[The prepared statement of Senator Evans appears in the appendix.]

The CHAIRMAN. Our next witness will be the Honorable John G. Rowland, a United States Congressman from the State of Connecticut.

Congressman Rowland, we are pleased to have you.

**STATEMENT OF HON. JOHN G. ROWLAND, A U.S. CONGRESSMAN
FROM THE STATE OF CONNECTICUT**

Congressman ROWLAND. Thank you very much, Mr. Chairman.

You have my written statement. What I would like to do is summarize and make a few remarks about welfare reform proposals that are before us, both in the Senate and in the House.

I especially want to congratulate you and thank you, along with Senator Moynihan, for conducting this hearing and airing some of the views and some of the differences that might be out there. I want to commend you for taking that initiative.

It is indeed one of the most important pieces of legislation that we will be discussing this year. And I think if you look back over past campaigns and past discussions by so many people over the years, everyone is in favor of welfare reform. But it has been quite a time since we have actually sat down and put a piece of legislation together and addressed some of the real problems that are out there.

I would like to state at the outset that I support your plan and your idea to go with the Welfare Reform Plan, whether it is in the Senate or the House as a freestanding bill. We have had some rather harsh discussions in the House about whether this bill is going to be freestanding or whether it is going to be included in Reconciliation.

I can also tell you that over the last three or four weeks in the House we have not done a lot of business. As a matter of fact, if you look back to the last three or four weeks, we have passed probably about six substantive bills and the rest of the time we have been more or less sitting around and not doing much other business.

Senator MOYNIHAN. Mr. Rowland, would you like to know what we do in the Senate? (Laughter.)

Congressman ROWLAND. Well, I was going to leave that alone, Senator, but perhaps you can tell us later on. I was just going to pick on the House for a few moments.

The CHAIRMAN. All right. Fine.

Congressman ROWLAND. But indeed, we have passed some appropriations bills, yes, in comparison to what has happened in the Senate—but I won't touch that.

We have indeed spent a lot of time sitting around when we could be debating welfare reform. There are many of us who are very frustrated that have been working on a task force that we have been very involved in. We have spent many, many hours within our own Republican Caucus discussing some of the provisions and coming to agreement.

I was the original proponent of the GROW Proposal which the Administration put forward and I've got to tell you that this Administration, working with my friends in the Republican Conference, liberals and conservatives, have come to great agreement and we have had to come to great compromise.

So, I hope you will move forward with your proposal as a free-standing proposal.

As the debate continues I would strongly urge you to consider the proposal that we have—we call it H.R. 3200, the AFDC Employment and Training Reorganization Act of 1987, sponsored by the Republican Leader. As of today, we have about 114 cosponsors. And as I said earlier the bill was developed by a House Republican task force headed up by Congressman Hank Brown of Colorado and we believe that it presents real reform. It has got a lot of outstanding features and I would like to take a few moments to outline some of those.

Number one, the biggest fault I see with the Democrat proposal that is in the House is that it is a large welfare increase while at the same time it has no mandatory participation. So I think the rational, logical question that we must pose is: If we give a welfare increase to welfare recipients are we then taking away any incentive to go out and work? And I think that has got to be addressed.

I think we need to carefully walk through some of the transitions. I think we are all very naive if we believe at some point in the future welfare recipients are going to wake up and all of a sudden begin working. That is not going to happen. And I think, Senator Moynihan, many of the components of your bill address that issue.

I think that there has been too much rhetoric over the years as to the fact that welfare recipients aren't working and "there are plenty of opportunities out there." Well, there are not plenty of opportunities. And if you look especially at the AFDC recipient, we have got to look at hard reality. Reality is, for that AFDC recipient, she probably has not finished high school, probably has one or two children. And for us to believe that this gal at some particular point in her life is all of a sudden going to start working is unrealistic.

We propose some long-term strategy in the House Republican plan. We look at that long-term problem. And so we address education. And again, the cornerstone of the House Republican plan is participation, mandatory participation. I think that is where our plans may separate along the way. We want to see a goal-oriented participation plan.

What we do is we turn to those AFDC recipients and we talk about education; we talk about investment in transition; we go

after those AFDC recipients in the hopes that they will finish, for example, high school or that they will get involved in some work-training program. And we require, over a 3-year period, almost 80 percent participation by those AFDC recipients.

No one is going to hire a young gal or a young guy, for that matter, if they haven't had at least a high school education.

We also, in the transition process offer some child care programs. It is naive of us, again, to believe that the woman who is on AFDC with one or two or three children is going to be able to automatically start going to school without some child care support and transportation.

So, I think we have come a long way, as Republicans who I think are probably criticized as being "hard-nosed" on welfare, because we offer some real transition guidelines without payback. We offer to the AFDC recipient an opportunity to finish their education, the realistic problem that we are facing in the welfare situation.

We turn to the rest of the AFDC recipients and others on welfare, and the participation schedule that we put forward is not too strict but it is reasonable. Over a 9-year period we hope that there will be participation in either work, work-study programs, or educational programs. And that scale ranges from some 15 percent up to approximately 70 percent.

And again the transition guidelines that you present, Senator Moynihan, some of the child-support programs, all of those features are excellent.

What I hope will happen somewhere along the way is that your proposal will move forward through the Senate and the House Republican proposal will move forward through the House.

The Democrat Plan, for example, costs almost \$6 billion in welfare increases alone and I find it hard to believe that it is going to garner a great deal of support. The House Democrat Plan, H.R. 1720, is referred to as "Network." I would facetiously refer to it as "No Work," because, again, that benefit increase is going to act as a disincentive to people to go out and work.

In essence what the Democrat Plan in the House is saying is: "We will give you a benefit increase. We are not going to mandate that you work, but we hope that you will go out and work." And that is not going to happen; it is simply not realistic.

I think we need to look at the bottom line, the results. What are the projections of what is going to happen in the future?

CBO makes a number of estimates as to the number of people that will participate in the program. I know, for example in your bill, Senator, the participation is estimated by CBO over 5 years, I think, to be some 86,000 participants. I believe that the House Democrat Bill over 5 years has an estimate of about 365,000 participants. And our House Republican Bill, H.R. 3200, has an estimated 935,000 participants—an extraordinary amount of participation. And the reason for that, quite frankly, is that we mandate those percentages.

We are willing to work with the Senate. We are willing to work with the many good provisions that have pressed forward. And with all of the good elements that are out there, I think we can come to some excellent compromises.

I cannot speak for my Republican leadership but I can tell you that we are very encouraged, that we are very excited about this happening, that we want to move forward. And I think, again, the key element is a freestanding bill. Many of us are also realists and think that this may not happen this year for a number of other reasons and that we need to move into next year. But I hope that we keep the ball rolling because we have talked about this, we have all written articles about this. I don't think any member of Congress hasn't talked about welfare reform in a campaign or a newsletter and I think now it is quickly becoming time to fish or cut bait.

So I want to give you the encouragement of the Republican leadership and many people that have been involved in the issue—114 cosponsors—to push forward and push on, to bring together some of the transition, the realities of the welfare system, and I hope you will encompass some of the participation schedule that we have been making reference to.

At this point I would like to conclude my formal remarks and entertain any questions or thoughts you might have.

The CHAIRMAN. Well, let me say, Congressman, I very much agree with the idea of encouraging in every way we can the participation of the recipients of the program.

Insofar as the scheduling of the piece of legislation, I am fully committed to push it and to try to move it forward, but I want it to have a full airing and debate. I don't want to repeat the problems of the WIN program that happened once before. But I think this is a very high priority for the United States Senate, and this committee is dedicated to seeing that we move forward with it. Whether it will be this year or early next year, I don't know, but in my opinion it is going to be within a few months, at the outside, that we will see full consideration for it.

I defer to Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I would like to thank our distinguished colleague from the House for very strong, clear testimony. You have 114 members. You know, this is an issue that disappeared four years ago—two years ago. On this legislation we have 56 cosponsors already, and I think we will get some more. Many of the differences we have are differences on numbers, and that we are pretty good at compromising on.

We are coming together on these ideas, and I look forward to working with you, sir. I have got to study H.R. 3200 more than I have done. I apologize if I haven't, and I promise you that I will. Thank you for coming.

Congressman ROWLAND. If I just may conclude, Senator, I think one of the key agreements that we have is building a bridge to the welfare community. I think we need to get past some of the rhetoric and some of the statements and, quite frankly, some of the very strong sentiments that people have against welfare recipients.

We can build that bridge. It is going to cost a few dollars. We can make it happen. And I think with some of the thoughts that you have professed in your legislation and some of ours, we can come to that agreement and then just work on the numbers as you indicated.

The CHAIRMAN. Thank you very much, Congressman.

Congressman ROWLAND. Thank you.

[The prepared statement of Congressman Rowland appears in the appendix.]

The CHAIRMAN. Our next witness will be the Honorable Jaime B. Fuster, who is the Resident Commissioner of the Commonwealth of Puerto Rico.

We are very pleased to have you.

I must say we are going to have a vote in a very few minutes. Unfortunately, I have an amendment that will be up on the floor that I have to deal with. Senator Moynihan will be chairing in my absence, and I hope to be able to get back.

If you would proceed, sir.

STATEMENT OF HON. JAIME B. FUSTER, RESIDENT COMMISSIONER FROM THE COMMONWEALTH OF PUERTO RICO

Commissioner FUSTER. Mr. Chairman, Senator Moynihan, I appear before you on behalf of the 3½ million American citizens who live in Puerto Rico. I want to commend you for your efforts in trying to bring about a much-needed comprehensive welfare reform. We share the goals pursued by your committee in this regard and hope that a Family Security Act will get enacted as soon as possible.

I appear before you today to express our support generally for this important legislation, and specifically to bring to your attention some basic concerns that my constituents have regarding the application of the basic welfare program to Puerto Rico.

The AFDC program was extended to the island in 1950, 15 years after its implementation in the United States Mainland. Despite the extreme poverty prevailing on the island at that time, Puerto Rico was not granted participation on a parity basis. Instead, a ceiling was placed on the amount of federal assistance, which included both Aid to Families with Dependent Children and Aid to the Aged, Blind and Disabled.

This cap was subsequently raised in 1972. Later, in 1979, the cap was raised to \$72 million, where it stands today. That was the last time that the ceiling for Puerto Rico's participation in this most important program was revised. Now, 8 years later, as we enter the closing years of this decade, I believe that the time has come to revisit the conditions and limits placed on Puerto Rico's participation in AFDC.

In this regard, I request your support for a moderate cost-of-living increase to raise the ceiling currently applicable to the Commonwealth of Puerto Rico from \$72 million to \$104 million. This action is absolutely necessary, simply to restore the original purchasing power that the existing cap had when it first went into effect 8 years ago.

Such an increase is also needed in order to partially rectify the major disparities which have arisen between benefit levels payable on the mainland and those payable in the Commonwealth. At present, the average AFDC monthly payment for a family of three is only \$97 on the Island, as opposed to \$340 on the mainland. These figures reflect real and significant inequalities. Moreover, since the existing cap was established, the cost of living in Puerto

Rico has risen by over 40 percent. This has substantially eroded the real value of the existing allocation.

The bottom line is that the poor Americans who live in Puerto Rico not only receive public assistance which is grossly inadequate to meet their most basic needs, but that they are also subjected to a form of economic discrimination which other poor Americans do not experience. The result is that those who need assistance the most are actually receiving the least assistance. While it is true that we are presently laboring under severe budgetary constraints, it is also true that the present situation perpetuates inequity. As a matter of simple justice, this situation should not be allowed to continue.

Second, I would like to request your support for the inclusion of Puerto Rico in the welfare reform package finally approved by your committee. I support the concept of welfare reform, and I hope that the people of Puerto Rico will eventually participate in the benefits of an improved, family-oriented approach.

Finally, I request that Puerto Rico be excluded from any provision mandating the AFDC/UP program. As the proposed expansion of the AFDC/UP program would entail new outlays, most jurisdictions would automatically receive additional moneys to cover such outlays. This will not occur in the case of Puerto Rico, however. Since our allocation is capped by statute, any additional outlays would have to come from Puerto Rico's own extremely limited financial resources. Any increase in our allocation would thus be literally eaten up in an attempt to comply with this new requirement. I therefore ask that the Commonwealth be relieved of this burden until additional funding is available to facilitate compliance.

In considering Puerto Rico's request, the committee should bear in mind that after an 89-year long legal relationship between the Island and the mainland, and despite substantial economic development, needy American citizens in Puerto Rico still remain the poorest group within the population of the United States.

Per capita income for Puerto Ricans falls far below mainland levels, reaching to just one-third of the level for the United States in general. Mean family income for all families in Puerto Rico is only slightly above the U.S. poverty level. Despite the economic progress that we have made in the past decade, our unemployment rate still exceeds 16 percent.

Moreover, in spite of the Island's dire economic circumstances, Puerto Rico does not participate at all in several major federal assistance programs, such as Supplemental Security Income, and participates only to a very limited extent in various other federal programs for the needy, such as Medicare, Medicaid, Nutritional Assistance, and Primary and Secondary Education. These exclusions are particularly unfortunate, since the elderly, children under 18, and members of single-parent female-headed families comprise a disproportionately high share of the total number of persons below the poverty level in Puerto Rico.

These stark realities are reflected in the Commonwealth's waning capacity to meet the basic minimum necessities of its AFDC clients. When the Commonwealth made its initial cost determination of recipients' basic needs under the program in 1978, it was determined that the minimum cost of meeting basic needs was

\$64 per month for one person, \$112 per month for two persons, \$208 per month for a family of four, and \$304 per month for a family of six. At that time, due to the inadequacy of federal assistance under the cap, the Commonwealth could meet only 50 percent of these minimum basic needs.

From 1980 to 1987, the average monthly AFDC caseload increased from 83,000 households to 98,000, an increase of 18 percent. During this same period, the cost of living in Puerto Rico increased by close to 50 percent. By December 1986, the cost of basic needs for one person had increased to \$90.75 per month. Similarly, the cost of basic needs for a family of four rose to \$294. These sharp increases, coupled with the rise in the average caseload, without a corresponding increase in the Federal share, have seriously diminished the Commonwealth's ability to meet these basic needs. At present, the Commonwealth can meet only 35 percent of the needs of its AFDC clients.

Mr. Chairman and members of the committee, it has been said with some accuracy that an adequate provision for the poor is the true test of a civilization. We hope that you will help us to meet that challenge.

Thank you.

The CHAIRMAN. Mr. Fuster, you do have a unique situation there in Puerto Rico. This committee will have to be mindful of that as we consider this piece of legislation. Your comments do have an impact, and we will be keeping them in mind as we progress on this.

I am sure my distinguished colleague from the State of New York, with a great number of people who travel back and forth between there and Puerto Rico, will be considering that.

Senator MOYNIHAN. We will, sir, and we ought to do. We provide for an increase in that AFDC cap in the present legislation—not as much as I think equity wants, but somehow or other we are going to address these perfectly legitimate, proper questions.

Thank you.

The CHAIRMAN. Thank you very much for your testimony.

Commissioner Fuster. Thank you, sirs.

[The prepared statement of Commissioner Fuster appears in the appendix.]

The CHAIRMAN. Our next witness is the Honorable Nancy Johnson, Congresswoman from Connecticut.

STATEMENT OF HON. NANCY JOHNSON, A U.S. CONGRESSWOMAN FROM THE STATE OF CONNECTICUT

Congresswoman JOHNSON. Thank you very much, Senator Bentsen and Senator Moynihan. Recognizing that you have to leave, Senator Bentsen, I want to go right to the heart of a couple of very controversial issues that I am interested in and believe we must address if welfare reform is to fulfill that concept of reform that I think all of us here are talking about today.

We are talking about restructuring a system that has promoted dependence so that it will instead promote independence, a system that has in fact not only rewarded but required dependence.

I think it is important, as we talk about this issue, that we recognize that a woman who stays on welfare instead of accepting a low-income job is making the right decision for her children, the responsible decision for her children. If she cannot take a job through which she can provide day care and also continue to provide health care for her children, she is making the wrong decision, not the right decision. If leaving welfare means that she has to leave her children without proper care and without any medical support, then she is making the wrong decision to leave welfare.

I think that is very important to recognize I have sat and talked with many a young woman who has struggled mightily, sometimes taking two jobs, to try to regain her independence, because she feels so strongly about it. But finally, when that child who isn't getting adequate structured care begins to have behavioral problems, or when there is a medical problem that requires a lot of dollars to solve it, she is forced to return to the welfare rolls.

So I think our goal ought to be—and I know it is yours, and I commend you both for your tremendous leadership in this area—our goal has got to be to support her, realistically and honestly, in her deeply-held aspirations to work and to be that kind of independent parent that she, as well as all of us, get great satisfaction out of being in life.

The Republican Task Force on Welfare met many, many months and frequently had long, detailed discussions, and there are a couple of things in our bill that speak directly to the issue of helping women gain independence that I want to bring to your attention.

First is the whole issue of mandatory participation. The House bills require that women on welfare participate in education, work, and training programs when their youngest child is six, or, in the case of another alternative, when the youngest child is three. I would beg you to take a careful look at the Republican alternative, which gives States the right, it allows States to require participation when a woman's youngest child is 6 months. That is a provision that I fought hard for.

Now, the State cannot require participation unless there is day care available, and it is only allowed to require half-time participation. But unless we get that 16-year-old mother with her first baby into at least some of the wonderful parenting and education programs that for example, our YWCAs have started, that our school departments have started, at various agencies from community to community, we will have failed these young women.

We have learned a lot about how to help young women parent more effectively, how to help them to deal with their own developmental problems at the same time they are trying to deal with a child's developmental problems. We have learned a lot about how to integrate parenting programs and education.

If you keep that 15-year-old or that 16-year-old girl hooked into education and self-development, then you are likely to prevent child number two or child number three from coming along. And if you don't get her immediately, you are not likely to prevent it.

The statistics are indeed astounding: Of all women under 30 who are receiving AFDC, 71 percent had their first child as a teenager. Only half the girls who give birth before age 18 are likely to com-

plete their high school degree. Whereas, 96 percent of those who postpone childbearing until after the age of 20 are found to have completed their high school degree. And the correlation between dropping out educationally and dropping out in terms of one's own maturation and setting of goals and understanding of their own abilities is well correlated with teenage pregnancy and with long-term welfare dependence.

So I want us to get that young girl—and I don't mean full time. I want her to learn to parent. I want her into that system half-time. If you wait until her youngest child is 3 years old and you look at the normal spacing of children—I am the mother of three girls—if you look at your friends, and so on, the second child usually comes along after the first is about 2, or younger. So, if you don't require your participation before the youngest child is 3, you are likely to let that young girl of 15 avoid the education and work-training program until she is 22 or 23. By then, her self-concept, her own deep-seated understanding of her abilities is deeply eroded, and her belief that she can parent that child is probably not much better, because by then she has already experienced the problems of parenting that we all know are not easy in those early developmental years. You not only compromise her development and her opportunity to make good use of what we all now know and agree is important—education, training, job-placement support, and all that stuff—but you also compromise her ability to build a strong family, because she doesn't get a good start in life, support in parenting that is so critical to establishing strong families.

I would ask you to look at our proposal in terms of mandatory participation. I would support you 100 percent if you required States to offer at least a half-time program for welfare recipients that is focused on self-development, education, parenting, and so on.

I am not advocating requiring her to work full-time before that youngest child is 3. We have a terrible dearth of day care facilities that can care for children under 3. Requiring her to work doesn't make sense. But, if you keep her hooked in young, then your infrastructure to educate her is already there—it is the high school system. You also can use those high schools to provide the child care that young children need, under very good supervision, and have mothers participate in that as part of their education, and provide parenting training as well.

So, the dollars are not really big bucks. But if you are talking early intervention and prevention, strong families, economic independence, you really have got to start when that youngest child is 6 months old.

That is the most important thing I wanted to say, and I am awfully glad, Senator Bentsen, that you didn't get called out before I finished.

My second point is, in our bill we make the day care subsidies relative to income. I think that is very important. Day care is extremely expensive, especially for children under 3 but even for children over 3. If a mother enters the workforce with a minimum-wage job—and we make provisions for access to medical benefits, either through Medicaid extension and co-payment, and vari-

ous other transition arrangements in the medical care area—in day care I think we have to be realistic and recognize that her day care subsidy must decline as her wages grow. If she enters at a minimum-wage job, it may take her 2 years to be earning enough money to be able to pay day care costs, because they are very high. You know, day care costs are at least \$50 a week, \$200 a month, and that's cheap. Two hundred dollars out of a minimum-wage salary each month, she can't do it. She is making the wrong decision to get off welfare if she does that. And, if we cut her child care subsidy off after 6 months or a year, you see, then she will have to fall back onto welfare.

Now, some of our welfare mothers are actually very smart—they are on welfare because of the day care problem and the medical care problem, and they are going to go through training, and they are going to get computer programmer jobs, and they are going to actually make enough money to manage their day care costs fairly early in the game.

So, if day care is an income-related subsidy, then those who are going to get better jobs, who are going to be subsidized much more briefly. Those that truly need to spend a long time working up those early rungs of the ladder are going to have the public support they need.

Philosophically, the House bill that has come out of the Ways and Means Committee requires the employer to make up the gap. It says a new worker can't take a job that is below the community standard wage—nobody knows what that is. Their concern is that we don't require the welfare person to accept a job that doesn't pay her enough to be able to support herself and her children.

I take the opposite approach: Give her the education, give her the training, let her come in just where everybody else does in our society and just where that employer would normally hire someone of that job experience. We, as a matter of public policy, should take the responsibility, then, for making up the gap that she needs to survive and to support her children, off welfare rather than on welfare.

So I would urge that the barriers not be in the form of requiring wages higher than the minimum wage; but that our subsidies, like our day care transition benefits, be income related so that, as she progresses—and some are going to progress more slowly, some are going to progress more rapidly—and the public subsidy declines as a function of her position in the workforce.

Lastly, as to State participation standards and State flexibility, the States have certainly led the way. It is State action that has developed the broad consensus in both Houses that work, education, and training are important, better child support enforcement is important, and transition benefits are necessary. I think we have to be certain to allow States to retain their flexibility. I know you support and agree with that. It is an issue of how flexible, and I think we should err on the side of being too flexible, especially when States which come in with radically different programs would have to have our approval.

As to State participation goals, when I was in the Connecticut Senate—Mr. Chairman if you have to get up and walk out, I understand that.

The CHAIRMAN. I may have to in a minute, but I want to get to Governor Clinton, too, so if you could, summarize, please.

Congresswoman JOHNSON. All right.

The State participation standards did make a big difference. When we passed Work Fare for general assistance recipients, the big cities, particularly, told us they couldn't possibly comply. They complied the first year, the second year—it was a 3-year phase-in—and the 3d year we did have to make adjustments. But I do think that participation standards do provide some pressure to get involved.

Last, I really commend your interest in strengthening families and in the issue of paternity determination.

Our bill has a little demonstration project that I think shouldn't be overlooked. It allows States to develop demonstration projects that reach out to teenage fathers of welfare babies and gets those unemployed young men into the education and work training programs, then they can be covered by the child support enforcement program.

Thank you very much. I would like at some other time to talk to you about another aspect of the day care issue that I think if we don't address, we won't succeed, and that is our ability to use home care providers within this system, without whom we will never have enough care for young children. Yet, if you require States to reach out only license homes, we won't have enough either.

I have introduced legislation that would put the unlicensed homes in a relationship to the State that could be useful, helpful, protective of children, expansive of our care facilities rapidly, but I will leave that until another time.

The CHAIRMAN. Congresswoman, you obviously are very much involved in this issue and quite knowledgeable on it. You speak not only with vigor but with knowledge. I am appreciative of that, and I hope you have a full prepared statement that we can have for the record, to get to some of the other points I know you wanted to tell us about, that we didn't give you the time for.

But I am much appreciative of your being here.

Congresswoman JOHNSON. Thank you very much.

I do have Hank Brown's statement, because I was actually filling in for him and was scheduled for a later hearing with you. But I will leave his, and I will get back to you with mine.

The CHAIRMAN. We will put that in the record, and also your prepared statement when you bring it to us.

Senator MOYNIHAN. Mr. Chairman, I would just like to ask if I can arrange to come over and talk. I mean, you all have been working very hard at this, Congresswoman, and you have had your hands full on this subject for a long time. I would just like to come over and talk with you and get to know more about that bill.

Congresswoman JOHNSON. Well, thank you. I would be honored to get a group, and we will come to your side, Senator.

Senator MOYNIHAN. Good. Thank you.

Congresswoman JOHNSON. Thank you.

The CHAIRMAN. All right. Thank you very much.

We have the Honorable Bill Clinton, Governor of the State of Arkansas, great friend of mine, and I think a real leader in coming up with innovative, creative ideas, trying to help in this issue. He

is at the forefront of it, and I am just delighted to have him. He played a major role in the Governors Association in working on this.

We are pleased to have you.

[The prepared statement of Congresswoman Johnson and that of Congressman Hank Brown appears in the appendix.]

STATEMENT OF HON. BILL CLINTON, GOVERNOR, STATE OF ARKANSAS

Governor CLINTON. Thank you very much, Mr. Chairman, and Senator Moynihan.

I would like to have my prepared remarks presented for the record; but I will try to be brief so that we can conclude the hearing.

The CHAIRMAN. We will take it in its entirety.

Governor CLINTON. There are some points I would like to make. First of all, I want to thank you for having me back again. We had a meeting here in April, at which you gave me the opportunity to present the Governors' position on welfare reform. It is our number-one priority this year. We adopted the policy in February, by a vote of 49 to 1. We are almost equally divided, Republicans and Democrats. We have 26 Democrats and 24 Republicans.

Therefore, I speak to you on behalf of not only myself, but virtually every other Governor in the country. I talked yesterday to my cohort in this endeavor, Governor Castle from Delaware, who is well-known to both of you, and he asked me to give you his regards and gave me his proxy, which is a rare thing in this partisan atmosphere that we live in.

I just would like to make a couple of points:

First and foremost, since I talked to you in April I have done what I could to keep these negotiations, if you will, on track, in the hope that we could reach agreement—not only agreement between the parties, but also between the two houses of Congress and the White House. Senator Moynihan was good enough to come to the Governors' meeting in Michigan, where we had Congressman Downey and Chuck Hobbs from the White House, and others. We had worked hard to pull people together, and at least to keep everyone talking along the same lines.

Simultaneously, I tried to enlist the support of the National Alliance of Business, the United Way, and other groups who have probably already been in touch with you as a result of the contact I have had with them.

The bottom line is that there is an enormous interest in and commitment to the idea of welfare reform in this country, and we have a great opportunity here. At the same time, there are all kinds of reasons why you might not want to deal with it right now. I know the Senate has a full legislative agenda, I know the House does, I know there are differences with the White House over taxes and spending and the budget. I know you have got all these other problems.

If I could just make one point, as someone who doesn't have a vote and therefore doesn't have to deal with all of your headaches, it seems to me that this session of Congress, this calendar year, and

certainly this Congress, offers an opportunity that may not pass this way again. It really bothers me when I hear people who are sort of on the periphery of this issue, some people in my party, who say, "Let's wait until after the next election and see if we can't get a better bill." Some people in the Republican party say, "Well, what difference does it make if the bill gets vetoed?" I think that overlooks the fact that we are talking about the lives of millions of parents and their children who stand to have a piece of the American dream, and, that this whole idea of welfare reform is a critical part of our responsibility to develop the capacities of the American people, so that we can face the Twenty-first Century.

The CHAIRMAN. Governor, let me tell you, this chairman is dedicated to seeing that we have full consideration of welfare reform, and that we have it at the earliest opportunity that we can get that kind of a debate on the floor of the United States Senate. We do, however, have an incredible platter of things to deal with.

Governor CLINTON. I know that.

The CHAIRMAN. I left here at 6 o'clock last evening and felt guilty that I was leaving early, and it was early, because normally we are around here much later than that. And that is the way it is going to be. They were once talking about an October 3rd adjournment, and now they are talking Thanksgiving, and last night they were talking Christmas Eve.

So, as soon as we can get to it, we are going to do it. But I can't tell you it is going to be this year, it may be early next year. But it is a priority item.

Governor CLINTON. I think the critical point I want to make is that I don't think we should let it become a part of the politics of the coming presidential campaign, except to get everybody to say, "Hallelujah. Let's do it now!"

I said what I did, Senator, in sympathy. I understand that your job as Chairman and all of your work in the Congress this year has been immeasurably complicated by a lot of things that have nothing to do with welfare reform.

But Senator Moynihan used a word that I have now practiced 15 times, trying to make sure I could pronounce it, and I am going to go play Scrabble with my friends and family members and lay this on them, "syzygy," which apparently means that the moon and the sun and the stars are in some sort of mystical alignment which has brought us all together in this moment in history, around this issue.

Senator MOYNIHAN. An emergency happened last October.

Governor CLINTON. That's right, and I have been blaming it on that ever since, Senator.

But I just wanted to tell you that I think the Republican and Democratic Governors will support you in keeping this on the front burner.

If I could make a couple of specific comments, first of all, in addition to Senator Moynihan's bill with 56 cosponsors, you have the bills by Senators Dole and Bradley that deal with child support.

I think the Governors believe, without regard to party philosophy, that the elements of these three bills on child support must be part of any welfare reform strategy. I think it offers the Senate an

opportunity to take a very aggressive posture in this regard. And we will support essentially whatever you want to do.

We know, by the way, that not all of our States have done the greatest job in the world of implementing the amendments of 1984. A lot of States have a long way to go, and we welcome your insistence that we do better.

The second thing I would like to say is that a very important part of this program is requiring the necessary education, training, and work to prepare the welfare recipients to go into the workforce.

If I could make one suggestion to my friend Senator Moynihan about his bill, I think that some of the people who have expressed reservations about it do so because they think perhaps the language of the bill is not explicit enough. And one of the problems the Governors have with the House Republican bill, the Michel Bill, introduced in the Senate by Senator Dole, is that we fear that, while it mandates participation all right, we wonder participation in what? That is, we know if we just go through the same old job search and that sort of stuff, that it won't be good enough to deal with people who are structurally unemployable. There ought to be some language in the bill which leaves the States the flexibility to develop programs appropriate to the circumstances in each State, but which clearly requires, in return for this money you are going to appropriate, a range of services to be offered. This plainly includes remedial education, high school alternative degrees, adult literacy programs—clearly, the full range of education and training programs, without which this program won't work.

One or two other points:

There are differences among the bills about the mandatory participation. I disagree with the distinguished Congressman from Connecticut that the House Bill doesn't require participation; but there is a difference of opinion about how old the children of the welfare recipients should be before participation is required.

Our policy says three. The House Bill says three, and if you get a waiver you can go down to one. Your bill says three, and you can go down to one. And the Republican bill says six months.

Maybe what you ought to do is to basically say age three, but the States can go down to one if they demonstrate that quality, appropriate child care is available. That if a State can't do that, then you have to take voluntary participants of the parents of children between one and three, because, by definition, they are going to have child care or they won't be in it.

One or two other points:

The transition services are, next to education, training, and work, the most important parts of this bill in terms of their practical impact. I think you will have a lot of welfare recipients lined up, dying to go to work, if they know they are going to be able to have day care for their kids, and they know that their kids aren't going to lose medical coverage.

Most of us, if we were in the position of taking a minimum-wage job that we wanted to take for our own pride or dignity because we thought it was the right thing to do, wouldn't do it if we thought we would put our own small children at peril. And I think a lot of

attention needs to be given as to how that thing is going to be structured and how it will work.

In that connection, the Governors support the maximum latitude you want to give to waivers, to allow the States to do a lot of things that may not be mandated by the bill. The White House wants that, we support it, but we don't want to get away from the entitlement nature of this health care issue.

I have been trying for one and a half years to get a waiver from the Department of Health and Human Services to extend Medicaid coverage in my State under one of our WIN demonstration programs, and we have got a good program. I still haven't heard anything about it. I say that to point out that support waivers, and we want to support them. We want you to provide whatever latitude you want, but let us not lose sight of the fact that medical coverage and the child care are the two biggest institutional barriers to getting a lot of these welfare mothers in the workforce.

I would say just one final thing about an issue that you, Senator Bentsen, and I have discussed before. It is very touchy in our States, in our part of the country, and that is the Unemployed Parent program. It is mandated by the House Bill 1720, the Ways and Means Bill; it is mandated in Senator Moynihan's bill; it is not mandated in the Michel-Dole Bill.

I wish we could reach some agreement on this. The President feels very strongly that this should not be part of the bill, and he has basically said through Mr. Hobbs that this is a no-compromise issue. Maybe we could go to a system where we permit some compromises like the Oregon and Utah plans, which provide sometime coverage—six months every two years of Unemployed Parents coverage. But if you do that, again, I think it is very important not to obscure the fact that we think at least the Medicaid portion of UP ought to be there; you ought to give those kids the medical coverage.

The CHAIRMAN. Let me understand "sometime coverage." Explain that to me a little better how you would anticipate it would work.

Governor CLINTON. There are 24 States that I think don't provide coverage for unemployed parents.

The CHAIRMAN. That is right.

Governor CLINTON. You can provide Medicaid UP—that is, you don't give any cash assistance to the unemployed father in the home, but you do provide Medicaid coverage to the kids. That is one possible compromise.

Another possible thing you can do is to go beyond that to the experiments which are in place in Oregon and Utah, which essentially provide that over a two-year period, or a few months in each two-year period, a father could be covered, but only for say 6 months, on the assumption that that is enough time to give him time to find another job.

That is what they do.

Senator MOYNIHAN. Could I say something there, Mr. Chairman?

The CHAIRMAN. Sure.

Senator MOYNIHAN. Ours is one of the 26 States that counts in the two-thirds of the population represented. It seems to me the

States that don't should be talking about what they want. And I am sure we can come to agreement here, I know we can.

Governor CLINTON. Well, I want to emphasize that this is an issue, it seems to me, that we have to work through with the White House and the people on the Republican bill. The Governors adopted a position a long time ago which was in support of UP.

The CHAIRMAN. Have you taken a public position on this?

Governor CLINTON. The Governors Association? Yes, even before this issue.

The CHAIRMAN. Yes, but I am talking about you.

Governor CLINTON. Me personally?

The CHAIRMAN. Yes.

Governor CLINTON. I am for the coverage, as long as you do one thing: I think if you mandate UP, you must mandate that, no matter how old the children are, if they are a day old, at least one of those parents has to be in the education, training, and work program from the day the UP comes in, and I think that is critically important. Otherwise, I would be opposed to it altogether.

The CHAIRMAN. Well, you are living this problem down there in Arkansas, and we have it over in Texas, and that is why I am particularly interested in your application.

Governor CLINTON. I agree with Senator Evans, who talked about this from his perspective as a former Governor. I think all of our policies ought to be pro-family, pro-work, and pro-kid, and not necessarily in that order. So, I think we ought to do whatever we can do that is good for families, good for children, and good for letting people be productive citizens.

And I still believe, if you have the right kinds of requirements, the UP program does that.

But I think we also have to realize that we want to pass a bill that won't be vetoed.

The CHAIRMAN. Yes.

Governor CLINTON. Senator Moynihan will tell you that in all of our conversations with the White House, they said this was one of those lying-in-the-dirt issues, that, "Maybe we will go for something like Oregon and Utah have, but not for the whole UP." That is why I offered that as a possible compromise.

I think what we all think, Senator, is that you, Mr. Chairman and this committee, are going to be critical to whether we get a bill that will be signed and not vetoed and that we actually have something to show for this year and a half of effort we have all made. That is the only reason I raise that issue.

The CHAIRMAN. I don't want this just to be a political issue; I want to see it implemented, put into law in something that is effective, that we think will work.

Governor CLINTON. One thing that the first Congressman from Connecticut said is something that I think is a very sensitive point with the Governors, that we don't want to spend a lot of money and not have anything to show for it. If you read our policy, we certainly don't support the idea of just putting a lot more money into a system with no results; we think that H.R. 1720, the House Ways and Means Committee bill, is a lot better bill than they do. But we also feel very strongly that we should moderate benefit increases and try to finance it as much as possible out of savings

from this program, the work program, and that before there is a national benefits standard, we ought to have a study.

One of the things that we suggested to Senator Moynihan and others is that we ought to put a little money into this program maybe to have someone study, the National Science Foundation or somebody, what an appropriate standard of benefits should be.

Senator MOYNIHAN. Governor Evans was speaking about just that.

Governor CLINTON. Yes, sir, he talked about that, and I think that is something that I would commend to you.

But we are ready to work with you, and we think that the Moynihan Bill is a good place to start. We do feel, Senator, as I said, that we ought to be a little more explicit about what is in the education, training, and work, but still leave the States the flexibility to put it together. But be explicit about it.

We also think that the language on child care, at least, needs to be clear, that we are talking about appropriate quality child care, even if the State doesn't pay for all of it.

And I think, with those two exceptions, we feel pretty good about where you are starting now. And the Governors are still holding together right across the spectrum. I hope that there won't be any attempt to split us apart, because we have not tried to play favorites or play politics. We just want to do what we can to help you get a bill out that will be signed in this Congress.

The CHAIRMAN. Governor, that has been very helpful to us. We are most appreciative of your comments. You helped us before, this Spring, and this is added to it. And you have added to my education. Thank you.

Yes?

Senator MOYNIHAN. I would just like to ask, of the Governor, if we could get some language from you on those two points? I mean, you are the ones who are going to have to run these programs.

That "lyin' in the dirt" may not be like the lie-ins we have downtown, but if we can get that language, we will go your way. You are the ones who came in and said you wanted to do this, you are the ones who have shown you can. This is where the energy in the system is.

What we have down here is that it is a failed system that nobody has any confidence in, and if you have any idea that you can make it work better or differently, they just say—they don't even say "No" to you; you are just waiting for the answer. What was it, 18 months to try to get a Medicaid innovation?

Governor CLINTON. I haven't been turned down, either; I just haven't heard from them.

Senator MOYNIHAN. Yes, they just make a decision, and so, there is just no answer. That has got to stop. And the energy, gentlemen, is out there; it is not here.

There is still a little bit of a 1930s-40s-50s mentality which says, "You can't trust the States; it has to be done in Washington." I would put it the other way around, that it is Washington you can't trust.

The CHAIRMAN. Governor, thank you very much. We are delighted.

Governor CLINTON. Thank you, Mr. Chairman.

The CHAIRMAN. We have one more witness.

Senator Durenberger, did you desire to make a statement?

Senator DURENBERGER. All right.

The CHAIRMAN. Let me state to you, sir, that we have one more witness. We are pleased to have your statement, and neither one of us will stay and hear the other witness.

Senator DURENBERGER. Right. I regret not coming over sooner, Mr. Chairman. I have spent the last 2 hours trying to facilitate the process of the Medicare Catastrophic Bill, and I regret not being able to get here until now.

The CHAIRMAN. But did you make some headway? That is what I want to know.

Senator DURENBERGER. We made head but not way. [Laughter.]

Mr. Chairman, I do recognize the lateness of the hour, and I have a statement that I would like to have made a part of the record.

The CHAIRMAN. Of course.

Thank you, Governor.

[The prepared statement of Governor Clinton and Senator Durenberger appear in the appendix.]

The CHAIRMAN. Our last witness is Mr. Kevin M. Aslanian, Executive Director of the Coalition of California Welfare Rights Organizations, from Sacramento, California.

We are pleased to have you, sir.

STATEMENT OF KEVIN M. ASLANIAN, EXECUTIVE DIRECTOR, COALITION OF CALIFORNIA WELFARE RIGHTS ORGANIZATIONS, INC., SACRAMENTO, CA

Mr. ASLANIAN. Thank you, Senator.

I am very grateful that we have an opportunity to testify before the Finance Committee. We represent basically welfare rights organizations throughout the State of California.

We have done a section-by-section analysis of S. 1511, H.R. 1720, we have reviewed the Republican bill, and we put out a monthly newsletter called "The California WorkFare Reporter." We would like to share with you a little bit about the California GAIN program.

This program has been in operation for about a year, and we have just reviewed the Fresno County program. Fresno County has been operating for about one year, and during that one year 109 people found employment. The WIN program, during the one year, found 789 people jobs. The Fresno County Plan said that 80 percent of the participants are going to need child care. The 1-year report shows that only 8 percent of the participants received child care. The reason is neither that legislation, nor any, other legislation on the table today, actually mandates child care. It merely says that, if you need child care, we'll give it to you.

In San Diego, a lady was participating in a Workfare Program. When she came home, her children were taken away by the Child Protective Services. Apparently the child care arrangements were failed, but she still had to participate in the Workfare program, and the next thing you know, when she came back home, the children were gone.

We are also big advocates for welfare reform. For example, in America a pregnant woman cannot get AFDC in many States, which is the primary reason for the high increase in the infant mortality rate in America.

There is a real problem about the work incentives. Today if a woman goes to work, in many cases they have to live on food baskets, because they cannot feed their children. And as you know, the work incentives were changed in 1981, and we never got back to where we were. And your legislation, Senator, does not provide for the work incentives. So under the current statute, if you go to work, you lose money, and you lose money so you cannot feed your children. So, when a woman comes to me and says she cannot feed her children, I have to counsel her and tell her that her primary obligation is to raise her children, not to work and punish her children. So, she must quit her job to be able to feed her children. That is very hard for me to do, but I have to protect the children.

There is no emergency assistance program, nationwide. Some States have it, some States don't have it, and many States use it to enhance federal financial participation for their pet projects. We would suggest that there be mandatory emergency assistance in all States, to provide when families are homeless that they could get emergency assistance and could receive some help.

Senator MOYNIHAN. Well, now, aren't the emergency provisions in Title IV available automatically to the States, the 30-day provisions? I believe you will find that is true, sir. But I don't suggest they are always effective.

Mr. ASLANIAN. No. In fact, the AFDC/UP program—States can participate, but they don't have to.

Senator MOYNIHAN. Very well, I won't question you. I mean simply that all States that I know do. But then, we will find that out. Thank you.

Mr. ASLANIAN. There is also a real problem with retrospective budgeting. We have had a woman who lost her job this month. She had been working for six or seven months, and she was on AFDC. This month she lost her job. Her grant for November and December will be computed based upon the income that she received in September and October. So, you can imagine what a horrible Christmas these children are going to have, just because their mother went to work. The children are going to be sitting by the Christmas tree with nothing around it, because their mother worked. Had she not worked, had she gotten the regular AFDC check, they would have had a better Christmas.

There should be automatic supplementation for victims of retrospective budgeting. The current law provides that the State may do that, and that is the current law because New York wanted it; but it should be mandatory if we want to encourage people to take jobs.

You should also stop penalties for late reporting. If a woman gets her income reported in 3 days late, 2 months down the line they don't get their child care deductions, so they have to quit their job. It just doesn't make sense, Senator.

Senator MOYNIHAN. No, that doesn't.

Mr. ASLANIAN. I think welfare reform, basically, is an interesting thing. Where we are today, basically, is that it appears that our society is saying that it is okay for a woman not to take care of her

children under the age of 6. And I don't think our society really believes that. If our society doesn't really believe that, then we should not impose these discriminatory policies against poor children. Some children do need their mother's guidance, some other children may not. Some mothers may be able to do it, some others may not. There should be flexibility for the woman to decide how she wants to raise her child, rather than having big-brother government say, "This is the way you are going to do it, because we, up here, have decided, or we at the State level have decided, that you are going to do this."

In fact, it is interesting. I have been in some of the debates about the mandatory versus voluntary. All the proponents for mandatory say, "Well, you know, we can't have people on welfare for generation after generation after generation. So, how will we deal with this? We will have a mandatory work program." And that becomes an assembly line approach. Everybody goes through the mandatory program. That doesn't make sense, either. That is not an efficient utilization of our limited resources.

Our suggestion is, we should target, and only make those people mandatory participants who are long-term recipients, who have been on aid for more than 6 years, who have children over the age of 12. Those are the people who should be mandatory participants. And if you give other folks the chance, they will volunteer for this program. You don't have to push people into these programs. In Massachusetts they are standing in line to get into the program. I mean, it really doesn't make sense.

We also have real problems with the welfare department administering these programs. When you have a cardiac problem, you don't run to your lawyer and say, "Lawyer, I have a cardiac problem." You go to your doctor. And if we have a job problem, we should not go to the welfare department, we should go to the job department. The job department happens to be the Labor Department, and the State employment agencies are the ones who operate the training program and the other programs. I could never understand why all of a sudden everybody is pushing welfare recipients through the welfare department. You are still going to have the welfare problem.

Child care problems: We had a classic case in California. A woman who was participating in the GAIN program was doing her job search. Of course, she didn't need child care while in the job search program, because she was looking for the job while the kids were in school. On the fifth day she finds a job. She was overjoyed; she finally found a job, and she was going to get off of AFDC. She runs to her welfare worker and says, "I've got a job. I need child care. What do I do?" The Workfare worker says, "Sorry, there is no child care. You could call up a child care center, but there is a big line." So she says, "What do I have to do?" They said, "Well, you don't have to take the job if you don't have child care." She says, "Fine. What do I do tomorrow?" They say, "Go and look for a job again." Now, that's ludicrous, and that is exactly how the programs work.

Our position is that you should never have anybody out there looking for a job unless they have a certificate saying that they

have a job child care slot at Pepper Tree Child Care Center or any other child care center.

What happens with the employer? The employer calls you up and says, "Look, I have read the newspapers. You appropriated millions of dollars for child care, and this lousy welfare recipient comes to me, I offer her a job, and she turns the job down and says, 'I don't have child care.' I know better." He complains to you, he complains to his Congressmen, complains to everybody. It doesn't make sense. The program should be structured solidly.

Under your bill, part-time workers who are working less than 30 hours are not exempt from this program. We suggest that they should be. If somebody is in a part-time job—

Senator MOYNIHAN. Why?

Mr. ASLANIAN. Why? Because a part-time job—

Senator MOYNIHAN. I mean, we are holding hearings, and we are trying to get information. Tell us why.

Mr. ASLANIAN. Okay. A person has a part-time job, is making a decent salary, has an opportunity for a promotion. It is their chosen path into independence. They have taken the initiative. We should encourage people to take initiative rather than to say, "No. You took a part-time job? No way. It should have been a full-time job. We say you quit your job, go into our training program, into our job search program, or go into the Workfare program." That is simply wrong. I think we should discourage anybody who does something on their own.

For example, self-initiated educational training. I think anybody who is in some kind of an educational program, or some kind of a training program, that they initiated, at any time, that should be encouraged and not trashed.

What our system does now—I have a lot of people who are in some kind of a training program. They say, "Well, you can't be there, because we did not approve that. We, the government, did not decide that you should go there. So, therefore, you have to drop that, come and see us, and go through us." I guess they make more money that way.

We have a real problem with the so-called "contract." First of all, under your legislation the contract is optional rather than mandatory. The second thing is that we have, in California, this so-called "contract," and the contract is—

Senator MOYNIHAN. Yes, under GAIN.

Mr. ASLANIAN. In the GAIN program, yes. Basically what it is, Senator, is a rights-of-responsibilities form, where they lay out your rights of responsibilities. In fact, in California the clients don't even get to complete the contract; the worker completes the contract and says, "Sign it, here, okay?"

It is hard to have a contract that is not a bargain between two equal parties. And there is no way you can consider the welfare recipient and the welfare worker to be equal parties; because, if the client does not cooperate, they get sanctioned. The client can't sanction the welfare worker. So they are not equal parties.

We also support the National Governors Association, who suggested that the range of services be mandatory. Under your bill, basically, there is no mandatory range of services. If States could

only run a workfare and job search program, it will be consistent with your bill.

The final thing I would like to talk about is sanctions. For example, in New York they ran a work program. They saved \$11.5 million through sanctions, and they saved \$6.5 million through getting people jobs. So, it appears that sanctions is where they save most of the money.

I don't know if you know how the sanctions work, but in the two-parent family—and I have had lots of families come to me—they get sanctions for three months for the first time and six months for the second time. And the whole family is sanctioned for this period of time. I can't understand; why punish the children for what their parents do? It is unconscionable. And do you know what the father does? He leaves the family, because he has to leave the family to make sure that those children can be fed.

The other problem is that, when you impose these durational sanctions, and the parent comes and says, "Well, after 15 days, I am willing to participate," the welfare system says, "No way. You have to serve out your three months"—their prison term—"and then come back and see us."

Senator MOYNIHAN. That is about as dim as you can get, isn't it?

Mr. ASLANIAN. Yes, but that is basically what happens.

We have your problem with the waivers—these waivers of the States, to do whatever they want to do.

Senator MOYNIHAN. Mr. Aslanian, I have no choice at this point; it is a quarter past 12. The rules of the Senate require us to cease a hearing at noon.

Mr. ASLANIAN. I am sorry.

Senator MOYNIHAN. No, nothing to do with you.

We allow ourselves 15 minutes leeway, and no one complains. Otherwise, we are subject to an objection on the Senate floor. So, I am going to have to momentarily bring this hearing to a close.

Let me say to you two things: First of all, thank you very much for coming all the way from California.

Mr. ASLANIAN. Thanks for having me.

Senator MOYNIHAN. And thank you for very interesting prepared materials, which we will listen to with great attention.

You have some hands-on experience with the GAIN program, and we want to know more about that. I would like to make, however, one general point. It is our experience—it may not be so in the GAIN program—our experience is that there is a great tendency of this present system to forget about these women and children and just leave them to moulder.

The idea that there is an energetic bureaucracy out there that is just waiting to seize the moment to take these poor people and force them into jobs—no. No, it is just the opposite. It is just to send them their checks and leave them alone.

Fifty-two percent of the married women with children are in the workforce today. That is a choice we have made. Seventy percent of all mothers with children under 18 are in the laborforce. Fifty-four percent with children under six. In contrast, the workforce participation rate of AFDC mothers in 1984 was 4.6 percent. They have the highest level of unemployment; it is the greatest concentration of unemployment in our society.

And no one is rushing out to make sure they get to work. On the contrary, people are rushing away from any effort.

But now, suddenly we see some willingness, as you heard from Governor Clinton. Wouldn't you accept that as being more nearly reality?

Mr. ASLANIAN. I will attest that most welfare recipients would rather work than get AFDC. I also believe that if a program is going to be structured, it should be structured with sugar and not with a stick. And S. 1511 has a big stick and very little sugar.

The reason that you only have 4.6 percent of the AFDC population working today is because of the 1981 cuts, at which time 30 percent of the caseload was working. And it went right down by 25 percent, as you correctly pointed out.

Senator MOYNIHAN. That may be.

Mr. ASLANIAN. So, that is where the problem is. And I think when you combine sanctions and bring down the mandatory ages, you just have a pilot program. That is what you are going to have.

Senator MOYNIHAN. But at that point, when we took away, we took people off of the system because they did have earnings, and that brought that ratio down.

We absolutely agree with you that child care is the choke point.

Mr. ASLANIAN. But there is no bill today that would guarantee anybody child care. I have had GAIN clients call me up in Yuba County, California, and say, "My worker told me that I have to find child care. And if I don't, my family is going to be sanctioned." That is the way they actually operate the GAIN program.

Now, you may sit up and say, "We are going to guarantee child care," and the States will write a letter and say, "Oh, yes, we guarantee child care." In fact, every county plan that is submitted has to say that "We have looked at it; we have done all this planning, and there is all the child care." But there is no child care there, sir.

Senator MOYNIHAN. That is under GAIN, though.

Mr. ASLANIAN. One thing I would like to give you for the record, if you would like to have it, sir—

Senator MOYNIHAN. Please.

Mr. ASLANIAN. We have a Recipient Impact Statement of S. 1511, and it is side-by-side.

Senator MOYNIHAN. Oh, good. We shall make those part of the record.

And now, the rules of the Senate really do require me to bring this hearing to a close.

First, I want to thank you for coming, and thank you for your willingness to put so much of your own career into a concern for others.

Senator Henry Bellmon, now Governor Bellmon, wished to be here and prepared a very careful statement, and, alas, is not going to be able to get to us on time. So I am going to put his statement in the record at this point.

Thanking our audience, thanking our various lighting experts and our most generally expert staff, and particularly our witnesses and the staff members from other members of the House and the Senate who are here, we will call this second of hearings of the Senate Committee on Finance on S. 1511 to a close.

[Whereupon, at 12:18 p.m., the hearing was concluded.]

[The prepared statement of Mr. Aslanian and Governor Bellman appear in the appendix.]

WELFARE REFORM

WEDNESDAY, OCTOBER 28, 1987

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:03 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Daniel Patrick Moynihan presiding.

Present: Senators Moynihan, Bradley, Mitchell, Chafee, and Durenberger.

[Prepared statements submitted by Senators appear in the appendix.]

[The press release announcing the hearing follows:]

[Press Release No. H-68, Oct. 21, 1987]

FINANCE COMMITTEE TO HOLD THIRD HEARING ON WELFARE REFORM

WASHINGTON, DC.—Senator Lloyd Bentsen (D., Texas), Chairman, announced Tuesday that the Finance Committee will hold the third in a series of full Committee hearings on the subject of welfare reform.

The hearing is scheduled for Wednesday, October 28, 1987, at 10:00 a.m., in Room SD-215 of the Dirksen Senate Office Building.

Bentsen said, "As we continue to examine specific welfare reform proposals now before the Congress, it is important that we know how specific proposals could influence our goal of setting a new direction for the Nation's welfare system."

The full Committee hearings build upon a series of seven Subcommittee hearings held earlier this year by the Subcommittee on Social Security and Family Policy, chaired by Senator Daniel Patrick Moynihan.

OPENING STATEMENT OF HON. DANIEL PATRICK MOYNIHAN, U.S. SENATOR FROM NEW YORK

Senator MOYNIHAN. A very good morning to you all.

This is the fourth in a series of hearings by the full committee on the subject of welfare reform and change in the welfare system which, of course, is Title IV of the Social Security Act of 1935. These hearings began in the Finance Subcommittee on Social Security and Family Policy in January this year, in response to a number of initiatives including, of course, that of President Reagan who proposed in his State of the Union Message that 1987 be devoted to this inquiry. And we were following the lead of the National Governors Association, which made this subject their number one issue of the year and which came forward with a series of proposals of their own.

We have had excellent testimony from Governor Clinton, Governor Castle, Governor Kean, Governor Dukakis, and a number of other distinguished Governors, and we have, of course, fashioned

our legislation—S. 1511, the Family Security Act of 1987—closely on their proposals.

There are 56 cosponsors for our bill and a degree of agreement across party lines and regional lines. That is not only rare; I think it is unique for this subject.

We have been advancing with a great sense of confidence and purpose, and I hope we continue to do so. I would note that in the last several days, a number of Senators, including my good friend, the distinguished Republican leader who is the ranking minority member of our subcommittee, has suggested that in light of the budgetary difficulties, the deficit crisis, and the disarray of the financial markets that it may be that we cannot afford to do anything for children this year. He didn't put it in those terms; he said that welfare reform can't be afforded.

I would hope that we not accept that counsel, and I know that my good friend, Senator Dole, would only do so reluctantly. I would call attention to two things.

This last evening, the Senate by an overwhelming vote amended the Social Security Act to provide catastrophic health insurance for some 32 million senior Americans and provide monies for prescription drugs, in a very ingenious and successful enterprise a solution to a problem that was set forth by the distinguished Secretary of Health and Human Services, Dr. Bowen, earlier in the year. And in very short order, the Congress responded.

In the case of this legislation, Senator Mitchell, Senator Durenberger, Senator Heinz of this committee acted with great capacity, energy, and tenacity and negotiated an agreement with The White House; and it will be law, after a short period, I would think.

And there, we have done something important for people who are, in some sense, out of the work force and need social insurance, a principle we established some years ago in the Social Security Act.

Similarly, on Friday it was announced that the cost of living adjustment would be made for those 32 million Americans and others—but 32 million who are receiving Social Security—retirement benefits of 4.2 percent. A 4.2 percent increase would be provided in the last check that was mailed this year—because of the weekend, it would otherwise have been the first check of next year—so that the retirement benefits of elderly persons, retired persons, would be protected because they are indexed to inflation.

All Social Security and social insurance programs are indexed, except for the program that benefits poor children, AFDC. The 4.2 percent increase that Social Security retirement benefits will receive corresponds, in effect, to a 4 percent reduction in the benefits which children will receive under the AFDC program within Social Security. There are half as many children in the system as there are retired persons; children are the poorest group in our population. About one child in three is likely to be dependent upon public assistance before they reach 18.

I was traveling around New York on Monday and met with a number of editors who were reporting the Social Security COLA increase and I asked if any of them reported that this actually constituted a real cut for children? No, they hadn't; they hadn't thought about it that way, but it does. And it would seem to me a very poor

thing if this Congress should end, having made the first major expansion in the health care benefits since the 1960s, if we still couldn't find the capacity to do something for children; and somehow we blame the Japanese or something. [Laughter.]

That doesn't seem to be very helpful. I have a statement to that effect, which I would like to place in the record at this point. I have a few other items that I think also would be useful.

As many of you know, part of our bill, proposed by the governors, would provide limited authority for the States to operate waivers within the context of the Social Security Act. New formulas and arrangements can be made to fit particular interests of particular States and needs because so much of the energy and innovation on this subject comes from the States.

On Friday, it was announced that New Jersey, after extensive negotiations here in Washington, had obtained a waiver agreement from the Secretary of HHS which would make widespread changes in the way they run their welfare program. In accordance with that, the ideas that Governor Kean has brought to this committee are most consistent with the things our legislation would like to bring about.

I will not ever forget Governor Kean's testimony that, in New Jersey, his Economic Development advisers said there were going to be some 600,000 new jobs in New Jersey in the next decade; and that means we don't have a child to waste—not if we ever had one—he said; but we certainly don't have one now.

I would like to place the report of this new agreement in the record and also a very handsome letter from the Honorable Gary Carruthers, who is the Governor of New Mexico, who writes to thank us for information regarding the Family Security Act and to say that in New Mexico, "My Administration is completing a welfare reform plan which we have chosen to call 'Mainstream.' This effort is a combination of State legislation, waiver requests to be submitted through Federal funding agencies, and regulation changes designed to promote self-sufficiency and reduce dependency on public assistance on the part of persons receiving food stamps and AFDC.

"The objectives of the Family Security Act are similar to those of Mainstream, particularly with regard to the emphasis placed on child support enforcement, as well as education and employment opportunities."

[The information appears in the appendix.]

Now, in that regard, we are seeing such enormous energy at the State level, it seems to me it would be very unfortunate if we did not match them with some corresponding response here in Washington. And that will depend a very great deal on the courage of this Congress.

May I ask if there is anyone present here from the Department of Health and Human Services?

[No response.]

Senator MOYNIHAN. We are here talking about more than 11 million welfare recipients. Is there anybody here from the Administration? Anybody? I see a hand. Would you come forward?

May I say that Representative Roukema cannot be here until 10:30, and so we have just a moment.

Is anybody here from Health and Human Services? Good. Come forward, sit down, introduce yourself, and I will welcome you. Tell us who you are. You don't have to if you don't want to. Come on. [Laughter.]

Good morning. Come forward. Sit down, and give us your name.

STATEMENTS OF SONIA RIVERO, LEGISLATIVE ASSISTANT; PENELOPE SPERRY ASHCRAFT, CONGRESSIONAL LIAISON [AFDC], OFFICE OF FAMILY ASSISTANCE [POLICY], FAMILY SUPPORT ADMINISTRATION; AND CHARLOTTE O'LOUGHLIN, CONGRESSIONAL LIAISON, FAMILY SUPPORT ADMINISTRATION, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. RIVERO. Good morning, Senator. I am Sonia Rivero, and I am representing the Office of the Assistant Secretary for Legislation at HHS.

Senator MOYNIHAN. So, you are here from Congressional Liaison?

Ms. RIVERO. Yes, Senator.

Senator MOYNIHAN. Fine. That is very nice of you, but there is nobody here from those divisions of Health and Human Services that deal with this program?

Ms. RIVERO. Yes, Senator. We do have staff here.

Senator MOYNIHAN. Are there some persons here who have not announced themselves?

Ms. RIVERO. I want to keep the Secretary informed of the proceedings here; but we also have program staff attending the hearing who, of course, are very interested in what people have to say on this subject.

Senator MOYNIHAN. If they are here, where are they?

Ms. RIVERO. We do have some staff sitting in the audience, I believe.

Senator MOYNIHAN. Now, listen. This is a formal hearing of the Committee on Finance. I asked if there was anybody here from Health and Human Services. Is there anybody here? Are you hiding?

Ms. RIVERO. Senator, we were not asked to send any official representatives; but, the staff is represented here.

Senator MOYNIHAN. Then there are some staff persons here?

Ms. RIVERO. Yes, Senator.

Senator MOYNIHAN. Then, why don't you stand up and point them out? This is bizarre behavior, but it is not unusual [Laughter.]

I saw a hand. This is like a game show.

Ms. RIVERO. They are shy.

Senator MOYNIHAN. Don't be shy. Come on. Please, if there is anybody here, stand up and come forward. This is a meeting of the Committee on Finance. You have every right to be here, and we welcome you. Why would you not let us know you are here? Good morning.

Ms. ASHCRAFT. Good morning.

Senator MOYNIHAN. And you are?

Ms. ASHCRAFT. I am Penelope Ashcraft from the Office of Family Assistance in the Family Support Administration.

Senator MOYNIHAN. Good.

Ms. ASHCRAFT. I work in Congressional Liaison.

Senator MOYNIHAN. I see. You are welcome. And you?

Ms. O'LOUGHLIN. Charlotte O'Loughlin, and I am with the Family Support Administration, Office of Policy and Legislation.

Senator MOYNIHAN. Good for you. We have one person from the Policy Office.

Ms. ASHCRAFT. I am also from the Office of Policy.

Senator MOYNIHAN. You also are? Good. We welcome you. It is a rare sight to see anybody from the Administration, dealing with this subject. Part of the problem is that we don't even have in our Government an assistant secretary who is exclusively responsible for welfare matters. This is an important point I would like to make, which is that the capacity of our Government to deal with these issues is so limited; we have almost a trained incapacity—if I can use a term from the great economists—we have a trained incapacity to deal with these things because nobody is responsible. Who is your immediate superior?

Ms. O'LOUGHLIN. Mine?

Senator MOYNIHAN. Yes.

Ms. O'LOUGHLIN. Howard Rolston.

Senator MOYNIHAN. And who is he?

Ms. O'LOUGHLIN. Associate Administrator for Policy.

Senator MOYNIHAN. Has he ever been up here? Do you know?

Ms. O'LOUGHLIN. He does attend hearings.

Senator MOYNIHAN. I am sure he attends hearings, but has he ever attended any of these hearings?

Ms. O'LOUGHLIN. I believe he has, but I report directly to him on these hearings when he is unable to attend.

Senator MOYNIHAN. Why don't you do us a favor—we have been holding these hearings all year—call Mr. Rolston and ask him. Ask him if he has ever been to one of our hearings. I have never met him if he has. Have I ever met him?

Ms. O'LOUGHLIN. I am not sure.

Senator MOYNIHAN. Who is his boss?

Ms. O'LOUGHLIN. Wayne Stanton.

Senator MOYNIHAN. Wayne Stanton? I have heard his name; I have met him. He has been to Washington from time to time, I think. And who is your boss?

Ms. ASHCROFT. Mine?

Senator MOYNIHAN. Yes.

Ms. ASHCROFT. I work in the Office of Family Assistance for Catherine Bertini, who was recently appointed Director of the Office of Family Assistance. Her superior is Wayne Stanton.

Senator MOYNIHAN. The mysterious Wayne Stanton emerges again. Fine. [Laughter.]

Thank you very much. I was just curious. As I said, our first witness is necessarily delayed on the House side. We have a vote, and I had better make that vote right now. So, I will be gone and take just a quick turnaround; and I will be here when Representative Roukema is, and we will continue the hearing then.

I thank you very much. You are welcome at this committee.

We will stand in recess for about eight minutes.

[Whereupon, at 10:20 a.m., the hearing was recessed.]

AFTER RECESS

Senator MOYNIHAN. Good morning again. Representative Roukema has not yet arrived. She has got the same conflict of many engagements that we have on this side. We very much look forward to her testimony. The moment she does arrive, we will ask our guests if they would be considerate enough to put aside their testimony for the moment.

To get going with the day, I would like to welcome my colleague, neighbor and friend, Senator Bradley. Would you like to make an opening statement?

Senator BRADLEY. Mr. Chairman, I don't have an opening statement. I simply wanted to say that this panel and the hearing today are very important. I hope that we will move a bill this year. I think child support is a very important part of that bill. As you know, we have worked together on this issue in the 1984 child support amendments and also in Title I on this bill, We have made a number of very important steps forward in this bill, one of which is immediate wage withholding.

Senator MOYNIHAN. Immediate wage withholding. Yes.

Senator BRADLEY. And a number of other reforms related to paternity. So, I am anxious to get on with the hearing.

Senator MOYNIHAN. As are we. I should have said earlier—and I apologize to everyone—that Senator Bentsen would normally be chairing this hearing; but he is necessarily delayed at the summit meetings on the budget and has asked that we do this. Now, we are just going to proceed one at a time, inasmuch as we are waiting for Representative Roukema.

I wonder if Stephen Heintz, who is the very distinguished Commissioner of the Connecticut Department of Income Maintenance, could commence? Commissioner, this is not the first time you have been before us in this room on this subject. You appeared with a number of your colleagues in the subcommittee hearings earlier in the year, and we remember that with great appreciation. We look forward to your testimony this morning.

STATEMENT OF STEPHEN HEINTZ, COMMISSIONER, CONNECTICUT DEPARTMENT OF INCOME MAINTENANCE, HARTFORD, CT, ON BEHALF OF THE AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. HEINTZ. Senator, thank you very much. I am very pleased to be here, to be before you and Senator Bradley; and I appreciate the opportunity to offer testimony on welfare reform this morning, in particular S. 1511, Senator Moynihan, your Family Security Act of 1987.

Senator MOYNIHAN. Might I just say that it is the committee's bill; it is the bill of the governors; it is the bill of 56 members of the Senate?

Mr. HEINTZ. We know how hard you have worked on it, Senator, and we commend you for that effort. We have submitted written testimony for the record, and I would like to just briefly summarize this morning.

Senator MOYNIHAN. It will be included in the record.

Mr. HEINTZ. Thank you very much. We believe that there are a number of excellent provisions in the legislation that you have crafted and, in fact, we have at the National Council of State Human Service Administrators adopted a resolution supporting this bill and H.R. 1720 in the House. We would like to see some further work done as the bill moves forward, and we would like to support some amendments; and I would like to discuss some of those changes with you this morning.

Let me say, though, again that there are a number of provisions that we are very supportive of. We are very pleased—

Senator MOYNIHAN. Mr. Commissioner?

Mr. HEINTZ. Yes, sir?

Senator MOYNIHAN. Just as you would expect, just as you got going, Representative Roukema has arrived; and I think it would be nice if you could step aside as we formerly agreed upon, and we will get right back to you.

Mr. HEINTZ. Yes, sir. I would be delighted.

Senator MOYNIHAN. Representative Roukema, we welcome you to this committee, and you have a friend on this committee—you have many friends on this committee—but a special friend from New Jersey, who would like to say a word before you begin.

Congresswoman ROUKEMA. Thank you.

Senator BRADLEY. Mr. Chairman, I would just like to welcome Congresswoman Roukema to the committee, and I look forward to her testimony. She has had a long interest in this issue, and I think she should be very pleased with the bill that we have put out because it does include a provision on immediate wage withholding, which I know is something that you have argued for for a long time. I just want to tell you how much I appreciate your interest and contribution to this area.

STATEMENT OF HON. MARGE ROUKEMA, U.S. CONGRESSWOMAN FROM THE STATE OF NEW JERSEY

Congresswoman ROUKEMA. Thank you, Senator Bradley, for those very kind words; and certainly, both Senators have been strong supporters of the child support enforcement amendments and that landmark legislation of 1983, and we are very grateful for that. But we are moving forward in a new direction, much beyond those initial reforms; and I am here really to speak to not only the question of the reforms in your bill, Senator Moynihan, but also what the prospects are for passage in the immediate future.

I assume that I must ask unanimous consent to have my remarks put in the record. Is that correct? Those are the ways of the House, Senator.

Senator MOYNIHAN. You have only to indicate your slightest wish. [Laughter.]

Congresswoman ROUKEMA. That is very courtly of you.

Senator MOYNIHAN. Of course, that will be done.

Congresswoman ROUKEMA. I would like the full text of my remarks to be included in the record. To summarize them, they are in strong support of your efforts here on behalf of welfare reform and, in addition, the child support enforcement amendments that are a component of that welfare reform measure.

However, today I would like to limit my remarks to the context in which we are considering welfare reform and child support enforcement in the present instance.

And by that, I am referring to the fact that not only has the world changed, since the stock market events of the last week to two weeks, but the way Congress is looking at legislation has inevitably changed. As we all know, this week we have seen the President, as well as leaders in both the Senate and the House, agree in principle through a bipartisan approach—a so-called “summit” approach—as to how we reach a deficit reduction package.

It is in the context of that incentive and that goal that I would like to speak to the subject of the child support enforcement amendments today.

Senator MOYNIHAN. Good.

Congresswoman ROUKEMA. It is understood, Senator, that your bill in toto is an excellent welfare reform bill. I would like to see it passed this year quite frankly. I don't know if that is feasible, however; I don't know how realistic that is. I don't know if, in the context of budget reduction, we can find a package that can pass and still be accepted in the context of the \$23 billion or more that we need to meet our deficit reduction goals.

However, the child support enforcement amendments deserve support under any circumstances; and if indeed we are not able to reach the goal of welfare reform this year, then I believe that we should include child support enforcement as part of a reconciliation package and a deficit reduction package. And that makes sense from two perspectives.

In the first place, true enforcement reform will be a net deficit reduction plus because it is estimated by various groups that there will be maybe \$100 million net profit, so to speak, from proper child support enforcement.

Senator MOYNIHAN. You mean \$100 million in benefits not paid because they are not needed?

Congresswoman ROUKEMA. Saved. Actually in the administration and in the cost to the States and to the Federal Government, it could be \$100 million plus.

Senator MOYNIHAN. Yes, CBO estimates at least that.

Congresswoman ROUKEMA. Yes, at least.

Senator MOYNIHAN. And very early on.

Congresswoman ROUKEMA. So, as part of a reconciliation package, it should be understood to be appropriate to reconciliation because it is not an added expenditure or cost to the Federal Government. In addition, as much as child support enforcement is a component of welfare reform, it goes much beyond the welfare reform issues that we are addressing and is an issue of simple justice for millions of American families, women and children, who may fall under the welfare rolls or who are indeed in every economic status in our society. We are talking about millions of people who have legal child support orders, which are not being collected, and should be collected so that, whether it is considered welfare reform or whether it is considered reform and equity on its own terms, it is a matter of simple justice for those families. And therefore, I believe it belongs in legislation passed this year and should not be

held hostage to the politics that may be going on with respect to welfare reform and the deficit reduction package.

Presently in the House, we are going to be considering a reconciliation package, and that will probably be coming on the floor tomorrow. We cannot predict precisely what will happen, but welfare reform will be wrapped in that reconciliation package. It will be a contentious issue since there is no clear indication as to how the cost of that package will be balanced within reconciliation; but it is my intention to offer an amendment that would permit the passage of child support—I mean that inclusion in that package—regardless of the welfare reform issue in and of itself.

I would hope, Senator—and it is my reason for being here today—not only to commend you for the work that you are doing but also that, as this legislation sees its way through the legislative process on the Senate side, if we are not successful in passing welfare reform, that the child support enforcement component will be protected under any circumstances.

Senator MOYNIHAN. That is a very straight-forward proposition and somewhat, I would have to say, discouraging one. I hope you haven't given up entirely, but you have been so much associated with this matter. As you know, on our side—and I think it is true on both sides—the first year cost of our bill is only \$87 million; and it is provided for—and is specifically fenced, as we say on our side; we do use that term in budget matters—the money is in the budget. I think you make an excellent point when you say that part of this bill saves money.

It doesn't just save money, but it sends the right moral signal. You can't have children and walk away from them in this country, as we have been getting into the habit of doing. Senator Bradley?

Senator BRADLEY. Mr. Chairman, let me thank Congresswoman Roukema for her testimony. I want to follow a little bit on what you have said. As you know, a premise of the welfare reform bill—and I think thought generally about welfare reform outside this committee—is that it has to deal with child support enforcement first, as Senator Moynihan said; but then, if you are going to deal with the problem, you also have to have some enhanced training for people so they can upgrade their skills, get a job, go to work, get off of welfare, and you also need a day care component for a lot of women who work and who would work if they had some day care. A basic rationale of this bill is that the savings that come from child support enforcement can be used to provide the enhanced training and some day care.

So, if you take the money saved in child support and rip it out of the bill, it presents a problem as to how you would fund enhanced training or the day care services.

So, I don't think that you have any disagreement here on the basis of the emphasis on child support and the necessity of child support, but it is a part of the total package; if you pull it out, then you have to find another \$100 or \$200 million in training and child care. I don't know, in this environment, where we would find that; I think welfare reform would then be in danger.

Congresswoman ROUKEMA. Senator, let me speak to that issue and make a few observations. I hope I didn't sound as pessimistic

as Senator Moynihan understood, except that we are talking on the House side not of—is it \$2.8 billion?

Senator MOYNIHAN. \$2.8 billion, yes.

Congresswoman ROUKEMA. On the House side, we are—

Senator MOYNIHAN. Excuse me. It is \$2.3 billion.

Congresswoman ROUKEMA. \$2.3 billion, and on the House side, we are speaking about \$5.8.

Senator MOYNIHAN. Right.

Congresswoman ROUKEMA. Which is a significant difference. I am simply saying that, realistically, in the circumstance of the summit to reach a \$23 billion plus deficit reduction package, it may prove to be an impossible situation.

On the House side, there is no quid pro quo relating to child support in terms of paying for the package. I do not believe that the lynch pin of the Senate bill is really the savings on child support. I think there are some other factors there. However—and here I go back to the question that we must all face as policy-makers—we must also recognize that we are speaking about millions of other women and children who are not presently on the welfare rolls but do need that simple justice because they hold their legal child support orders, and they are working very hard to stay off the welfare rolls.

So, I think this help is necessary sooner, rather than later. I simply don't want to see it held hostage if the event occurs that the negotiations break down and we are not able to do the right thing, which I think would be to pass a welfare reform package that does meet the deficit targets. If that doesn't work out and with the uncertainty in the markets and the uncertainty in those negotiations, I am simply making a plea that we do simple justice for all the other orders that are out there.

Senator BRADLEY. So, your recommendation to us would be to try to do the welfare reform package that we have?

Congresswoman ROUKEMA. Yes.

Senator BRADLEY. And keep child support in that package?

Congresswoman ROUKEMA. That is the first objective.

Senator BRADLEY. The first? Then, if it looks as if welfare reform is not going to happen, then you would urge us to remove the child support enforcement provisions?

Congresswoman ROUKEMA. Correct. Nothing I have said should diminish our support for a welfare reform package.

Senator BRADLEY. That has child support as a part of it?

Congresswoman ROUKEMA. Absolutely.

Senator MOYNIHAN. Clearly stated. A number of colleagues have joined us. Representative Roukema has just been talking to Title I issues. Senator Chafee or Senator Mitchell, would you like to address this matter?

Congresswoman ROUKEMA. Senator, excuse me. There are two points that I think should be made, and I would be derelict if I did not make them. Senator Dole, your colleague, is a Senate cosponsor of my amendment package that was introduced, and he introduced it on the Senate side.

I would also like to point out, Senator Moynihan, that your bill is far preferable to the package on the House side. It is stronger and it is consistent with the amendments that I put forth in a couple of

areas, primarily in the fact that it requires mandatory wage garnishment with the handing down of the legal child support order. The House provision unfortunately—the House Ways and Means provision—is not as strong and not as direct. It is only indirect incentive to the States with regard to wage garnishment; and I certainly hope that the Senate is going to hang tough on this particular issue because it is the lynch pin of true reform along, of course, with the interstate interceptor program.

Senator MOYNIHAN. I think we can promise you that.

Congresswoman ROUKEMA. Thank you.

Senator MOYNIHAN. Senator Mitchell? Senator Chafee?

Senator CHAFEE. No, thank you, Mr. Chairman.

Senator MOYNIHAN. We thank you very much for your courtesy in coming over, and we would like to congratulate you for all you have done in the past in this field. You have legislation on the books. We thank you, and we will pursue the matter further.

Congresswoman ROUKEMA. Thank you, and I congratulate you for your leadership, Senator.

Senator MITCHELL. Mr. Chairman, I have an opening statement that I would ask be made a part of the record. To expedite the hearing, I won't read it now. I merely want to commend Congresswoman Roukema and yourself, particularly for the leadership you have demonstrated in this area. This is the first effort to achieve comprehensive welfare reform in a half-century. There have been many previous piecemeal efforts over the past several decades, and I think the force that you have brought to this issue, the vigor with which you have pursued it, placing it in the forefront of consideration, are all commendable; and I hope very much that we are finally going to see legislation that, for the first time, is comprehensive and combines basic concepts with the needed resources to meet the task.

Senator MOYNIHAN. Thank you. I just want to say that earlier, when you were on the floor, I remarked that last evening a brilliant work of legislative craftsmanship that you and Senator Durenberger and Senator Heinz—with you as the manager—and Mr. Chafee produced the catastrophic health insurance for 32 million senior Americans. The question is whether we are going to be able to do something equally important for children.

This week it was announced that there would be a 4.2 percent cost of living adjustment for retirement benefits. Since only children's benefits are not indexed, that translates into a 4 percent reduction for children. Our record over 17 years is not impressive: by failing to require indexing of AFDC benefits, we have cut Social Security benefits for children by one-third. Congresswoman Roukema, we thank you.

Congresswoman ROUKEMA. Thank you for your courtesy.

Senator MOYNIHAN. We now have a panel that consists of Ms. Linda Wilcox, who is Director of the Division of Welfare Employment, Department of Human Services of the State of Maine; Mr. Stephen Heintz, our friend from Connecticut who was already before us for a few moments; and Ms. Ann C. Helton, who is Executive Director of the Child Support Enforcement Administration, Department of Human Resources in Baltimore, Maryland, speaking on behalf of the National Council of Child Support Administrators.

We welcome you all. Ms. Wilcox, your Senator, the distinguished Senator from Maine is here. Perhaps he might want to say a welcome.

Senator MITCHELL. Thank you, Mr. Chairman. I am pleased that, among the witnesses today, is Linda Wilcox, who is the Director of Maine's Welfare, Employment, Education and Training Program. That is a WIN demonstration program. It is known by its acronym, WEET, in Maine. It has been operating for over 5 years and, through its individualized case management system, has been highly successful in helping AFDC recipients obtain the education and skills necessary to become self-sufficient. Ms. Wilcox, I thank you for coming here today and for sharing with us your experiences with the WEET Program in Maine.

Ms. WILCOX. Thank you, Senator.

Senator MOYNIHAN. Mr. Durenberger has come in, after a triumphant evening on the floor last night. Would you like to say something?

**OPENING STATEMENT OF HON. DAVE DURENBERGER, A U.S.
SENATOR FROM MINNESOTA**

Senator DURENBERGER. Just briefly, Mr. Chairman. We have been ecstatic in Minnesota by what happened when a bunch of young people made believers out of all of us.

Senator MOYNIHAN. Oh, yes.

Senator DURENBERGER. You may think the only thing that went on yesterday was catastrophic, but a million Minnesotans turned out to cheer the impossible.

I was reminded, apropos of this hearing this morning, that a week ago, when I wasn't sure we were going to be the World Series winners, we were thinking about other things. There was an important article that I am going to make part of the record here in The Washington Post entitled "Fewer Students May Make the Grade; Poverty Language Home Life Raise Barriers to Graduation." It talked about a kindergarten class in St. Paul, Minnesota, and how 53 percent of the kids in the class of the year 2000 lived in single parent households, and 81 of these kids—49 percent, almost 50 percent—lived in homes where either both adults are unemployed or the single parent is unemployed, and a lot of those other things.

When you put in context that kind of information about 5-year-olds, the class of 2000, and across town, the class of about 20 years ago is performing some of these miracles, you would like all of those people to have that same opportunity. And yet, it is a struggle to get there.

I think what we have been doing here is working to change attitudes in this country about the income maintenance system, and about the opportunities that a good income maintenance system should insure. A good social insurance system, in effective work savings and investment in America, should be goals for everybody in this room. Certainly these are the goals of people who have worked to make the income maintenance system in this country work better.

Senator MOYNIHAN. Could I just say, Senator Durenberger, that your not-distant neighbor in Minneapolis has indicated that now

one-third of the students in the school system are on welfare. That is astonishing. Perhaps we will let the people who work with this hands-on tell us more about it.

STATEMENT OF LINDA A. WILCOX, DIRECTOR, DIVISION OF WELFARE EMPLOYMENT, DEPARTMENT OF HUMAN SERVICES, STATE OF MAINE, AUGUSTA, ME

Ms. WILCOX. Thank you, Senator. In many significant respects, our WEET Program closely resembles the Jobs Program in the Family Security Act. We applaud the subcommittee for having drafted legislation that substantially changes the fundamental purpose of public assistance.

Moving away from limited income maintenance and moving toward comprehensive support for family independence; at the same time this legislative obviously reflects the funding constraints imposed by the Federal budget deficit. We realize this has been a very difficult task.

From our experience, we strongly endorse the following provisions in the bill: the wide range of education and training services; the support for assessment, contracting, and case management; the funding for child care and other support services; targeting of these services to the most disadvantaged welfare recipients; the continuation of child care and medical assistance after employment begins; and policies for automatic income withholding and paternity establishment.

I wish to speak today specifically about one provision in the bill, the disparity in the Federal matching rates for job programs activities. A 90 percent rate has been established for the first tier funding for the operation of the jobs program, with the exception of the following administrative activities: participant assessments, case management services, and developing agency participant contracts. These activities are to be reimbursed at a rate of 50 percent. While we fully support a 90 percent reimbursement rate to encourage States to invest in substantive education, training, and job search activities, the 5½ years we have spent providing professional individualized case management to Maine's AFDC recipients have convinced us that this is the most critical service we have to offer in helping participants break out of the cycle of poverty and dependency.

The availability of education and training programs and the provision of financial support for child care and transportation, while necessary components in any welfare to work program, are of themselves not sufficient for many welfare recipients. Their needs must be identified and matched to existing programs. Entering into these programs must often be negotiated, and counseling must be available to deal with the personal crises that characterize the lives of low income single parents.

A woman dependent on public assistance can easily lose confidence in her ability to provide for her family without welfare. Feelings of victimization, fear of failure, and lack of self-confidence make risk-taking very difficult.

The case manager provides the encouragement, support, and confidence building that so many welfare women need to succeed. In a

world comprised of a maze of human service, education, and training agencies—all with their own entrance requirements, rules, and organizational expectations—the case manager is often the one person the welfare recipient can rely on to help make her way toward independence.

The foundation of our WIN demonstration is in the case management system. Each participant is assigned an employment counselor with whom she works closely through initial assessment, career exploration, planning development, training, and job placement. For case management to be effective, we have found the following elements must be present: a thorough, on-going assessment of both the participant's need and potential, an ability to solicit the participant's preferences in developing a contract, a knowledge of community resources, a willingness to move at the participant's own pace, and the development of a trusting and cooperative relationship.

I have included an actual example of case management that incorporates these elements in my written testimony that I have submitted to you.

Senator MOYNIHAN. Yes. It is a very, very moving case.

Ms. WILCOX. A woman who had been on AFDC for 4 years and who had been initially assessed as unemployable was able to overcome her personal barriers and find a job through the compassionate and skilled intervention of her case manager.

Our current employability plan incorporates the requirements of the participant agency contract. Each step the participant will take is preceded by a signed agreement, specifying what the participant will do and what the case manager will do. We have found this clear statement of the responsibilities of both parties to be an effective mechanism for structuring the participant's movement toward independence.

We have also found that a high level of skills is required in developing and monitoring these contracts.

Three out of four of the groups that the Act specifically targets—long-term recipients, welfare repeaters, and teen parents who have dropped out of school—are especially in need of these assessment case management and contracting services.

For these reasons, we strongly recommend that Congress encourage States to provide these critical services by matching State costs at the rate of 90 percent. Thank you.

Senator MOYNIHAN. That was stated with the economy and directness we have come to associate with the State of Maine.

Ms. WILCOX. Thank you.

Senator MOYNIHAN. And also the persuasiveness. We are going to hear from each of our panelists, and then we are going to talk about it generally. Commissioner Heintz, if you would resume, sir?

[The prepared statement of Ms. Wilcox appears in the appendix.]

Mr. HEINTZ. Yes, sir. I had started earlier, but let me reintroduce myself for the new members of the committee who are with you. I

am Stephen Heintz; I am Commissioner of the Connecticut Department of Income Maintenance. I am here not only representing my own State and my department, but also my fellow commissioners and their organization, the American Public Welfare Association.

We are here to talk about S. 1511, to suggest those areas where we feel that the bill is very strong, to offer some comments where we think the bill might be strengthened further.

I would like to start by saying that my colleagues and I are very pleased that the bill does place such a strong emphasis on child support enforcement. We agree with Senator Moynihan and other members of this committee that parental support is the first line of defense against public dependency. Stressing child support enforcement not only accomplishes a recruitment of financial support that may have been paid, but it makes a statement about what we as a society feel the role of parents ought to be.

It is a central value in our society, and it ought to be a central element of our public policy.

We also applaud the mandatory coverage of two-parent households. In 24 States, children are not eligible for assistance simply because they enjoy the benefit of having two parents at home, and the only way those children can gain support from the welfare system in those States is if one of those parents should leave. It is simply nonsensical to continue to penalize children in families with two parents.

We are encouraged by the efforts of this committee and particularly Senator Moynihan to make this a bipartisan bill, and we are very encouraged by the number of members on both sides of the aisle who have cosponsored the legislation.

Poverty is not a partisan issue. Policies to better serve children should not be a partisan issue. My colleagues in APWA represent Republican and Democratic governors, liberals and conservatives. We struggled for two years in our own effort and produced a bipartisan report, which many of you have seen, called "One Child in Four."

Senator MOYNIHAN. We surely have seen it. It helped us very much.

Mr. HEINTZ. Thank you, Senator. I appreciate that, and we would like to move forward with welfare reform in that spirit of bipartisanship, which is a tradition in this Finance Committee. My colleagues and I view welfare reform in the context of the mutual rights and obligations of society and its citizens. On the one hand, parents are obligated to support their children; but on the other hand, Government must accept the responsibility to support and assist families who are either incapable of supporting themselves or who are working to become self-sufficient.

Within that context, we believe that welfare reform must include three essential elements: first, a comprehensive approach to self-sufficiency through meaningful welfare-to-jobs programs; second, a more compassionate, equitable, and rational system of cash assistance benefits; and third, improved administration and delivery of welfare services themselves. With regard to all three of these elements, we believe that S. 1511 can be strengthened, and we would like to offer some suggestions for your consideration.

We are pleased that the jobs program in the bill would be supported by a two-tiered funding system that includes some open-ended funding. That is absolutely essential. The WIN demonstrations that have been accomplished in States like Maine and Connecticut and a number of others—I think some 20 States now—have proved that thoughtful, comprehensive, tailor-made welfare-to-jobs programs can work. They need a stable and adequate base of Federal support to ensure that we continue on on the path that we have trailblazed so far.

These are Federal dollars very, very well spent; in fact, they yield savings, as we help people become self-sufficient.

But if participation in work or education and training toward work is to be mandatory, as we agree it should be, we must pay very, very close attention to Government side of the agreement, to the support that Government must give to families as they move forward.

The jobs program must be comprehensive. It must allow States flexibility to design a program that meets their particular and peculiar economic circumstances, but it must also meet the clients where they are. If they need remedial education or basic skills or on-the-job training or supported work and grant diversion, we must be able to provide those services. Under the language of S. 1511, a State may include that full range of activities; we think it is very important that States be required to recognize education and training as a part of a welfare-to-jobs program and not simply be allowed, for example, to sponsor a job search program and call that welfare-to-jobs.

That won't work to help today's recipients move into the jobs of today and, more importantly, the jobs of tomorrow that provide long-term career opportunity.

The agency side of the contract must also include essential support services, especially in the area of child care. The language of the bill says that those required to participate must be assured of child care. We would urge that that language be strengthened to say that they must be guaranteed child care. It is simply impossible for a mother, a single parent, to meet her dual responsibilities, responsibilities that we all agree are so important: on the one hand to take care of her children and to be a good parent, and on the other hand to go out and gain the education and training and work to become self-sufficient, if child care is not guaranteed as part of that equation.

If I may be permitted a few more minutes, Senator?

Senator MOYNIHAN. Please, go ahead.

Mr. HEINTZ. My colleagues and I believe that the mutual obligations of society and its citizens are best expressed in written client/agency agreements and best accomplished through case management services. And as S. bill 1511 would provide, the process should start with a comprehensive assessment undertaken by both the agency and the family of its total needs and a family support plan developed and a written agreement signed.

We think that those written agreements ought to be required in all States, as well as case management, so that good welfare administration will be accomplished in all States, fairly, equitably, and effectively.

My last point, Senator, and I know I am beyond my time is that we believe—

Senator MOYNIHAN. You are speaking for 50 States. So, take your time.

Mr. HEINTZ. Thank you very much. I appreciate that.

We believe that the final issue that must be addressed in welfare reform, especially as we think about the economic future of this country and the lives of children in that economic future, is the issue of benefits. It must be a critical element of this new social contract that we are all defining. In our view as welfare commissioners, it is reasonable to expect able-bodied parents to work or to get the education and training that leads to work; but families who are engaged in that effort, which is a very intimidating, difficult process, deserve to be supported at a level that provides for the health and safety and decency of their children.

We all know that current benefits, as we look across the 50 States, are insufficient. We know that the current benefits structure is terribly cumbersome, and we know that it is out of date and that, in fact, it does not reflect actual needs.

Senator, as you pointed out this morning and many times in the past, the value of the AFDC dollar has dwindled by a third just since 1970. And frankly, we think that it is time to redress that issue, especially if we are headed into bad economic times. If a recession is coming in the next several years, or five years or whenever it may strike, it is important that we put in place today the kind of mechanism that will protect children against the suffering that occurred in the last recession. We know, though, that it costs more to live in some parts of the country than in others; and so, while we considered a national minimum benefit standard as part of our recommendations, we decided not to recommend it. It simply may cost more, and if we had a minimum benefit that was adequate to support a family, for example, in rural Tennessee, we know that that same benefit would not be enough to sustain a family in downtown Hartford, Connecticut.

So, we proposed, as did our governors, a nationally mandated but State-specific family living standard based on the actual costs of meeting those goods and services necessary to sustain families. The family living standard would replace AFDC; it would replace food stamps; and it would replace low income energy assistance as they are available to families, thereby also greatly simplifying administration.

Cash assistance then would make up the difference between earnings, between child support payments, and other income through the family living standard concept, which is very consistent, Senator, with your view, that cash assistance ought to be the last resort after parental support and earnings. The benefits would be based on the principle that it must always be more profitable to work than to rely on welfare; and in recognition of the current fiscal constraints, we recommended this approach be phased in over a ten-year period.

Now, Mr. Chairman and members of the committee, if in 1987 we must put off a more equitable, fair, and appropriate system of benefits, like the family living standard, that is a political judgment and a fiscal judgment and is up to the Congress to make that

judgment. But if so, if we must put it off, which I hope we will not, we urge you at the very least to amend S. 1511 to include language requiring a study by the National Academy of Sciences of the family living standard and move forward, realizing that we must come back to this issue and protect these children from reductions in the purchasing power of their benefits and from the suffering that results.

A similar provision to that is included in H.R. 1720, and we would urge your consideration of it here.

In concluding, I am very concerned that this window of opportunity that we have had last year and this year may soon close, and we may find ourselves waiting for another decade, as we have waited through the past ten years.

And if we don't address comprehensive welfare reform today in this year in this session of the Congress, when a recession hits—and I hope it doesn't hit for years to come—if we haven't accomplished welfare reform, the people who will suffer the most are single parents and children as they suffered in the past recession. And if we do not include some effort to address the benefit package, even if it is only a study, we will not have accomplished welfare reform in this session. So, I want to conclude by stressing how important it is that Congress act this year, even in the current environment of budget deficits and fiscal summits.

It seems that almost every day there is new evidence of the persistent and devastating poverty in our midst. Yesterday's evidence was the study by the Harvard School of Health about the suffering of hunger in our country. As you have said, Mr. Chairman, we have unfortunately distinguished ourselves by becoming the first society in history in which the poorest segment of our population is the children. Our children must not wait for another time; indeed, they cannot. Thank you.

[The prepared statement of Mr. Heintz appears in the appendix.]

Senator MOYNIHAN. Thank you, Mr. Heintz. While you were speaking, Mr. Commissioner, your colleague, Mrs. Helton has been agreeing and is indicating that. We welcome you this morning, Mrs. Helton.

Ms. HELTON. Thank you.

Senator MOYNIHAN. And you are speaking on behalf of your national association, the National Council of Child Support Administrators.

STATEMENT OF ANN C. HELTON, EXECUTIVE DIRECTOR, CHILD SUPPORT ENFORCEMENT ADMINISTRATION, DEPARTMENT OF HUMAN RESOURCES, BALTIMORE, MD, ON BEHALF OF THE NATIONAL COUNCIL OF CHILD SUPPORT ADMINISTRATORS

Ms. HELTON. Yes, thank you, Senator Moynihan. My name is Ann Helton. I am the Director of the Child Support Enforcement Administration for the State of Maryland. I am speaking, however, today as the immediate past president of the National Council of State Child Support Administrators.

It is nice to walk into this room where you have already strewn rose petals about this program and to hear what is music to our ears, and that is something we have all well known and other

people are coming to know, and people like yourself and Senator Bradley have known, and that is that we are the income maintenance program of the next decade. That is, we will be expected to fulfill some portion of the cash needs of families.

I am not disinterested in welfare reform in general. I am part of a welfare reform team for the State of Maryland under the able leadership of Secretary Messinga, and we expect to move forward. We are sorry that New Jersey got there ahead of us, but we are preparing our own welfare reform activity.

The good news is that the child support directors in the 50 States and four territories have reacted quickly, with a lot of enthusiasm and spirit to what Congress is trying to do and, in particular, your bill, to make child support a more visible partner in welfare reform.

Quite frankly, I was not sure what to expect from them because, in the past, there has been concern about what we are doing and are we just doing it well; are we doing it poorly; are we wasting money? I see that you are now looking beyond that to say: We want to make sure the linkage is in there in all the States to make sure that you help contribute to families.

You have given us, or rather this program, almost pedestal-like status. However, we feel our job is to take your bill and to realistically view it in light of what we are doing, what we are capable of doing, and whether or not we can deliver on the expectations. We think that is our job, and we think that is why we should talk to you about it.

We want to couple your hope for improved services with improved management; and we, too, would like to serve more people and do it better. We believe that the major provisions of S. 1511 are very, very good; and I will mention quickly that the centerpieces of that positive effort are: immediate wage withholding. I was a bit surprised that States took up that gauntlet as they did because some of us are really just starting to feel the effects of the 1984 amendments regarding wage withholding, and they are positive. But we also know that over 50 percent of our cases at one time or another will be in arrears; and why are we kidding ourselves by waiting 30 days, which is what the minimum Federal requirement is today? We fully support immediate wage withholding; and in fact, we would like not to have a good cause section, rather preferring that the only exception to immediate and automatic withholding be when both parents agree to make another agreement.

Second, we thank you for your emphasis and full support on automated systems. I am here to tell you today that the one major hurdle to implementing the 1984 amendments, and would be so also with your progressive moves in S. 1511, is the lack of automation. We thank you for your continued support of preferential funding in that area, although limiting it to a point where you either get in it or you are out of it; and we think that that is good.

You have tried to grapple with the paternity problem, and I use the term pejoratively because nobody really seems to be able to put their finger on the paternity problem. I can openly admit to you that all States do not do a strong and good job of establishing paternity. None of us need to name names; we need to look to ourselves about what emphasis we are putting on paternity.

I know that Congress as a whole has been concerned about what are we doing and are we doing enough? Paternity is definitely a lynch pin to welfare reform. The Council, however, does have a slightly differing approach in that we would think that the total piece of paternity ought to represent a carrot and a stick approach—carrots being how to better fund the paternity pieces, and the sticks being tighter and more clear mandates for all State laws to improve the paternity establishment.

I have provided a prepared statement for the record.

Senator MOYNIHAN. It will be included.

Ms. HELTON. I want to reiterate that I am glad to hear you say that we help pay our own way; and that as a program, if you feel forced—and I hope you will not—to dismember any portions of this approach, remember that we are an investment with an incentive for children.

[The prepared statement of Ms. Helton appears in the appendix.]

Senator MOYNIHAN. And you are a moral statement as well, I think.

I thank this panel very much. I know that my two colleagues have to be in three other places, and I would like to ask if they wouldn't wish to make some comments first. Senator Chafee?

OPENING STATEMENT OF HON. JOHN H. CHAFEE, A U.S. SENATOR FROM RHODE ISLAND

Senator CHAFEE. Thank you, Mr. Chairman. First, I think this has been excellent testimony. I was particularly interested in the point that Ms. Wilcox made about the contract that you have between the welfare recipient, or the client if you would, and the State and setting for the duties of each. That is extremely interesting; and Mr. Heintz echoed that as well. I think another point was interesting, and I must say this is a learning experience certainly for me here, and that is the experience that Maine has is apparently duplicated in the Nation.

And that is that the majority of teenage dropouts from school who subsequently become pregnant are not pregnant when they drop out of school.

Ms. WILCOX. That is correct.

Senator CHAFEE. Then the required to live at home point that you were making. I certainly agree with that. Is that part of the legislation, the requirement to live at home? I think the point you made is a good one, that frequently there is stress and difficulties at home; and that is probably the worst place, or at least not a very good place, for the person to be.

Senator MOYNIHAN. I think we have presumption.

Senator CHAFEE. The presumption?

Senator MOYNIHAN. The understanding that there are times when that is what you don't want.

Senator CHAFEE. Yes. Now, let me ask your experience on a problem. I saw the other day, a statistic that Maine has the lowest unemployment it has had in 31 years, which is extraordinary. The key point you made was the necessity for a good counselor and for the counselor/client relationship that is so important. Can you get the good counselors?

Ms. WILCOX. Yes, Senator, we certainly can.

Senator CHAFEE. That is very labor intensive. In your illustration of April Spring, or whatever her name was—

Senator MOYNIHAN. Smith.

Senator CHAFEE. April Smith. The time that that counselor took—three visits—just to get her to realize that her overweightness isn't going to keep her from getting a job, and on and on it went.

Ms. WILCOX. But I think the critical element here is that we must have the resources to allow them to have small enough case-loads so that they can do this kind of intensive work; and I think, as we are working with our clients with multiple needs, the need for that kind of work increases. I think probably you all know that a high proportion of AFDC recipients are going to go off the rolls within two years by themselves, with no help from programs like ours. That is why the funding level is so critical if we are going to really make an impact on that part of the population who will not be able to get off on their own.

Senator CHAFEE. I suppose there is greater satisfaction when the counselor can work with fewer people rather than having a mass of counselees that he or she can't work with adequately. I must say there was a note of discouragement through your testimony, when you stated that those that you have gone to all this work with and gotten them jobs, I think you said something like one-third of them subsequently dropped out or lost their job for one reason or another. I wasn't sure over what period that was, and you didn't give it.

You said: "A follow-up survey of WEET participants who got jobs found that one-third of them were no longer working." Over what period was that?

Ms. WILCOX. That was over a 15-month period. We interviewed our former recipients 15 months after they had gone to work. And in fact, I think that that job retention rate is quite high. The other way to look at that is that two-thirds of the participants were still working; but I agree with you, Senator, our real concern is with the one-third who had to stop working and the reasons for that. I think essentially the reasons are because the kinds of jobs welfare recipients can get in a State like Maine, even with the resources we have to bring to our program, they are very risky jobs. Only 40 percent of our clients are getting jobs with health benefits. AFDC recipients are earning just enough to get off of AFDC; when they do, they lose their Medicaid as well.

Senator CHAFEE. I think that is a key point. I am interested in this program and what we are trying to do here because of what it is doing to the children of the country. I just feel that the failure to dissociate Medicaid from income support payments is a disaster for the country.

Ms. WILCOX. I think one of the most encouraging parts of the bill is the extension of both child care and medical assistance after someone goes to work.

Senator CHAFEE. My time is up, but I want to ask just one quick question. Each of you—or perhaps you and then Mr. Heintz—both of you have stressed the importance of day care for these recipi-

ents. Now, what worries me is that we sit up here and we will have day care programs, but we get into enacting a zillion regulations.

My question is: Are these regulations frequently self-defeating, in trying to require that the day care centers be run in such and such a manner, and the Government can't ever keep its hands off anything. The result is that we are discouraging their establishment. I suppose one of the big discouraging things we can't do anything about was this liability insurance problem that has come up over the past several years. That is separate, and we can't affect that; but is there over-Government regulation so that day care centers can't be established where they might perhaps be established?

Ms. WILCOX. This is not an area in which I am an expert. My understanding is that it is not an area that is overregulated. I think, however, we cannot expect the public—the Government—to take over the responsibility the parents have for determining what is in the best interests of their children. And I think one of the things we try to do in the WEET Program is to educate our client as to what to look for in good day care and then provide them with the funds for finding it.

I agree with you. I don't think publicly supported day care centers could possibly begin to meet the need for day care in this country, and I think we have to look for alternatives.

Senator CHAFEE. Thank you. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, Senator. Senator Mitchell?

**OPENING STATEMENT OF HON. GEORGE J. MITCHELL, A U.S.
SENATOR FROM MAINE**

Senator MITCHELL. Thank you, Mr. Chairman. Just following up on Senator Chafee's comments and questions. While we in Maine are gratified at the decline in the unemployment, there is a continuing problem in the level of compensation for those employed and the fact that the unemployment figures increasingly include persons who are employed part time. The method of determining the rate of unemployment is imperfect because it lumps in as employed a person who may only be working far less than full time and, therefore, receiving compensation reflecting that level of work and also increasingly doesn't have the health insurance benefits that Senator Chafee so correctly identified. That is really one of the crucial aspects of the problem.

And you should know that we are working on that. We are going to try very hard in this session of Congress to deal with that problem, to make certain that people do not have an incentive to remain out of work in order to retain some form of health insurance.

On the question of case management, Ms. Wilcox, I want to ask a question regarding the administrative matching rate. Throughout its history, the WIN Program has been caught between two conflicting objectives, the first to immediately reduce welfare expenditures by quick job placement and the other to help individuals increase their ability to achieve self-sufficiency by improving their education and skills so that, once they do gain employment, they can remain there.

Now, this Act reduces the Federal matching rate to 50/50 for administrative functions such as case management and assessment in an effort to place more emphasis on actual skill development. My question is: Can you specifically define what you believe to be administrative functions and the role that case management plays in your WEET Program? And would it be possible for WEET to operate successfully without adequate case management?

Ms. WILCOX. To answer the questions in reverse order, no, we certainly could not operate the WEET Program as it exists today without good case management. I think that there certainly are administrative activities that are legitimately matched at a 50 percent rate—certain things like program planning and implementation, fiscal management, staff training—all the things we have to have in place to actually implement a program.

But in our minds, the activities that I spoke about earlier and that you just mentioned, Senator, they are our direct service. They are the services we are providing directly to clients, and I can't emphasize strongly enough that the only way to access education and training services for a large number of AFDC recipients is to provide them with this kind of support. I simply don't believe there are a significant number that are going to find the services on their own, and we need to do more than just tell them it is okay to get job training or to go to school and that we will provide you some child care and some transportation so that you can do it.

Senator MITCHELL. I want to ask you just one more question, Ms. Wilcox, about the participation rates. We know that individuals with multiple barriers to employment can require expensive and sometimes long-lasting services, certainly for a longer period of time than some others who are more readily adaptable to the work programs.

Now, the administration has proposed and the committee is now considering imposing participation rates in this welfare reform legislation. There is some disagreement among members in both the House and the Senate as to whether mandatory participation rates in work programs would result in helping more people find jobs and leave the welfare rolls, or have the reverse effect of helping only those who are the most job-ready in order to meet the participation rates and neglect those individuals who would otherwise remain on the rolls for longer periods of time.

In your opinion, how would States be most likely to adapt to a jobs program that requires a certain percentage of the welfare population—say 20 or 30 percent—to participate?

Ms. WILCOX. I think it would entirely depend on the level of funding that would be available to States. I think the very worst position States could be put in is to be required to enroll a certain proportion of their AFDC population, but then not given sufficient funding to serve them adequately, to give them substantive services.

Senator MOYNIHAN. May I interject that we are going to hear research findings later on in this hearing that will directly support what Ms. Wilcox just said.

Mr. HEINTZ. May I add a comment there, Senator?

Senator MITCHELL. Go ahead.

Mr. HEINTZ. Thank you. I would like to make a strong statement against arbitrary and mandatory participation rates, especially if they are linked to sanctions as the Administration has proposed. They will lead States, out of desperation and a necessity to be in compliance, to take the easiest, quickest route, which may be just mandatory job search assistance, for example, and may in fact meet the compliance but will do nothing to prepare the welfare recipient for the long-term self-sufficiency and independence that we all want to achieve.

I think that, instead of mandatory participation, we need a program that gives States the funding and the flexibility and requires the kinds of activities that Ms. Wilcox has talked about, that we have all talked about, to prepare welfare recipients comprehensively for success in the job market and not for short-term placement and ultimate failure. And participation rates may drive that program to be skewed toward that short-term success.

Senator MITCHELL. I would like to ask, if I could, one more question of Ms. Wilcox, Mr. Chairman.

Senator MOYNIHAN. Yes.

Senator MITCHELL. What percentage of the population receiving AFDC in Maine is currently participating in WEET? And what effect would a mandatory participation rate have on your program?

Ms. WILCOX. We are currently able to reach only 50 percent of the AFDC families in Maine. By that I mean that we have staff who are located in areas where 50 percent of the population could come in for service. Of the total AFDC population, only about 13 percent are actively working in the WEET Program at any time; and that, of course, is partly because of the fact we can't even get to the 50 percent of the population and another factor is the high proportion of AFDC recipients who are never registered with the WEET Program because they are assessed by the eligibility workers as having too many barriers, that they are essentially determined unemployable.

So, I can't do the math quickly in my head, but I think what is clear is that the level at which we are currently funded, we would essentially have to change the way in which we operate our program if anything approaching a 50 percent participation rate were established.

Senator MITCHELL. Thank you, Ms. Wilcox. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, sir. Senator Durenberger?

Senator DURENBERGER. Mr. Chairman, just one question. I won't delay the panel. We here are all asked: Do we support national health—we don't call it health insurance any more—but a national health plan? And the idea is: Is it even possible to provide health coverage for everybody? And the answer is not an easy one any more because it is not just one plan; it is a variety of approaches to ensure access to medical services and health services for all people through a variety of approaches.

But in the 1984 Child Support Enforcement Amendments, we required State child support agencies to—I think I can quote the law here—"petition for the inclusion of medical support as part of any child support order whenever health care coverage is available to the absent parent at a reasonable cost." Now, we have a recent

Census Bureau report that tells us that health insurance coverage was included in only 44 percent of the child support awards.

And I also understand that, even after medical coverage is awarded, there is not a lot of effort to find out whether this was ever actually enforced in any way. So, the question is: What is the problem? And what, if anything, can we do as a part of this reform effort to ensure that more children are awarded medical coverage and that the coverage will actually exist in terms of a support order?

Ms. HELTON. I think that, first of all, we would have to examine the reasons why only 44 percent. Remember that it has to be available to the employee. So, in other words, on some proportion of the orders, there won't even be that question. It won't be able to be ordered. Other than that, I think you could go into all kinds of dissections about the remaining percentages and why they didn't get it.

I would have to say that probably there is spotty—from talking with my colleagues—effort to do this. I know in my own State, when the policy was implemented and we later did some little quality control, to go around to make sure that they were asking for it as pro forma, matter of course, when they went to court—consent order or not—I found that there were prosecutors who had not yet bought into this or who were ignoring it. Consequently, I threatened not to pay them unless they did that. They were required to do it.

That got their attention, but I can tell you that, if you are in a very, very large State with lots of contracting for legal services, you will have to spend an inordinate amount of time making sure they have done it. We are having problems maintaining follow-up and enforcing on medical support orders. It is a huge problem.

The devious ways in which people will not comply with court-ordered medical insurance would amaze you. It is unbelievable. One man I know, who is covered under Blue Cross-Blue Shield, was required to have coverage for his children. He subsequently moved from one of the wealthy counties in Maryland to the City of Baltimore. He decided that he would change his package, and he bought into a small, virtually unknown HMO. The mother and child nonetheless were some 50-60 miles away. She had absolutely, virtually no access to the coverage.

Senator DURENBERGER. Oh, yes.

Ms. HELTON. We asked the people who administered that court order to take him into court for contempt because we felt it was de facto, that he had not complied. I was just giving that as an example.

Senator DURENBERGER. Yes. I appreciate that.

Ms. HELTON. There are a hundred ways for people to pervert and subvert medical insurance, and I think we have to become more savvy about how to overcome that.

And by the way, while you are back in the room, I would like to mention that the current President of the National Council is Ms. Bonnie Becker from your home State, who works very closely with—

Senator DURENBERGER. She did a lot on that 1984 legislation; Bonnie Becker did.

Ms. HELTON. That is correct.

Senator DURENBERGER. I am glad you recognized her.

Ms. HELTON. I am here representing her and all the rest of them.

Senator DURENBERGER. Right.

Senator MOYNIHAN. She would be here today, but she is out on the street, waving.

Senator DURENBERGER. Yes, her homer hanky, right. [Laughter.]

Senator CHAFEE. Mr. Chairman, I have a quick question for Ms. Helton. First, if I were going to be chased with a support order, I wouldn't want Ms. Helton to be the one chasing me. I will tell you that for sure. [Laughter.]

Second, one of the points you make is quite controversial here; and that is "improved paternity performance through mandatory blood testing." Now, that is probably the way you track down a lot of these fathers, if you can do it. Now, there are constitutional problems whether the person is testifying against himself through mandatory blood testing. We don't have much time. Could you answer briefly: Have you ever seen that in action? Do you know of any State where they do that? And how has it worked?

Ms. HELTON. We do it in Maryland, although we presently have a new piece of little case law which has thrown us for a loop.

Senator CHAFEE. Suppose she has been friendly with a group of six and she names one of those?

Ms. HELTON. She names all the possibilities.

Senator CHAFEE. She names the possibilities?

Ms. HELTON. Yes.

Senator CHAFEE. And you track them down through mandatory blood testing—have you ever tried it?

Ms. HELTON. Yes, sir. If they refuse to voluntarily submit to blood testing—because remember, in a paternity case, blood testing is the only empirical piece of evidence. There is nothing else. There really is nothing else there.

If he does not—and it is "he" usually, obviously—if he does not agree to voluntary blood testing, we get a court order to require him to submit to a blood test. That is common practice in the State of Maryland.

Senator CHAFEE. And it is pretty accurate? I mean, it is very accurate, I presume.

Ms. HELTON. We have a high probability standard, and we typically submit it as evidence. Usually, he consents. First of all, most of our fathers consent before a blood test. Another high percentage consent after the blood test. And only a few of our cases are litigated. The honest fact is that we don't take many paternity cases to court.

Senator CHAFEE. That is very interesting.

Ms. HELTON. Consent is the way to go. It saves a heck of a lot of money. There are some due process questions because, typically, they do not have counsel.

Senator CHAFEE. All right, fine. Thank you very much, Mr. Chairman. Thank you all on the panel.

Senator MOYNIHAN. I would like especially to thank the panel. These are the people who are there. Ms. Wilcox, if I were in trouble, I would want you to be helping me. Ms. Helton, if I had been abandoned, I would want you to take my case. Mr. Heintz, if we needed some social policy, I would want you to be devising it.

May I just ask the panel a question? Mr. Heintz said there is a window of opportunity which may be closing here? Would you agree?

Ms. WILCOX. Yes.

Ms. HELTON. Yes.

Senator MOYNIHAN. You all agree. We are going to hear from a number of people now who don't think this legislation does enough. I would put myself among them, but I would hope everybody keeps in mind that the opportunity to do nothing is right there before us. We have done it before, and the only people who suffered were the children.

I will give you a little bit of New York counsel on these things. There is a saying around the criminal courts in New York that the lawyer always goes home. That is particularly around the criminal courts in Brooklyn. [Laughter.]

The opportunity to turn down this opportunity to help children on the grounds that it is not helping them enough—children aren't being asked about this, are they? Thank you all very much.

Ms. HELTON. Seize the moment.

Senator MOYNIHAN. Seize the moment. Yes.

We now have a panel. I would ask to come forward Dr. Douglas Glasgow, Vice President of the National Urban League. And because we were a half hour late getting started because of the schedule of the House of Representatives, I am going to ask Ms. Susan Rees of the Coalition of Human Needs and Mr. Arthur Keys, who is Executive Director of the Interfaith Action for Economic Justice, if they would join Dr. Glasgow in this panel.

I am going to have to step aside, and my colleague will preside for just a moment.

Senator CHAFEE. Good. Why don't we go right ahead now. If everybody will try to observe the time limitations, we will appreciate it. Dr. Glasgow, why don't you start? All right, doctor. We are very glad you are here. Why don't you proceed?

Mr. KEYS. Senator Chafee, before you start, could I ask my colleague to come to the table and join us?

Senator CHAFEE. Sure. Come right ahead. Dr. Glasgow?

STATEMENT OF DR. DOUGLAS G. GLASGOW, VICE PRESIDENT, NATIONAL URBAN LEAGUE, INC., WASHINGTON, DC

Dr. GLASGOW. Senator, thank you very much. It looks as though, Senator, that you are here alone, and I am sorry that the distinguished Senator Moynihan had to leave.

Senator CHAFEE. He will be right back. Each of us have demands, but I want you to know that staff is here. We are following this. There is a record. So, don't feel that you are speaking only to one Senator.

Dr. GLASGOW. Not in the least. I just missed the opportunity to thank the Senator very much for his initiative and also for the opportunity which he afforded us to come in and sit with him and discuss this legislation.

Senator CHAFEE. He is intensely interested and has spent a lot of time on it.

Dr. GLASGOW. I appreciate this opportunity to offer the Urban League's approach and recommendations, in light of our long-term work in social welfare reform. In lieu of this discussion, however, I am submitting the full text for the record.

Senator CHAFEE. Right. If you can stay within your time limit of 5 minutes, please.

Dr. GLASGOW. I would hope that we are starting now.

Senator CHAFEE. Right. We will give you a 30 second break.

Dr. GLASGOW. Thank you. Our perspective on welfare reform is framed by seven guiding principles, which stem from the Urban League's historical and current experience at identifying and meeting social service and economic needs of primarily poor individuals and families.

Key areas of long-standing service include education, job training, and other employment-related services, which we believe continue to be the key to welfare reform.

Before I proceed with our specific comments and recommendations in regard to S. 1511, I must first stress that the National Urban League, in its extensive work on welfare reform with members of both houses of Congress, has repeatedly emphasized the need to address the broader issues of poverty and unemployment in this country.

In prior testimony before various committees and subcommittees of the House and Senate, we provided extensive analysis and perspective on these two national problems, including the growing phenomenon of the working poor, which was referred to here earlier this morning. The National Urban League fully intends to keep these issues before the nation and Congress and is committed to fashioning creative, humane, and effective plans for their solution.

Senator CHAFEE. And for that, we thank you and encourage you.

Dr. GLASGOW. I appreciate that, Senator. The Urban League is encouraged that both houses of Congress have recognized the need to address the problems of at least one-third of America's poor, namely the parents and children who are the recipients of AFDC. Indeed, we must and can be successful with this population of poor, and we approach the hearings with this spirit and commitment.

To strengthen families both economically and socially, welfare reform proposals must reflect what we have learned about AFDC through research and direct field experience.

It is imperative that we incorporate what we know about the realities of AFDC and poverty. In light of what we know about AFDC, the Urban League has generated seven principles as a guide. I should like to highlight the following comments on and recommendations for S. 1511.

First, we are encouraged that Senator Moynihan's bill has taken a positive step toward strengthening families by mandating the AFDC-UP Program for all States and allowing for State improvements upon current AFDC-UP law. We urge that this provision be adopted fully.

Second, we are pleased to learn of Senator Moynihan's intention to include language in S. 1511 that would place community-based organizations at the planning, program design, and service delivery levels of education, training, and employment programs. This is especially important if we wish to utilize the entire continuum of

service delivery systems available to us in implementing welfare reform. We urge again that S. 1511 be amended to adopt such language.

The National Urban League, however, is deeply concerned about those provisions of S. 1511 which are not compatible with the principles we consider to be of high priority. Our principle (2) addresses the issue of parental support for their children through equal access to income through viable employment. The National Urban League prefers placing primary national emphasis on improving the labor market system and the means of getting into and staying in that system as the first avenue by which parents can support themselves and their children.

By placing first emphasis on the child support collection system and by particularly proposing immediate mandatory automatic wage withholding, as occurs in S. 1511, we feel this feeds into the distorted and rather disruptive public perception that all poor fathers are assumed to be irresponsible and unwilling to support their children.

The impact of this message is especially detrimental to Black Americans, in light of the fact that Blacks remain disproportionately the poor and disproportionately the unemployed. Based upon our analysis of 1985 child support and other income-related data, as well as findings from studies prepared for HHS by the Bush Institute of Child and Family Policy in 1985, national child support collections would be greatly increased if more emphasis was placed on higher income fathers; and it is highly doubtful what it will really do in the collection from low income fathers.

Urban League principle number (3) states that families and individuals having multiple barriers to employment such as a lack of education, skills training, work experience, and long-term spells of poverty and unemployment, must be targeted for intensive services that facilitate their transition to the labor market.

S. 1511 fails to meet this most critical principle. It must be amended to include major improvements in its "JOBS" program emphasis by: assuring that States provide at least basic education, skills training, and other employment related services; placing emphasis on voluntary rather than mandatory participation; providing clear and strong Federal directives and performance standards for meeting the needs of the long term and those at risk of becoming long-term AFDC recipients; and lastly, providing satisfactory guarantees that appropriate, safe, and quality child care be available to "JOB" participants.

Poor families must not be forced to choose between the threat of loss of income through abusive sanctioning at program implementation levels or placing their children at risk in child care arrangements that could bring them physical and/or emotional harm.

Senator CHAFEE. Dr. Glasgow, I will have to ask you to wind up now, if you could, please. Why don't you take another 30 seconds?

Dr. GLASGOW. Good. Our final principle stresses a system of social welfare benefits that must be economically just and promote the strengthening of the family. We are concerned about the expanded waiver authority which would be given to the States. It is our view that this provision essentially paves the way for eventual

abandonment of 50 years of responsibility and sensitivity on the part of our Federal Government in the employment area.

We also feel in the end, while we stand critical of some elements of S. 1511, we are prepared to continue our working relationship with the Senator and with members of the Senate. We feel that, in its child care provisions, in its family support perspective, it is rich and has great potential. We feel that it must be strengthened, particularly in the areas of employment and the satisfaction of adequate care for children and poor families. Thank you.

[The prepared statement of Dr. Glasgow appears in the appendix.]

Senator CHAFEE. Thank you.

Senator MOYNIHAN. Thank you, Dr. Glasgow. We read your testimony in advance. We appreciate it very much. Our pattern is, of course, to hear from everybody on the panel, and then we will talk. I suppose, Ms. Rees, you are next.

STATEMENT OF SUSAN REES, EXECUTIVE DIRECTOR, COALITION ON HUMAN NEEDS, WASHINGTON, DC

Ms. REES. Thank you, Mr. Chairman. The Coalition on Human Needs, of which I am the director, is an alliance of over 100 national religious, civil rights, labor organization, and others concerned about the poor, minorities, children, women, disabled, and elderly people.

I want to thank you for the opportunity to share our views with you today and ask that my full remarks be recorded in the record.

Senator MOYNIHAN. Of course.

Ms. REES. Like you, we are eager to see changes which would help reduce poverty in this country by improving opportunities for AFDC recipients. Ultimately, we would like to see enacted reforms which may not be possible this year, like a national minimum benefits standard.

If fiscal constraints prohibit such changes now, we hope that at least this Congress will make the initial commitment to do so. Certainly, we hope that you will not take any steps backwards, just for the sake of doing something about welfare reform this year. Unfortunately, certain aspects of two bills pending now before this committee, we believe, do take some steps backwards.

The Coalition objects to the philosophical underpinnings of the block grant approach in both your bill, Mr. Moynihan, and in the Dole bill, S. 1655. The difference that we see is one of degree, with the Dole proposal endangering the support system of larger numbers of people in all States.

In 1655, 22 programs would be effectively wiped out in all States, including Medicaid, food stamps, AFDC, and SSI programs, which poor children, aged, blind, and disabled people depend upon. S. 1511 would make this possible in AFDC and six other programs, but that would be limited to ten States.

I do want to mention that the bill you have introduced, Senator, makes several needed positive changes in the welfare system, including nation-wide AFDC UP, strengthened child support enforcement, and new transitional child care services.

However, improvements such as coverage of two-parent families, we believe, are insufficient to overcome the extreme hardship the bill could work on some unknown number of children in poor families. The Board of our Coalition last month agreed that we could not support S. 1511 as it currently is written. A similar position has been taken independently by a number of organizations, including the National Board of the YWCA, the Child Welfare League of America, the Women's Equity Action League, the National Council of Churches, the National Council of La Raza, the National Association of Social Workers, and the AFL-CIO.

In addition, I have been given a statement expressing similar views signed by 14 scholars, including such long-time students of the welfare system as Herbert Ganz, Mitchell Ginsberg, Frances Fox Piven, and Alvin Shore. I would like to offer that also as a statement for the record.

Senator MOYNIHAN. That will be put in the record, and we will be very happy to have it.

Ms. REES. Thank you. I am sorry he can't be here today.

Senator MOYNIHAN. Do you have a copy of it?

Ms. REES. I do have copies.

Senator MOYNIHAN. Can you send one up to the desk?

Ms. REES. I will give one to you directly, if you like.

Senator MOYNIHAN. Good.

Ms. REES. We all share a number of concerns, but I would like to concentrate my remarks on three of them: the waiver provision, the structure of the jobs program, and the child care section. Although I will refer mainly to S. 1511, similar and greater flaws can be found in S. 1655.

The most serious implications, we believe, are in the waiver title. By allowing even 10 States to create their own block grants out of seven Federal programs, including AFDC, the fundamental principle of the entitlement of poor children to Federal income support will in effect be destroyed.

S. 1511 specifically states that the purpose of the waiver is to grant States maximum flexibility to experiment with new ways of using funds. The bill specifically authorizes changes in eligibility classes, benefit levels, and forms of assistance. All Federal statutes and regulations in seven different programs could be waived. We understand that one rationale for this title is that the present administration has repeatedly denied requests from States which want to exercise existing waiver authority under section 1115 of the Social Security Act.

The problem that we see, however, is in the administration of current waiver authority, not in the law itself. Besides eliminating basic standards for conducting AFDC, the waiver authority would remove standards from other carefully crafted programs, including some in this bill, and the important 1980 program to encourage States to reduce foster care loads.

We believe also that services should be tailored to each individual's needs and that the employment/training program must set forth a minimum number of education, skills training, and related services that must be available to people participating in the program.

I would also like to leave with you a copy of the overview of a report we have done after monitoring four block grants in eleven States over the past 3 years. This was done under a Ford Foundation grant; and what we have found is that States cannot always be relied upon to make decisions and to use Federal funds in ways that most benefit people who are in the most need. My written testimony refers to a number of the things that we have found, but let me just mention one case which brings up the problem of civil rights enforcement under a block grant approach.

This case we discovered unexpectedly in the State of Louisiana, where a local employer violated Federal labor standards in employing JTPA workers at a feed plant that was built by community development block grant funds. The JTPA workers, three-fourths of whom were Black residents of the area, described flagrant abuses of health, safety, and wage and hour rules. State JTPA program officials refused to take employee complaints to the Department of Labor because DOL had ignored similar complaints in earlier cases.

Senator MOYNIHAN. Ms. Rees, we are going to have to keep people within a time limit, and we do have that testimony.

Ms. REES. All right.

Senator MOYNIHAN. And JTPA is not really in our province here on the committee. I am going to ask that we keep each person to their time; and if we have additional time later, we will go forward. Thank you very much.

Ms. REES. Thank you.

[The prepared statement of Ms. Rees and the requested information appears in the appendix.]

Senator MOYNIHAN. And now, Mr. Keys?

STATEMENT OF REV. ARTHUR B. KEYS, EXECUTIVE DIRECTOR, INTERFAITH ACTION FOR ECONOMIC JUSTICE, WASHINGTON, DC, ACCOMPANIED BY RUTH FLOWER, CHAIR, WELFARE REFORM WORK GROUP, INTERFAITH ACTION FOR ECONOMIC JUSTICE

Reverend KEYS. I am Reverend Arthur Keys, the Executive Director of Interfaith Action for Economic Justice. We are a coalition of 29 national Protestant, Roman Catholic, and Jewish ecumenical agencies and faith groups. We have worked together for the past 13 years advocating just Federal policies and programs for poor people in this country and in the Third World.

I would like to ask Senator Moynihan if the full text of my testimony could be entered in the record.

Senator MOYNIHAN. Of course, it will.

Reverend KEYS. And I would like to speak to some highlights of that testimony. I would like to also acknowledge Ruth Flower, the Legislative Secretary of the Friends Committee on National Legislation.

Senator MOYNIHAN. All right. We welcome you.

Reverend KEYS. She is active in our advocacy, and Pat Tyson, our Staff Associate, as well.

Our concern for the poor in this country is framed in a context of hope. We know that the strength and resilience of this country's economy is such that it can adjust to the new international eco-

conomic realities in a way that serves all of the American people. We advocate programmatic and policy changes that will enable people who are now left out of the economic mainstream to participate in and contribute to our national strengths.

I want to be clear. We seek an end to poverty, and it is by that standard that we judge all legislation. When President Reagan put welfare reform on the agenda of this Congress, we welcomed the opportunity to explore with members of Congress ways to restore and strengthen a collapsing bridge between welfare and self-reliance for poor people.

I want to address my remarks specifically to Title II and the jobs programs. We strongly support changes in the AFDC program that would make it more possible for single mothers especially to move from welfare to employment, but we oppose programs that require all single parents to undertake this challenge on a Government-imposed schedule.

We urge this committee to examine the generally accepted assumption that improvements in employment-related services must be tied to required participation in welfare and workfare programs. We specifically recommend the following: first, that welfare reform legislation should acknowledge Government's broad role in preventing and ending poverty; direct assistance to poor families in the form of income assistance or training assistance is secondary to Government's duty to manage the economy in a way that allows effective participation of all Americans.

Second, the bridges to employment that were dismantled in 1981 should be restored. Specifically, the gross income cap should be removed from the food stamp program; the earned income deduction should be made permanent; and Medicaid should be expanded to cover the working poor. Low income workers, not just those on AFDC programs, should be eligible to participate voluntarily in education and training programs.

Third, participation in welfare-to-work programs should be voluntary. Fourth, work and training programs should provide useful training that effectively improves participants' marketable skills. Make-work programs should be abolished. Fifth, States should not be permitted to require the participation of absent fathers in any work or training program.

Sixth, child care must be legally guaranteed for anyone required to participate in any program which takes parent caretakers away from their responsibility to care for their children. Seventh, child care allowances must reflect actual expenses. Eighth, additional funds for education, job training, health care, subsidized child care, and social services should be made available through existing channels without creating or expanding work requirements in the AFDC program. Training services and employment assistance that enable wage earners to keep up with our changing economy should be available to people generally without regard to participation in a welfare program.

In conclusion, we in the religious community want to work with this committee to make progressive changes in the welfare system that enable people to move from welfare to employment.

Senator MOYNIHAN. Thank you, Mr. Keys and Ms. Flower. Let me say to you a number of specific things.

[The prepared statement of Reverend Keys appear in the appendix.]

Senator MOYNIHAN. I want to say to Dr. Glasgow that your testimony has been very helpful. We agree with you, or I agree that we ought to include language to place community-based organizations at the planning, program design and service delivery levels of education, training, and employment programs. We think you are right. You raised it with us early this year in informal conversations, and we have talked about this with people such as the panel that appeared before you—those who do the work—and they agree. They think that is right.

Dr. GLASGOW. We appreciate that.

Senator MOYNIHAN. Well, you have been at this since 1902. You know, the Urban League is not new to this subject.

I would like to say to Ms. Rees about the waiver provisions that our provisions on the 10 waivers would absolutely not prohibit any recipients' benefits or their eligibility to be reduced or to be denied, and specifically include all the civil rights protection. I would hope that people might consult their hopes rather than their fears.

There is just a legacy of an earlier time in our country that "you can't trust the States." You are talking to someone who in recent years has begun to have the view that you can't trust the Federal Government. The States like New Jersey have asked for these waivers. They know they are going to have Governor Kean who can't do what he wants to do. We have included in our bill a waiver for the State of Washington, that just can't wait to work this out. They have problems just as New Jersey does.

These states have different economies, and different patterns of life. Our legislation is very tightly designed to help the States, to give them the flexibility to meet the specific needs of their welfare caseload.

Senator Chafee, did you have any questions?

Senator CHAFEE. No, thank you, Mr. Chairman. I don't have any questions. I just want to thank the panel for what they have given us here. We will review it carefully as we proceed with this matter. Thank everybody for coming.

Ms. REES. Senator, may I make one response to your comments just now?

Senator MOYNIHAN. You surely may.

Ms. REES. I think we all realize your very good intent and the good intent of many of the governors, and we realize that Governor Kean has received his waiver. We think that writing a provision such as the one in the bill for Washington State is a good way to construct a demonstration, but we feel there are conflicting provisions in the bill where you try to guarantee protection of benefits and civil rights. And then there are other sections where there are actual purposes and encouragements to change benefit structure, eligibility, etcetera.

Senator MOYNIHAN. Then let me make just one quick observation. I have been at this for a very long time, and if there is one persisting idea I keep running into, it is that somehow out there in the Nation there are forces, groups, institutions that are desirous of seizing on this welfare population and putting it into some kind of forced labor.

If I had to trace it, it would go back to the idea of the reserve army of the unemployed, about which we used to hear a lot in the 1930s. And I offer you the thought—and you don't have to agree—that it is not true, not true.

What is true is that nobody really cares about these people, and the less that is said about them, the better.

Mr. Heintz made the point that if you have some mandatory participation provisions, there will be many places that will simply say: Everybody has to participate in a job search program, no matter what happens. In most jurisdictions, nothing is done for these people—nothing to them or nothing for them. That is the problem, and the children are the ones who suffer most.

Senator CHAFEE. I would like to echo that, Mr. Chairman. If we were dealing with a tax bill, you couldn't find an empty seat in this hall. And indeed, we would have to pipe it up to another room so that everybody could hear about it because we might be touching somebody's benefit. The problem is that all too few people are concerned about the children and the devastating statistics that have been mentioned here many times. So, I want to thank all of you for what you have done in bringing attention of the public to these issues.

You have been working on these issues for years—the Urban League and the other groups here—and that is what we have to do. You know, people just don't know that these children are the ones who are losing out. So, we are dedicated to try to do something about it, and thank you very much for your help.

Senator MOYNIHAN. Thank you all.

Reverend KEYS. Senator, could I just make one remark?

Senator MOYNIHAN. Surely.

Reverend KEYS. We would like you to look seriously to our concerns in terms of mandatory participation because we do feel that there are some real concerns there for how that affects children and how it affects implementation here. Our concern is coming directly from where you acknowledged; we are concerned about how these delivery systems would affect children and young mothers, and we have some serious concerns there which we would like you to address seriously.

We have proposed some specific amendments to the legislation which would make the lack of assurances into guarantees or else allowing a person not to be forced into a job that would make things much more palatable to us and many people in our coalition.

Senator MOYNIHAN. Fine. We are going to hear some research reports on that right now. But I repeat to you: Nobody is going to force these folks into anything; they are just going to forget about them. That is what we have done for the last 20 years. That is how we ended up where we are today. Thank you all very much.

Now, to conclude our morning, we have Dr. Judith Gueron, who is President of the Manpower Demonstration Research Corporation of New York. We welcome Dr. Gueron, who has been a great source of help to us and the work of the MDRC has been a great source of help to us also.

Dr. Gueron, you are well known to this committee and we welcome you, as you come before us with some research findings on

several of the matters that have specifically been discussed this morning.

STATEMENT OF DR. JUDITH M. GUERON, PRESIDENT, MANPOWER DEMONSTRATION RESEARCH CORP., NEW YORK, NY

Dr. GUERON. Good morning, Senator. I appreciate the opportunity to share with you today my observations and, given the time available, I will limit myself to discussing the work and training provisions of two of the bills before the committee, S. 1511 and S. 1655.

Often Congress must make decisions on social policy with strong evidence of the problem but little certainty on the effectiveness or cost of proposed solutions. Fortunately, we are in a very different position today with regard to employment and training programs for welfare recipients because of some very serious research conducted since 1982.

Let me start by very briefly summarizing the message from that research, and I will summarize my testimony and ask you to include the full testimony.

Senator MOYNIHAN. Of course.

Dr. GUERON. Let me also note that it is impressive that most of the proposals before the committee incorporate in one form or another those lessons. First, we have learned that welfare employment programs can benefit both welfare recipients and taxpayers. Across the States studied by MDRC, for example, we saw employment rise between 3 and 8 percentage points, which translates into earnings gains of between 8 and 37 percent.

Second, we have learned that we should nonetheless be modest in our expectations. This is not a quick fix. Third, we have learned that it costs money in the short run to save money in the longer run. And finally, we have learned that much of the creativity and will is at the State and local levels and that new legislation should be designed to promote this and protect it. At the same time, we see a continuing need for Federal funding.

Now, in translating these lessons into legislation, we should also consider the Nation's 20-year history with the WIN Program. It is instructive. 1987 isn't the first time that Congress expressed a preference for work over welfare. With less consensus back in 1971, Congress also required that all adult AFDC recipients with school-age children register and participate in a welfare employment program. In fact, given limited and later rapidly shrinking resources, participation often became a paper process.

Now, what do the research and this experience suggest about specific provisions in the work programs of the several bills before us? In general, the bills support the idea of State flexibility. It is indeed a keystone of the new legislation, but there are complex ways in which particular features of the bills may undercut that principle and stifle the kind of experimentation that has been going on over the past few years.

For the remainder of my remarks, I would like to focus on four interrelated issues that are likely to affect how States, in fact, carry out the legislation: the availability of resources, targeting strategies, service mix, and participation standards.

First, funding. The extent to which congressional enthusiasm for mandatory employment programs is actually translated into operating reality will depend on how much money the Federal Government provides, the matching rates, and how much money the States put up. Both S. 1655 and S. 1511 recognize the importance of assuring that this country has a minimum national program and wisely continue providing base funding at a 90 percent Federal match.

A key point to recognize is that the availability of open-ended funding, as in S. 1511, or a \$500 million authorization as in S. 1655, doesn't guarantee that there will be a \$1 billion national program. Since 1981, States have been entitled to draw down funds on a dollar-for-dollar basis for job search and community work experience.

The General Accounting Office recently reported that States have only very modestly matched these funds to date. This suggests that the overall response may remain limited, although I am sure there will be considerable variation across States. Failure to draw down funding would not result from a lack of interest on the part of States, but making available additional funds and requiring a higher match does put a clear additional financial burden on States. For example, under the WIN funding arrangement, if the Federal Government provided \$380 million as they did for a few years in the late 1970s and early 1980s, States had to come up with a \$42 million match. Under S. 1655, if the Federal Government really spent \$380 million, States would have to put up \$263 million to draw that down.

Questions about the size of the financial investment that the Federal Government and States will put into the new legislation are critical to understanding how the programs are likely to really be operated at the State level. While the potential for additional funding is encouraging, it should be recognized that at the same time States are being asked to work with a much larger proportion of the AFDC caseload. Based on 1985 data, for example, S. 1511, which requires participation from women with children as young as three, would increase the size of the potentially mandatory caseload from about 1.2 million women to about two million women.

S. 1655 would increase it still further because there are another 1.3 million women that have children under three, and most of them would be included under that bill. In addition, when you are serving women with younger children, programs are likely to be more expensive to provide the additional child care.

The second issue is targeting and requiring participation from mothers with preschool children. If resources are too limited to serve everyone, States must also decide who should be given priority. The current bills are informed by two distinct research studies. One is the work by David Ellwood and Mary Jo Bane at Harvard which suggested that a specific group of welfare recipients—young never-married mothers who are high school dropouts—often remain on the rolls for a long period of time. These findings have created considerable interest in serving this group.

Second, there is MDRC's work based on studies primarily with women with school-aged children that has shown that welfare employment programs have their smallest effects on the most job-

ready. Knowing who benefits least—the most employable—doesn't always tell you who should be served, however. And there has been a tendency to put the Bane and Ellwood work together with the MDRC work and assume that the most effective programs would be those serving teen mothers.

However, it is important to stress that the research to date does not support targeting teen mothers exclusively. Our findings on program effectiveness are based on studies for women with school-age children. We simply do not yet have solid evidence that mandatory employment and education services will work for younger mothers or prove cost effective, although there is clearly a reason to try this.

S. 1511 may have struck a good balance on targeting by mandating that 60 percent of the funds go to long-term recipients, recidivists, and young mothers. S. 1655 also notes the importance of targeting and identifies young mothers. However, concentrating services on that young population and mandating a specific participation level may be risky at the current time.

The third issue is flexibility in program design. One of the most remarkable developments in recent years has been the interest, experimentation, and sense of ownership that States have evinced; and it is critical that Federal policy continue to foster this. It should be recognized that, given the funding constraints that I just mentioned, most States will have to decide whether to limit the number of people they serve or the services provided.

I would suggest that we continue to leave this choice up to the States. The research to date suggests that many different programs can be effective—relatively low cost programs and also higher cost programs which some new evidence suggests may have delayed but increasing payoffs.

We also have some hints in the research that some of the very longest term multiproblem recipients may require larger investments. This kind of flexibility is inherent in both of the current legislative proposals; however, other provisions in S. 1655 could seriously undercut the apparent freedom offered to States.

And that gets to my fourth point on requiring high levels of participation. When you know something works, it seems wise to assure that more of it gets done. And knowing that welfare employment programs can be cost effective would seem to suggest that States should be required to reach a very large share of the caseload. The obvious way to do this is to set high participation standards and penalize States for not meeting them.

One of the key ways in which S. 1655 and S. 1511 differ is the role of participation standards. S. 1655 sets increasingly ambitious targets over time; and S. 1511 does not mandate the use of participation standards.

The critical element to keep in mind in assessing these alternative approaches is that, in the short run, participation costs money. The WIN program never delivered on its participation mandate because it never had the funds to develop training or work slots for all eligibles. If programs were really richly funded, high participation standards might pose operational challenges but would not force States to make possibly counterproductive programmatic choices; but the reality is likely to be different.

As we have seen, funds are likely to still remain limited; and if funds remain low, States will be forced either to serve many people with very little or a smaller proportion with a mix of high and low intensive services.

Simple arithmetic suggests the importance of two numbers in assessing the impact of participation standards: the program budget and the number of people that will have to be reached in order to result in the desired participation level. Dividing the former by the latter gives the average amount that could be spent per eligible.

For example, if the Federal Government spent the full \$500 million authorized under S. 1655 and States provided another \$335 million, as CBO estimates they would in 1992, there would be \$835 million available to provide services for a mandatory caseload of close to 3 million women, which translates into roughly \$280 per eligible person on an annual basis. In MDRC's evaluations, three out of the four States with positive impacts spent considerably more than this, working with women with school-age children.

This is also notably less per mandatory case than WIN had at its peak, especially if you look at WIN in 1986 dollars, when States were unable to provide services to the majority of the mandatory caseload.

In these circumstances, except in the few States which will provide substantial funds, setting high participation standards can lead to one of two outcomes: either States will fail to meet them or they will have to spread resources very thinly, in fact losing any real flexibility in program design.

In addition to restricting State flexibility, high participation requirements raise other problems. I would argue that the widespread support for welfare employment programs grows from their apparent fit with prevailing values and also their seeming success in meeting the dual objectives of improving the well-being of welfare recipients and saving money; that is doing both of these. Requiring participation is usually viewed as a means to these ends, not as an end in itself.

The research to date shows that programs providing a modest level of services can meet this dual objective, but new findings suggest the risk of assuming that these could be replicated on a much larger scale without substantially expanded funds. That is, there may be a minimum average expenditure level below which programs may not be very effective.

Research just completed on a program operated in a major urban area suggests what may happen if limited funds are spread across the full mandatory caseload. Given a large caseload, a budget of approximately \$150 per case, caseload ratios of about 300 to one, the program focused more on administrative and monitoring functions than on providing direct services. That is about what could be done with that level of resources. An emphasis on participation and sanctions produced different results than we have seen in other States.

Taxpayers saved some money; but welfare recipients, on average, did not experience employment or earnings gains.

Beyond these concerns, there are other more practical reasons to avoid setting high participation standards at this time. There are currently no good national data on participation in the WIN pro-

gram that could serve as a benchmark for establishing national standards.

Moreover, measured participation rates are very sensitive to how participation is defined and to elements that vary widely across States. States will not be on a level playing field in trying to meet any uniform national participation standard.

All of these considerations suggest that it is premature to set ambitious national standards for a new program. Instead, Congress should assure that the data are collected on participation and on actual program outlays so we will know just how much is really available; and based on this information, reasonable targets could be established.

My final point relates to evaluation. My comments today suggest that we now know enough to move forward on expanding the welfare employment system, and that there is a sufficient knowledge base for action at the current time. But many questions remain open and deserve careful study in the future.

Bearing this in mind, I would advise you to ensure, as the bills do, that there will be rigorous evaluation of future State programs. Experimentation without solid research will not yield information about how to improve the welfare employment system, or the AFDC benefit system, in the future. We believe that the Federal Government should take the lead in this and not leave the design and funding of evaluations solely to States.

In conclusion, let me again congratulate this committee for moving forward on a critical issue and urge you to weigh carefully the alternative approaches recommended in these bills. Thank you.

[The prepared statement of Dr. Gueron appears in the appendix.]

Senator MOYNIHAN. We thank you, Dr. Gueron.

Senator Chafee?

Senator CHAFEE. Thank you, Mr. Chairman. Dr. Gueron, first of all, as I understand what you are saying, it is be careful about this participation business and mandatory requirements because what will happen is, if you have to reach a certain participation rate, then everybody will run out and take the people who are going to get jobs, anyway, and work with them and see that they do get the job, whereas the tough cases might be the teenage mothers who have small infants at home. They are the ones who really ought to get work and ought to get attention, but they are very expensive; and you are not going to get much of a yield out of it, as far as improving your record goes. Is that what you were saying?

Dr. GUERON. That is part of the point, but also, as the standards creep up over time, you are going to have to just serve everyone with very little, and you may spread the money so thin that—

Senator CHAFEE. You can't do any job well?

Dr. GUERON. Right. You move backwards instead of moving forward. That is my concern.

Senator CHAFEE. Right. I understand that. Then, basically, your conclusion, as I get it, is that first we have to monitor this; but second, we must keep the creativity at the local level as much as possible. Now, my question is this: How do you keep the creativity and will at the local level—and by local, we mean State and, in some instances, it is a city—if the Federal Government is stepping in and carrying most of the cost? As a governor, I found that when

a program—and I am not talking about a human assistance program—let's just take another example. Let's take a road program. When we got into a 90/10 road program, I always found that, as a governor, I was rather casual about what we did because the Federal Government was carrying so much of it; but when it got into a 70/30 program or a 60/40 or a 50/50 program, then I really paid attention because it was our dollars; and I wanted to see the thing run right.

Now, if we get the Federal Government carrying a substantial portion of the burden here, where is the incentive on the local level to have this creativity in this world to try and do something?

Dr. GUERON. That is a very good point. I would just say that neither of the bills has the Federal Government carrying a heavy share of the load. What the bills do is assure that there will be a very minimal national program.

The WIN program now has been cut 70 percent since 1981. It is at that level that 90/10 money will be continued. So, there will be a small 90/10 pot available for States; but on top of that, States depending on the bill, either have to come up with a dollar-for-dollar match or a 60/40 ratio so that there will be a very strong State investment in any expanded programs. Indeed, that is one of the reasons why I say that there is quite a good deal of uncertainty as to how large the welfare employment program will be 5 years from now because we don't know how States will respond.

Senator MOYNIHAN. I wonder if my colleague would let me be a little more specific on that? There are a number of States which are not prospering just now, and the prospect of having to take up the 60/40 ratio just seemed to be more than they could handle. So, what we have said is that, for what you now have under WIN—that much reduced program—will continue at 90/10; but you'll receive a lower 60/40 match for any new spending.

Senator CHAFFEE. You heard the testimony, and you have not only heard it here, but you are very deeply involved in this, so you are aware of the problems with what we might call the "hard core" cases: the teenager who has no education and has no self-respect or self-confidence, has not married, has a child—all the worst case scenarios—no support from home. Now, those are the cases where there would be a tendency, as the States try to improve their record and look good, to duck. Yet, we heard the testimony from Ms. Wilcox from Maine, that with intensive help—and this is high cost—things can be done. Do you share that optimistic note?

Dr. GUERON. I share the view that we want to give the States the flexibility and the signal to serve high-risk groups. Both of these bills make an important change over WIN in the past by specifically saying: We know there are high-cost groups, and States should be urged and particular incentives are set for them to focus on those groups.

I think we have some evidence the programs can work. We know much less about mandatory programs for young mothers. They simply haven't been done on a large scale, only under waivers in some States in recent years and without much research. So, I think there are questions about what approaches are most effective; but there is lots of evidence to suggest that States should be encouraged to make the investment in those groups.

Senator CHAFEE. How would you react to the statistics on one-third of participants dropping out of their jobs after 15 months that was talked about earlier?

Dr. GUERON. There is a lot of turnover on the welfare rolls and there is a lot of recidivism.

Senator MOYNIHAN. I think the Senator was speaking of the experience in Maine.

Dr. GUERON. Right.

Senator CHAFEE. What is the term you used, "high risk"?

Dr. GUERON. High risk. I am not particularly familiar with the statistics that she was citing, but they don't surprise me. I don't consider that devastating either, if you can keep 30 percent of the people employed.

Senator CHAFEE. No, 70 percent, or two-thirds.

Senator MOYNIHAN. No, two-thirds.

Dr. GUERON. Oh, two-thirds. All right. That is very successful.

Senator MOYNIHAN. That has been your message to us. If you can do one-third, that is good.

Dr. GUERON. Absolutely.

Senator MOYNIHAN. Right.

Dr. GUERON. You don't have to make a big difference to make these programs pay for themselves, and especially if you are dealing with groups of people that stay on the rolls a long period of time.

Senator CHAFEE. Which would be this group.

Dr. GUERON. Certainly, this group. People in this group are often long-term recipients.

Senator CHAFEE. Thank you. Thank you, Mr. Chairman.

Senator MOYNIHAN. Thank you, sir. If I may say, as a former governor, I think you were speaking very clearly. The message that MDRC has brought to us is that there is not a great deal that can be done suddenly; but there are important things that can be done steadily, and particularly now that we have the demography going for us. For the first time in all of our adult lives, we are not being overwhelmed by numbers. The population that is aged 18 to 24 drops by a quarter between now and the year 2000. You know, it is not for nothing that Maine has got the lowest unemployment rate in 31 years. For the first time in 31 years, there are not just new cohorts crashing into that age group.

So, when you can make small differences steadily, they add up. Our legislation, by a CBO estimate, begins saving money in its fifth year; the costs begin to go down.

Senator CHAFEE. Let me ask you, if I might, one quick question. What do you find in your studies about immigrant groups? Is that figure as a separate category in your studies? I think you can separate them out: Southeast Asians, Hispanics, Puerto Ricans, and maybe other groups, South Americans as opposed to Central Americans. What do you find from that?

Dr. GUERON. Unfortunately, Senator, I think we know less than we ought to know. Some of that is because programs have had difficulty with language issues. For example, the program we studied in California explicitly did not have multilingual job club workshops for non-English or Spanish speaking people. So, in that case, Southeast Asians—a large group in California—were not part of

the program. In other cases, where Hispanics certainly have been, we have not had numbers large enough to distinguish impacts. So, I don't think there is good evidence of the effect of programs on immigrants.

Senator MOYNIHAN. Can I give you a specific? We have heard much testimony at the subcommittee level. We heard from an official from Merced County, California, who described their welfare caseload which includes a very large group of persons who are receiving AFDCU. They are Hmongs from Laos. They have settled there, and they are a preagricultural community; and learning the ways of modern life and so forth is going to take them some time. They need temporary assistance, in the interim.

Senator CHAFEE. Thank you.

Senator MOYNIHAN. Thank you. I would like to thank all of our panelists. It seems to me that one more hearing of the full committee ought to have about exhausted the range of information and advice we could get. I hope that, after that, we can proceed to mark up a bill. I hope people do not go away disheartened. This legislation has not been shelved; we have heard some very vigorous assertions that it ought not to be. Thank you very much.

[Whereupon, at 12:41 p.m., the hearing was adjourned.]

APPENDIX

ALPHABETICAL LIST AND MATERIAL SUBMITTED

PREPARED STATEMENT OF KEVIN M. ASLANIAN

SUMMARY STATEMENT

CCWRO represents welfare recipients in California. We have carefully reviewed S 1750 and S 1511. We have discussed the provisions of these bills with the various welfare rights organizations and welfare recipients.

Recipients are eager to see a welfare reform bill which actually modifies the current AFDC program helping them obtain and maintain gainful employment and eventually overcome poverty. Both bills fail to meet this objective. The same is true about the bills under consideration on the House side.

S 1511 would increase the mandatory participation in the workfare program to 90% of the caseload from the existing 30%. It would also allow ten states to obtain waivers to operate a welfare program that will discard the existing categorical programs designed to protect families from poverty.

The bill would also add to the number of persons who will be vulnerable to the inhumane sanctions of the AFDC program. In return for this, the only positive feature of S 1511 is the mandatory coverage of two-parent families, which passed in the House in previous years and defeated in Conference because of the opposition from the then Republican Senate.

CCWRO has published a section-by-section analysis of S 1511 containing numerous recommendations.

ANALYSIS

There is a certain portion of the caseload who are on aid for an extended period. These are the people that "welfare reform" should clearly target. All bills introduced to date fail to do this. Rather, what they do is to propose a program that will allow states to require up to 90% of the caseload to become mandatory participants of a workfare program,

including applicants, this is spreading thin our limited resources. These bills do not require States to limit mandatory participation to those individuals who really need a helping hand - the long term recipients who have been on aid for more than 4 or 6 years and have children over the age of 12 years.

S 1511 mandates States to provide cash aid to all two-parent families in return for mandating 90% of the caseload to participate in a workfare program and to give a carte blanche waiver authority to 10 states.

S 1511 and the other bills introduced basically keep the existing program in place without meaningful and positive changes which are vitally needed in the AFDC program.

What is Needed?

- All pregnant women should be eligible for AFDC. This is not the case in most states. This is a primary cause of the high incidence of infant mortality in America among low-income persons.
- The work incentives of the pre OBRA cuts should be restored to make sure that families are able to feed their children after they obtain entry level jobs.

We have seen many families with children go hungry and become homeless, even in cases where their caretakers are working.

- Emergency Assistance should be mandatory to all States. Many States do not participate in the Emergency Assistance program, or they misuse this program to enhance federal funding for their pet projects, such as the State of California and many other States.
- Provide cash aid to all poor persons, even those without children, who are not disabled, blind or over the age of 65 years old.
- Provide automatic supplemental payments to persons whose income is reduced due to retrospective budgeting.
- Remove unnecessary penalties for late reporting.

*DISCUSSION
OF WELFARE
REFORM
IN 1987*

What is welfare reform in 1987? Welfare reform in 1987 is subtle: "It's a workhouse without walls, and most of the workers are women." The public record reveals that between 1973 and 1985, the number of people living in families below the federal poverty line, rose by 41%—from 18.3 million to 25.7 million. In 1975, net outlays on AFDC were nearly \$17 billion (in 1985 dollars). By 1985, outlays had fallen to \$14 billion.

Under current law, only 30% of the caseload is required to do mandatory workfare. Under Congressman's Downey's bill (HR 1720) the number of mandatory participants will increase over 100%, about 77% of the total caseload.

Under the Moynihan bill (S 1511) over 90% of the families receiving AFDC would be required to participate in a workfare program. Under the Republican bill over 95% of families receiving AFDC would be required to participate in a workfare program.

Even the most punitive workfare programs proposed by Ronald Reagan never included forcing mothers, still breast feeding their babies, to provide free labor to federal, state and local governmental agencies.

In reality, how does workfare save money? According to a New York State report, between the years of July 1985 - June 1986, the State of New York saved \$17.5 million by sanctioning families for alleged noncooperation with their work programs. While saving \$17.5 million through barbaric sanctions, they only saved \$6.5 million by actually finding jobs for workfare participants. So how will workfare save money? The answer is sanctions.

We wonder if the endorsement of work requirements for parents of children under the age of six means that we as a society have decided that all children under 6 years of age are best served by being cared for by someone other than their parents. We do not agree. We still believe in traditional family values. We believe that children should be raised by their parents and not by child care centers.

It is interesting to note the inconsistencies that the welfare reform debate reveals. On one hand, we are told that the absent parent should support the children, and the States are required to enforce the child support laws. On the other hand, if the States are not doing their job, rather than sanctioning States, women who are trying to raise their children, are forced to leave them and work off their welfare checks or face severe financial sanctions. Why not impose similar sanctions against States for failing to do their job in securing child support payments?

***STATES SHOULD
NOT BE
ALLOWED TO
OPERATE
INEFFICIENT
WORK
PROGRAMS***

Most of the current proposed legislation throws money at the States and tells them to run a workfare program and the only criteria is to make sure that everybody is participating in the program.

Why is Congress proposing these programs? To get welfare recipients into jobs and off of welfare? If this is the goal, then States should be required to either do the job or admit that they cannot do the job. There is zero accountability in all of the current welfare bills directly related to the actual goals of the program. Such failure of accountability makes sense if the purpose of the program is to punish welfare mothers for being poor. But if it is enacted for the purpose of making them independent and self-sufficient, then States should either be required to do the job or be fired for not being able to do the job.

***THE WELFARE
AGENCY SHOULD
NOT OPERATE
WORK
PROGRAMS***

The State welfare agency is the wrong entity to operate a work program. When you have a cardiac problem, you do not run to your lawyer and ask for medical assistance, you see your doctor. If the problem is that welfare recipients need education, job training and jobs, then the appropriate agency is not the welfare department, rather it is the "jobs department", also known as the Department of Labor and the State employment agencies.

***SUPPORTIVE
SERVICES ARE
NOT PROVIDED
TO PARTICIPANTS***

Most of the bills, including the Senate bills do not assure that participants will receive child care assistance.

In California, the Legislature appropriated millions of dollars for child care, but many of those dollars were not spent, eventhough the county plans, based upon valid studies, showed the immense need for child care.

Fresno County requested funding to provide child care to 80% of the caseload. After one year only 8% of the participants were given child care. Many participants are told that the county does not provide child care. They are told to either find someone to watch their child(ren) or face sanctions.

A woman in San Diego had her grandchildren taken away by Child Protective Services because they were home alone while she was working off the welfare check she receives for her grandchildren. Yes, grandparents caretakers are also required to participate in the various work programs that are under consideration at this time.

Under the California program, if the client does not have child care, they do not have to participate in the GAIN program. Who gets child care? Those who "need it" as determined by the county welfare department. The following is an actual experience we had in California concerning a GAIN participant with a child care problem:

This GAIN participant found a job after looking for work for 5 days. She was not provided with child care while she searched for work because her child was in school, thus she did not "need" child care.

On the fifth day someone offered her a job. She was overjoyed. She could finally get off of welfare. But in order to take the job, she needed child care for her 7 year old after school. She called her GAIN worker and told him that she found a job and needed child care to start working the next day. The GAIN worker informed the client that the county really does not have any child care and most of the child care centers have a waiting list.

"What do I do?" she asked her worker. "You don't have to take the job if you don't have child care and you will not be sanctioned." She then calls her employer back and tells him that she cannot take the job because she does not have child care. The employer did not say much, but in the back of his mind he is thinking about this welfare mother as another lazy welfare recipient who doesn't want to work and uses child care as an excuse to continue to collect welfare. In fact, the employer has read in the newspapers that the GAIN program has millions of dollars for child care, thus, she must be a lazy bum.

The employer then calls his Senator's and Congressperson's office complaining about lazy welfare recipients. Then the AFDC mother calls her worker and asks, "What do I do now?" The GAIN worker replies, "You have to continue to look for work or else you will be sanctioned."

Now Senators, we ask you, does this sound fair? Any reasonable person would shake their head and say that this was an insane situation.

Would the existing welfare reform bills allow this situation to happen?
YES.

How do we remedy this problem? Very simple. Mandate that no person shall be required to participate in any work program unless they have been given a certificate of child care slot at a specified child care center if they need child care, or when they become in need of child care. This would insure that no one would have to turn down a job.

SANCTIONS

One of the major features of the work programs are the sanctions. The primary savings realized from most work requirements and workfare programs are through financial sanctions.

What are the current sanctions? Under current practice, if the principle wage earner of a two-parent family fails to participate in the work program, then the entire family is denied all cash aid benefits for a three month period, and for six month period for any second and subsequent failure to participate.

In the case of a single parent family, the parent who violates the workfare rules is deprived of his or her share of cash aid for a three-month period for the first instance, and six-months for the second and subsequent incident.

What would you say to a child who is hungry because his or her father failed to meet the workfare rules? You say, sorry child you have to starve for three or six months because daddy was bad. Moreover, what if daddy is now willing to cooperate. Why continue to punish the children when daddy is willing to cooperate. Senator, this is an outrageous situation. Does it sound like the policy of a civilized society? This is what S 1511 and the other proposed, so-called welfare reform bills would provide for.

Moreover, if any of these bills are enacted, we anticipate a great increase in the number of families who will be sanctioned, because more and more families will be vulnerable to these sanctions given the increase number of mandatory participants and the increased funding for workfare bureaucrats.

CONCLUSION

In closing, we would suggest that the provisions of S 1511 which gives then states waivers to operate any kind of program should be repealed because it would open the door for total and vicious abuse by States.

We would oppose any increase in the number of mandatory participants in workfare programs, when those persons can volunteer to participate in work programs and there is no evidence that mandatory participation enhances the number of persons who overcome poverty.

In fact, we believe that mandatory participation in these programs should be limited to those who have been on aid for more than six years and have a child over the age of twelve years.

Participants should be guaranteed a child care slot by giving them a certificate of a specified child care center when they find a job. All supportive services shall be given to participants through advance payments, unless the participant waives this or her right to an advance payment.

Finally, sanctions should only apply against the parent who refused to participate in a work program for so long as the parent continues to refuse to participate. Once the parent agrees to participate, then the sanctions should be set aside and their aid shall be restored beginning that same day. If the parent fails to cooperate more than twice in a one month period, then only the parent should be sanctioned for a 30-day period.

Again, thank you for the opportunity to present our views before this Committee. We will be glad to provide any kind of input that the Committee wishes.

RECIPIENT IMPACT STATEMENT

S. 1511

SECTION-BY-SECTION ANALYSIS OF S. 1511

Introduced by

Senators **Moynihan**, Matsunaga, Bradley, Mitchell, Pryor, Rockefeller, Daschle, Adams, Kennedy, Kerry, Simon, Duranberger, Danford, Chaffee, Evans, Riegle, Biden, Wirth, Bumpers, Pell, Gore, Mikulski, Cochran and Bingaman.

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The New Welfare Fraud

by Frank Riessman

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The new welfare reform proposals emanating from the National Governors Association, the Reagan Administration, and various states such as Massachusetts and New Jersey, while uniting many liberals and conservatives, are seriously marred and self-deceiving. While all of them represent an improvement over traditional welfare proposals, in that they call for training, day-care services, health benefits, and counseling, they are basically deficient on the critical question of job creation.

All of these proposals presume that if welfare recipients receive appropriate training and support services, they will have a good opportunity to obtain a job. No one seems to ask the obvious question: How are these individuals to obtain jobs in the current labor market? Nearly eight million people are actively seeking jobs and are not able to find them—to say nothing of the 5.8 million more who are too discouraged to look

for a job and are not counted among the unemployed. Add to this the large number of part-time workers who would prefer a full-time position, if one was available. This all produces a pattern of circulating unemployment.

Unless more jobs are created, the welfare measures will simply create more competition for the jobs that exist and serve to lower wages further.

A much better design, essentially proposed by the New Careers movement in the 1960s, calls for first creating jobs for which welfare recipients could be encouraged to apply. These jobs would have attached to them the necessary training and support services.

There are a great many useful jobs providing needed services to society that could be filled at an entry level by welfare recipients who lack training and education, but where the necessary training would be acquired on the job and in release time (perhaps, one day

per week). These jobs range from human-service positions such as recreation worker, day-care aide, and health assistant to jobs helping to rebuild our infrastructure: bridges, roads, sanitation systems, and so forth. For these workers, there would be provision for maintaining a portion of their welfare monetary benefits to supplement their wages. (Something, incidentally, that is not proposed in any of the new welfare plans.) For many on welfare who already have the requisite training and experience, higher level positions would be made available in the same employment areas.

Without job creation, the new welfare proposals are just one more window-dressing fraud that may very well anger the unemployed who would be competing for the very jobs the welfare recipient is going to be pressured to apply for. ■

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INTRODUCTION

S. 1511 would change the name from "AFDC" to "Child Support Supplement Program" and would retain the current overall AFDC program, with several major exceptions:

- It would mandate that all States provide aid to two-parent families.
- It would mandate that all parents with children over the age of three years must participate in a workfare program.
- Would allow States to require parents (and both parents) with children over the age of 1 to become mandatory participants in a workfare program;
- Provides maximum flexibility to States to operate a workfare program;
- Provide hardly any flexibility for participants of the workfare program;
- Makes some modifications in the child support laws to enhance the amount of child support to recover expenditures for AFDC;
- Authorizes various demonstration programs for States;
- Authorizes 10 States to conduct demonstration programs whereby they would be able to consolidate the federal funds for AFC, child welfare services, JOBS program, Foster Care and Adoptions Assistance and Social services block grant funds to be used without the current federal protections, except that families included in the waiver project cannot have their benefits decreased below what they are receiving prior to the application for waiver.
- Provides States with increased funding to operate a workfare program in America, which would increase the number of welfare/workfare bureaucrats.
- Most of the severe Reagan AFDC cutbacks of 1981 remain in place.

SUMMARY

In summary the bill would include two-parents families and force 90% of the AFDC population into working for their AFDC benefits free of charge for the federal State and local governments. Workfare has always had the sole purpose of punishing the poor for being poor. This bill would enhance the number of persons who will be punished for being poor.

TITLE I

CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

SECTION 101-Mandatory Income Withholding

Summary of the Section

This section provides that the employer of the absent parent will automatically withhold the child support portion of the wages, unless both parents agree to an alternative arrangement or when States find good cause to rely on an alternative arrangement.

Recipient Impact Statement

Unlike helping single-parent households whose absent parents receive above middle class income in salaries and wages and do not want to pay child support, this section will not drastically affect those single-parent households whose absent parent work at minimum wages and now pay court-ordered child support in an amount which represents a significant amount of their wages.

Many of these low paid workers are the primary wage earners for their second family. The courts in most States do not consider the fact that because these low wage earners do not have the money to hire an attorney to fight the District Attorney, the low wage earner pays more in child support.

Recommendation

Revise this section to limit the percentage of the wages that can be withheld by taking into consideration the absent parents current family expenses and liabilities.

SECTION 102-Child Support Disregard

Summary of the Section

This section clarifies current law by specifying that States shall disregard, for the purposes of deter-

mining cash aid benefits, the first \$50 from any child support received by the family, so long as the absent parent made the payments on time.

Recipient Impact Statement

Current law, as is now applied, punishes AFDC children for the absent parent's late payments. Some current absent parents intentionally make these payments late so the custodial parent will not receive the \$50 disregard.

Recommendation

Provide that the \$50 disregard shall be paid to the custodial parent whenever a child support payment for any month is received from the noncustodial parent.

SECTION 103-State Guidelines for Child Support Awards

Summary of the Section

This section provides that the States shall establish guidelines for determination of child support levels by judges and State officials. These guidelines will be reviewed and updated once every two years.

All current and new cases will be reviewed to establish child support payments based upon the new levels. Both parents will receive a 30-day notice stating that the child support levels are being revised in accordance with the new guidelines.

Exceptions may be made to these guidelines on a case by case basis.

Recipient Impact Statement

This is a good policy for those one-parent head of households whose absent parents earn wages or a

-1.) Hold folios

salary above the middle class income and do not pay their child support.

This policy is not so good for those absent parents who earn money under the poverty level and are ordered to pay a large percentage of the wages to the District Attorney. It is to be noted that the local District Attorney receives a portion of all money collected.

This section will allow upper class absent parents to hire an attorney to reduce the amount of child support he or she will have to pay, while a low wage earner will generally not be represented by counsel because he cannot afford attorney's fees.

Finally, this section fails to establish a process or guidelines for States to establish child support responsibilities of absent parents.

Recommendation

This section should be revised to establish mandatory guidelines that the State shall follow in setting child support payment guidelines. In part, these guidelines should specify a maximum percentage that could be ordered as child support against an absent parent living at or below the poverty level or living on a fixed income, workmen's compensation or unemployment insurance benefits.

SECTION 111-Performance Standards for Establishment of Paternity

Summary of the Section

This section establishes performance standards for States to establish paternity.

Recipient Impact Statement None

Recommendations None

SECTION 112-Increased Federal Assistance for Paternity Establishment

Summary of the Section

This section raises the federal matching rate to 90% (from 68% in fiscal year 1988) for State costs for laboratory tests used to determine paternity.

Recipient Impact Statement None

Recommendations None

SECTION 121- Requirement for Prompt State Response

Summary of the Section

This section would require that the Secretary of HHS establish a time limit in which a State must accept and respond to requests for assistance in establishing and enforcing child support orders from individuals and other States.

HHS must establish an advisory committee composed of various State officials for input into these regulations. This advisory committee shall hear testimony and complaints from the public regarding the child support program, administrative problems and the speed of collections.

Recipient Impact

Like most welfare reform bills, this bill also ignores the consumer, the parent receiving the child support.

Although this section is designed to be responsive to the consumers, the Secretary will not have consumer representatives on the committee.

Recommendation

This advisory committee should include an equal number of representation from the consumers, such as representation from local and statewide welfare rights organizations, the National Welfare Rights Union, Legal Services, women's groups, etc.

SECTION 122-Mandatory Automated Tracking and Monitoring System

Summary of the Section

This section requires the State to establish an automated tracking system within 10 years of the enactment of this section.

The federal government will pay 90% of the costs.

Recipient Impact Statement None.

Recommendations None

SECTION 123-Additional Information Source for Parent Locator Service

Summary of the Section

This section would authorize HHS to have access to wage information maintained by the Department of Labor. This would include information regarding the identity of individuals receiving Unemployment Insurance Benefits.

Recipient Impact Statement None

Recommendations None

SECTION 124-Use of Social Security Numbers to Identify Parents

Summary of the Section

This section mandates that States obtain the social security numbers from both parents at the time of the birth of the child. States would be allowed to waive this requirement for good cause.

Recipient Impact Statement None

Recommendations None

SECTION 125-Commission on Interstate Child Support

Summary of the Section

This section establishes a commission for the purpose of holding a national conference to discuss reforming the child support system.

Recipient Impact Statement None

Recommendations None

TITLE II

JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) PROGRAMS

**SECTION 201- Establishment of the JOBS program in All Political Subdivisions
Summary of the Section**

This provision requires each State to submit a plan to establish a JOBS program in all political subdivisions of the State.

Recipient Impact Statement

Not all political entities have the assets and resources to operate a workfare program. Small counties as well as counties with high unemployment rates could operate such a program only if the federal and State governments pour money into the county to operate a wasteful program. Once the county must pay a reasonable share of the operation expenses of the program, it would be evident that operating such a program is not feasible.

Those counties in California who have submitted a GAIN plan, stating that all persons will become employed, turn around and apply for an exemption for participating in the food stamp employment and training program because the county has no jobs.

Local entities will operate any program, so long as the money comes from Washington, even if there are 100 clients and five job opportunities in the county.

Recommendation

Establish specific guidelines, such as, mandatory individual participation in the JOBS program shall occur if the unemployment rate of the

county is less than 4%. If the unemployment rate of the county is greater than 4%, individual participation in the JOBS program should be voluntary.

SECTION 201.(2)-Involving the Private Sector in JOBS
Summary of the Section

This section mandates that State welfare agencies involve the private sector in the formulation of the JOBS program to make sure that clients are being trained for jobs that are available in the community.

Recipient Impact Statement

This section, like a previous section, ignores the consumers of this program and their representatives.

It assumes that the decision made by the private sector employers are based on what is best for the poor, and the poor should rely and depend upon the private sector to do the "right thing".

We believe that in order for the poor to become *independent*, they must be involved in the planning and designing of the plan. To rely on others to make them independent merely breeds *dependency*.

Recommendation

Mandate that States meaningfully and equally involve the poor and their representatives in the planning process and design of the JOBS program.

SECTION 202(3)-State Welfare Agency to Administer the JOBS Program
Summary of the Provision

This section provides that the State welfare agency shall operate the JOBS program.

Recipient Impact Statement

This provision is the major problem with the JOBS Program. The Congress will require the State welfare agency, which administered a jobs and training program, to operate the JOBS program for the poor.

When you have chest pains, you do not call your lawyer, you rush to the hospital to see a doctor.

In this case, welfare recipients need training and education. The agency that has been doing this, and continues to do this, is the Employment and Training Agency of the Department of Labor. This bill distinguishes between welfare recipients and all other unemployed persons by placing them in a different category for experimental purposes by welfare/workfare officials. Welfare and workfare officials have no experience in employment and training services.

This problem has surfaced in the California workfare program, when it designated the training and education responsibility to the county welfare department. During the first year of operation by Fresno County, only 106 persons found employment with sufficient wages to make the families self-sufficient. The State employment agency found jobs for 789 persons during the fiscal year of 1984-1985. It appears that the State employment agency outperformed the State welfare agency by over 700%; yet, Congress still tries to transfer the administration of the JOBS program to the welfare agency.

SECTION 201.(4)-Maintenance of FISCAL Efforts By States
Summary of the Provision

States will not be allowed to use JOBS money to replace State funds that were used for workfare programs during fiscal year 1986.

Recipient Impact Statement

None

Recommendation

None

SECTION 201(5)-All Nonexempt Persons Required to Participate
Summary of the Provision

This provision provides that all mandatory participants shall be required to participate in the JOBS program, unless they do not have child care. Any person receiving cash aid may volunteer to participate. Moreover, States may allow, or require unemployed absent parents to participate in the JOBS program.

Recipient Impact Statement

The provision would force women who do not have adequate child care arrangements, to participate in the JOBS program. The provision does not contain sufficient protection insuring available child care when the participant receives a job offer.

This provision leaves the door wide open for State welfare officials to abuse poor women by requiring a 12 year old child to supervise a 6 year old sibling. This very problem is now occurring in Yuba County, California. This provision contains nothing to prevent the situation whereby the mother is forced to go to workfare and leave her children

without any supervision, only to come home and find that the children have been removed from the home by Child Protection Services, another arm of the welfare department. This happened in San Diego, California.

While child care is not mandatory, it is only provided if the State agency can be shown that the parent needs child care arrangements.

We are contemptuous of the practice of forcing parents to become slaves to the federal, State or local government because they are poor or cannot find jobs with wages high enough to support their families in an economy that needs at least 6 or more percent unemployment.

Recommendation

Mandate that a "certificate of a child care slot" at a designated child care center is to be made available to any person who participates in the program *before* the recipient is required to participate in the program. When the participant has a certificate of a child care slot at a designmated child carte center, and is offered a job, he or she will not have to refuse to accept the job due to lack of child care and then turn around and look for work again.

SECTION 201(6)-Exemptions

Summary of the Provision

This provision contains most of the current exemptions. It also includes the categories of mandatory participants which includes custodial parents with:

a. children over the age of three (3) years to be mandatory participants; and

b. children over the age of 1 to 3 to be mandatory participants at the option of the State welfare agency.

Recipient Impact Statement

This provision fails to set forth how individuals would be allowed to establish these exemptions? What type of proof will they have to provide?

State agencies now require that an ill recipient will have to participate in the program, unless a statement from a doctor, stating that they are too ill to participate in the program, can be produced. Many clients cannot find a doctor who will take medicaid patients. Thus, they have to continue to slave for the federal, State and local government, even when they are ill.

This provision would also require a person who works less than 30 hours a week to quit his or her job and provide free labor for the federal, State and local government. The fact that some part-time jobs turn into full time jobs should be considered and it should be the clients' option rather than the welfare/workfare workers' option to leave a part time job to participate in the JOBS program.

Mothers, who are breast feeding their children will be forced to leave their children to provide free labor to federal, State and local government.

While foster children in America will have "parents" to guide them through their tender years, poor children will have their parents snatched away from them and marched to the workfare program to provide free labor to federal, State and local governmental entities.

Recommendation

Limit mandatory participation to recipients who have been on aid for more than six years and have a child over 12 years old. These are the long term recipients who should be mandatory participants of a program designed to help people get off welfare.

Persons working part-time should be exempted from the program, unless they volunteer to participate in the JOBS program.

All participants shall be asked in writing whether

or not they meet any of the exemptions of the JOBS program. If they indicate or claim such an exemption, then such exemption shall be granted, unless the State has clear and convincing evidence to the contrary.

SECTION 201(7)-Requiring Both Parents to Participate in JOBS

Summary of the Provision

States would have the option of requiring both parents to participate in the JOBS program, if child care is assured.

Recipient Impact Statement

We have already commented on the false availability of child care and how State welfare agencies are not interested in insuring that children receive adequate care; rather, State welfare agencies are only concerned about reducing the welfare caseload, regardless of the costs.

Recommendation

The States should not have the option to require that both parents participate in the JOBS program. The option should be given to the parents since they are capable of making such decisions.

SECTION 201(8)- Encouraging Both Parents of a Two-Parent Family With a Child Under Six Years to Participate in the JOBS Program

Summary of the Provision

This provision would allow States to encourage both parents of a two-parent family with a child under the age of six years to participate in the JOBS program.

Recipient Impact Statement

Encouragement is no different from requiring both parents to participate in the JOBS program. When

the welfare/workfare official makes a suggestion, most recipients go along with the suggestion for fear of losing their cash aid.

Recommendation

This provision should provide that such parent shall be informed that they do not have to participate in the JOBS program unless they choose to do so in writing.

SECTION 201(9) Self Initiated Education or Training

Summary of the Section

An individual who currently attends "an approved" school or training program, may continue in such program and may be eligible to receive only child care expenses.

Recipient Impact Statement

This section provides that if the State welfare/workfare officials approve the individual's self-initiated education or training program, then the individual would be allowed to complete that education or training. However, if the welfare/workfare officials do not approve of the education/training already started by the individual, then the individual will have to quit the education or training that he or she has begun, after making a financial investment or borrowing money, and be forced to provide free labor to the federal, State and local governmental entities.

Clearly, this section robs poor people of their attempts to independently try to become self-sufficient and it clearly tells welfare recipients to be totally dependent upon your welfare/workfare worker or lose the welfare benefits. This section exposes what this bill is really about- *power to the workfare workers and make the poor completely dependent upon government.*

Recommendation

Change the current language to read:

"An individual who is attending an accredited post-secondary institution or a training program shall be deemed to be satisfactorily participating in the JOBS program without being required to attend any of the JOBS components."

SECTION 201(10) Initial Assessment

Summary of the Provision

During the initial assessment, States are required to review the individuals' education and skills and may develop an employability plan which shall reflect the preference of the participant, "to the extent possible."

States have an option of entering into a contract with participants which will state the obligations of both the participant and the State under the program.

Recipient Impact Statement

These assessments are ways to produce jobs for workfare bureaucrats by using poor women and their children. Participants have no meaningful participation in these assessments or the development of the "adhesive contacts".

Recommendation None

SECTION 201(11) The Adhesive Workfare Contact

Summary of the Provision

This provision allows the State welfare agency to "require each participant in the JOBS program to

negotiate a contract with the State agency" that sets forth the participant's and State's obligation.

Clients also have a right to a fair hearing, if they disagree with the contract.

Recipient Impact Statement

The language of the statute makes it clear that "recipients are required to negotiate a contract". How can negotiation be mandatory? You cannot force people to negotiate.

In California, clients are not allowed to either complete their own contract or to specify what choices they desire. Rather, the workfare worker completes the contract and the client is told "sign it or else." The county welfare department never fills out welfare applications for clients, but they can't wait to complete the workfare contract. And the reason is—the person who completes the form has control over what goes into the form.

Recommendation

We believe that the bill should eliminate this phony contract and admit the truth—that poor people in America will be treated like third class citizens. They will be told what to do, when and how to do it, under the false and dishonest guise of making the poor "self-sufficient" with an "adhesive contract."

The State agency shall assess the participant. The out-come of the assessment, the name of the local legal and welfare rights office, the availability of the various types of supportive services, including a recommended component for participation shall be mailed to the participant. The participant shall have the right to select either the recommended component or one of his or her choice and the right to request the services the client believes is needed. The component selected by the recipient shall be deemed to be appropriate, unless there is clear and convincing evidence that the component selected by the participant is inappropriate.

This would insure that clients would be

empowered to select a reasonable component and ask for supportive services, without having the workfare bureaucrat breathing down their neck and telling them what they should write on the form, which is a common practice within the welfare system.

CCWRO has published a proposed "Welfare Reform Bill". This bill has specific language which contains all the necessary protections that clients needed for a agency-client agreement. With that language this alleged agreement will be another cruel joke upon the needy of America.

SECTION 201(12)-State Option to Give a Client a Case Manager

Summary of the Provision

This provision would give the State welfare agency the option of assigning each participant a case manager.

Recipient Impact Statement- None

Recommendation- None

SECTION 201(13)-Range of Services

Summary of the Provision

This provision provides that the State "may" provide a broad range of services available to JOBS participants. These services include education, training, workfare, work supplementation, and job search services.

Recipient Impact Statement

This section allows the State welfare agency to limit this so-called education and training program to job search and workfare for the rest of the recipients life.

There is no requirement that State agency provide

any training or educational services to all clients.

Recommendation

The State agency shall have a full range of services before they are allowed to operate the JOBS program and the clients shall be allowed to select from that full range of options.

There should also be a prohibition against recycling clients through the same components over and over again.

SECTION 201(14)-JOBS Requirements for Mothers Under the Age of 21 Years-

Summary of the Provision

A parent who is under the age of 21 and has not completed high school, and who is not otherwise exempt, shall be required to participate in:

- high-school training;
- remedial literacy training; or
- ESL.

If the State decides that education is not necessary, they may enroll such person in other JOBS components, such as workfare, job search, etc, in lieu of education.

Recipient Impact Statement

This section is unnecessary. It must have been placed here to mislead the public into believing that women under the age of 21 years old will be entitled to educational services, which is not true—they are not entitled to any educational services.

The provision provides that if the State welfare agency finds that education is not necessary, then they shall be enrolled in other JOBS components.

In a meeting with the California State welfare agency, we were informed that, in the agency's opinion, it is not necessary speak English in order to find work in America.

With people like this running the JOBS program we can assure the authors of this bill that welfare mothers under the age of 21 years old will not get an education.

Recommendation:

This section is unnecessary if it is to stay permissive. The State already has the option of providing education in Section 201(13). If this section is to remain for honest purposes, then it should state that any person receiving cash aid under the age of 21 years old, who does not have a high school diploma, *shall* (not may) be required to attend high school, until they secure a high school diploma.

SECTION 201(15)-Component Assignment

Summary of the Provision

This provision provides that in deciding which component the participant shall be assigned, the State agency shall consider the participants health, physical capacity, skills, experience, place of residence and family responsibility. The participant shall not be forced to stay overnight at a job site in order to participate in a component.

Recipient Impact Statement

All of this rhetoric sounds appealing. However, this section does not give the client the right to state whether he or she does or does not want to participate in a given component. Rather, the State agency may take the client's reasons into consideration in making a final determination.

Recommendation

Allow the client to select the component in which

they want to participate and abolish all of this unnecessary rhetoric about protecting clients.

Let poor people protect themselves without relying on the State bureaucrats. The authors of this bill would be surprised to discover what poor people can accomplish with a helping hand and without the preconceived notion that all poor people are ignorant.

SECTION 201(16)-Right to a Fair Hearing

Summary of the Provision

This section provides that the State welfare agency shall allow client to file for a fair hearing.

Recipient Impact Statement

It takes a law to give poor people what all other people of America have—Due Process of the Law.

Recommendation None

SECTION 416(g)-Workfare

Summary of the Provision

This section allows State welfare agencies to operate a workfare program, also known as "community work experience program", the pride and joy of Ronald Reagan and the right wing of the Republican Party and now adopted and promoted by most all Democrats.

The participation of the individual in the workfare program can go on forever. The States may, but not mandated to, take into consideration the participants' prior training, experience and skills.

Participants will have to work for minimum wage, less child support payments. Workfare participants are not suppose to displace paid workers.

Subsection 416(g)(a)(1)(D) makes sure that none

of these protections would apply if a State wants to operate a workfare program that violates any of the protections in this bill.

Recommendation

We oppose involuntary servitude, even if it is coated with gold. However, we see no problem in a recipient wanting to volunteer in a workfare program, as long as it is limited to as long as the participant wants to be in the program.

If this section is not repealed, then mandatory CWEP should be limited to three (3) months, which is similar to the San Diego County Workfare program, which has been labeled to be a successful program.

SECTION 416(h)(1) and (2)-Job Search

Summary of the provision

This section allows States to require an eight (8)-week job search requirement for applicants and recipients during any twelve (12) consecutive months.

Recipient Impact Statement

This provision ignores the fact that there may be no jobs in the community in which the client is required to do job search. We feel this is another way to harass poor people.

We have witnessed poor women spending their childrens' food money (and the children go hungry) to look for non-existent jobs in fear of losing their AFDC benefits.

Futile efforts in job search benefits only the workfare bureaucrats in that they have a reason to get a monthly paycheck from the welfare department. It harms the children of the family, because their single parent has less time to spend with them on school work, and less money in which to buy food.

Recommendation

Job search should be limited to three (3) weeks with advance payment for transportation expenses in localities that have less than 4% unemployment. In all other localities job search should be voluntary.

SECTION 416(h)-Sanctions Summary of the Provision

Individuals who are required to participate in the JOBS program, and who fail to do so without good cause, shall be subject to the following fiscal sanctions:

SINGLE PARENT FAMILIES

- In single parent families, the individual's needs shall not be taken into account in calculating the cash aid benefits and the remainder of the grant shall, where feasible, be paid to a substitute payee.
- After the first instance of non-cooperation, the penalty shall be imposed until such time as the individual cooperates.
- After the second instance, the penalty shall be imposed until the individual cooperates or for three months, whichever is longer.
- In subsequent instances, the penalty shall be imposed until the individual cooperates or for six months, whichever is longer.

TWO PARENT FAMILIES

- In two-parent families, when the principal earner fails to cooperate, the entire family will become ineligible for cash aid.
- After the first instance of non-cooperation, the penalty shall be imposed until such time as the principal earner cooperates.
- After the second instance, the penalty shall be imposed until the principal earner cooperates or for

three months, whichever is longer.

• After subsequent instances, the penalty shall be imposed until the principal earner cooperates or for six months, whichever is longer.

Recipient Impact Statement

This is what the JOBS program is all about: sanctions, sanctions and more sanctions.

How can one explain to his/her children that they cannot eat and they have to live in the streets because daddy or mommy was late to a workfare assignment. S/he begs to return to his/her work program assignment, but the workfare law says s/he has to be punished this way for three months or in many cases, six months.

Why punish the children for what their parents have done. Americans are not callous, they do not enjoy seeing children suffer. The message being sent through this bill is, "We do not care what happens to poor children".

Recommendation

It is barbaric to deny food and shelter to poor children in order to punish the parents. Such barbarism has no place in a civilized nation, unless the authors of this bill do not believe that America is a civilized nation, which is the current view of many welfare recipients today.

If Congress feels compelled to punish someone, then they should only punish the parent who committed the act of non-cooperation and leave the children alone.

The parent should be taken out of the grant until they agree to cooperate. Once they agree to cooperate, they should be right back on the grant. This would also simplify the system.

SECTION 402-Payments of Child Care, Transportation, and Other Work Related Expenses

Summary of the Section

This section provides that the State agency can decide what child care services will be available to the recipient, when and how he/she shall receive it.

Recipient Impact Statement

The recipient will have zero rights in determining anything concerning child care arrangements for his or her child. And if they interfere with the States' right to make it's decision about child care, then the recipient will be found not to be cooperating with the JOBS program and fiscal sanctions will be imposed against the family. The recipient is totally dependent upon the State.

Recommendation

No welfare worker nor anyone else should tell a parent what type of child care their child should receive. Welfare recipients are not the personal property of the welfare/workfare bureaucrat.

Applicants and recipients shall have the right to select the type of child care they wish for their children and they shall only be required to participate if they have verifiable child care in case they get a full time job.

No participant shall use his or her cash aid to meet the expenses of the JOBS program. The State agency shall issue advance payments of child care and transportation, unless the participant knowingly and willingly waives his or her right to such advance payments.

SECTION 403- Federal Matching Rate

Summary of the Section

This section provides that the federal government will appropriate \$140 million dollars to States and States would have to provide the first 10%. Once a

State has used up its share of the \$140 million, the federal government would then provide 60% of additional money spent by State governments for workfare.

The federal government would provide a 50% match of the administrative costs.

Federal matching for child care expenses will be limited to \$160 per child.

Recipient Impact Statement

We believe that \$160 a child is very low.

We believe that States should not be allowed to receive any federal funds unless they are accountable and that they use that money to find jobs for poor people, rather than using the money solely for the purposes of creating jobs for welfare/workfare bureaucrats.

Recommendation

States shall receive matching funds only if they find jobs for participants. If they fail to find jobs for participants, then they should receive no money. As this bill would impose severe financial sanctions against poor persons and innocent children, because the parent failed to do what they were supposed to do, State agencies should also be equally punished for failing to do their job.

We realize that the bill does not specify what the States responsibilities are, which can be a problem in holding States accountable. We hope the authors can determine the States responsibilities and impose equal sanctions against them.

SECTION 203-Repeal of the WIN Program

Summary of the Section

Recipient Impact Statement

This section would repeal the WIN program.

We never thought we would be sad to see the WIN program go, but the WIN program is a jewel compared to the mean-spirited JOBS program and all of the other workfare proposals before Congress to date.

Recommendation

Maintain the WIN program.

SECTION 204-Regulations; Performance Standards and Studies

Summary of the Section

This section provides that the Secretary of HHS shall promulgate proposed regulations implementing the JOBS program within six (6) months and have the final regulation within one year.

It also provides for the formulation of performance standards with the input of State officials.

Finally, it provides that HHS should conduct studies to see how the program is working.

Recipient Impact Statement

Again, poor people are not meaningfully involved in the development of performance standards of a program that is allegedly being created to serve the poor and not the State welfare/workfare officials.

The studies will not research what happens to the sanctioned children or the number of people who found jobs directly as a result of the JOBS program. The bill does not address the hard truth—this is a punitive program, not designed to help poor people.

Recommendation

If the purpose of this program is to help people, then studies should clearly show how many people found jobs and which program components were the most and least effective in the welfare system. The studies should show how much money was

spent on the program. Moreover, the studies should involve the poor and their representatives in the planning and design of the program performance standards.

SECTION 205-Effective Date**Summary of the Section**

This section provides that, generally the provisions of Title II shall be effective October, 1989, but the JOBS program can go into effect earlier.

Recipient Impact Statement

While workfare goes into effect right away, States can delay the implementation of the other positive features of this bill.

Recommendation

The complete package should go into effect simultaneously.

TITLE III

TRANSITIONAL ASSISTANCE

SECTION 301 and 302-Extended Eligibility for Child Care and Medical Assistance

Summary of the Provision

This section provides that a family can receive nine (9) months of child care and medical assistance, if they were on cash aid within three (3) of the preceding six (6) months.

The child care services will be available to the extent that the State welfare agency determines it to be reasonably necessary for the recipients continuing employment.

It also requires that the family contribute to the cost of transitional child care on a sliding scale system.

Recipient Impact Statement

What happens after nine months? Once child care and medical assistance stops, the recipient would, most probably, be forced to quit the job. Employers would complain to their Congresspersons and Senators that although they gave a welfare recipient a job, the recipient didn't really want the job.

Moreover, most recipients would not receive any transitional child care services. In order to receive child care, a recipient must meet the vague test of "needing child care that the State welfare agency determines to be reasonably necessary for his or her employment."

With the sliding scale system, States can charge exactly what a private day care charges.

Recommendation

It is not fair to give people hope only to give them another disappointment.

Transitional child care should be provided as long as the person States that he or she needs it or subsidized child care becomes available, whichever is earlier. Such statement of need should be accepted as true, unless the State welfare agency has clear and convincing evidence that the recipient does not need the child care services.

A sliding scale fee arrangement should be developed by the federal government and should not exceed 5% of the client's net earnings.

TITLE IV

FAMILY LIVING ARRANGEMENT

SECTION 401- Households Headed by Minor Parents.

Summary of the Section

This section provides that any minor parent (under the age of 18) who has never married and who is eligible for cash aid may receive such cash aid only when living with a parent, legal guardian or other adult relative.

This provision does not apply to those minors who do not have any living parent or legal guardian, or the parent/legal guardian will not allow such minor parent to live in their home, or the minor child has lived away from at least one year prior to having the child.

If such minor parent has not finished high school, States may require such minor parents to go to high school as a condition of eligibility, unless the minor does not have child care.

Recipient Impact Statement

This is another attempt by Congress to impose their moral value judgments upon the poor people of this Country.

However, poor people are used to being pushed around and this could have much been much worse.

Recommendation

None

Section 402-Two Parent Family-SUPPORT

Summary of the Section

This section provides that all two parent families shall receive cash aid. Under current law, not all States provide aid to two-parent families.

Recipient Impact Statement

This is a provision that has already been in conference on two or three occasions before and it was defeated by the Senate, because Senator Long hated poor two-parent families.

Now with Senator Russel Long gone and the Democrats in control of the Senate, there is no reason to enact a mean-spirited workfare program in return for aid to two-parent families.

Recommendation

None.

TITLE V
BENEFIT IMPROVEMENT

SECTION 501- Periodic Re-evaluation of Need and Payment Standards

Summary of the Section

This section provides that States shall review their benefit levels at least once every five years and send a report to HHS.

Recipient Impact Statement

Currently HHS publishes a report each year setting forth the amount that each State pays.

What is really needed humane benefit levels of cash aid payments for families with children in America. The current level of cash aid payments are disgraceful for a civilized nation.

The following states pay the following amounts for an adult and three children:

Arkansas	\$224
Louisiana	\$234
Mississippi	\$144
Puerto Rico	\$104
Tennessee	\$186
Texas	\$221*

Recommendation

The cost of living is about the same throughout this country. There is no reason to have a national program providing assistance to families and having payment so ridiculously low.

This bill should be amended to mandate that families be provided with at least 75% of the poverty level in benefit payments if they are required to work for their benefits. Cas aid payments at this rate is an insult, even though it is better than nothing. True reform would address this problem with action, not symbolic reports that do nothing.

TITLE VI**DEMONSTRATION PROJECTS**

SECTION 601 et.seq.**Summary of the Section**

This title authorizes several State demonstration projects to operate various types of programs.

Recipient Impact Statement

We oppose all demonstration programs in which the poor and their representatives do not have meaningful participation in the planning and designing stages. Most of these programs are attempts to satisfy the intellectual needs of some academics in America by using poor people as guinea pigs.

Recommendation

Only demonstration programs developed jointly with the poor and their representatives should be implemented.

TITLE VII

WAIVER AUTHORITY

SECTION 801

Summary of the Section

This section authorizes HHS to grant 10 demonstration programs wherein States are free to do whatever they want.

Recipients Impact Statement

We oppose all demonstration programs when the poor do not have meaningful participation in the planning and designing the program. These programs will authorize the States to operate programs that will disregard all current statutory and regulatory protections now available to recipients. They can easily turn these programs into facsimiles of the current general assistance(GA)/general relief (GR) programs operated by States and localities.

Although the statute provides that current recipients will not experience reductions in aid payments, the waiver authority makes avail-

able a thousand and one opportunities to impose eligibility requirements that will reduce the overall caseload and deny aid to the truly needy while still maintaining the current level of benefits for those who survive. These tactics have been utilized in general assistance programs throughout the Country. In California, courts have ordered increased benefit levels; yet the total amount of funds spent on general assistance did not rise. Perversely, the GA/GR budgets in those counties decreased as the counties adopted innovative means to deny aid to the truly needy; adding thousands of single individuals and childless couples to the ever growing homeless population of America.

Recommendation

We have no objections to HHS issuing waivers to States to operate programs that will increase the rights of the poor, not reduce the rights of the poor. If these programs are truly designed to benefit the poor, then they should be designed by law to increase their current rights and benefits.

**AN ANALYSIS FROM THE PERSPECTIVE
OF THE POOR****ABOUT THIS PUBLICATION
& CCWRO**

CCWRO is a non-profit organization representing welfare recipient organizations throughout the State of California.

CCWRO publishes a monthly publication called the "California Workfare Reporter". CCWRO has also published case analysis of families who were victimized by the workfare and welfare program operators.

The recipient impact statements of H.R. 1720 is a product of intense discussions with welfare advocates who, combined, represent centuries of experience in workfare programs.

Legal analysis was done by Grace Galligher, Attorney at Law.

The primary author of the report was Kevin Aslanian, who has been actively involved in welfare rights advocacy for over 15 years. He is also a former recipient of welfare benefit.

CCWRO wishes to express its appreciation to all persons who participated in this project and to those who will read this analysis.

**COMPARATIVE ANALYSIS OF THE WORKFARE PROVISIONS
OF THE WELFARE REFORM BILLS BEFORE CONGRESS IN 1987-PAGE 1 OF 6**

ISSUES	CURRENT LAW	WAYS & MEANS COMMITTEE*	ED. & LABOR COMMITTEE**	S. 1511 MOYNIHAN***	REPUBLICAN BILL ****
PROGRAM OPERATION	The State employment service agency, which the Reagan administration has been trying to close for several years, organizes the jobs and training program for welfare and non-welfare recipients.	This program will be operated by the welfare department. Welfare recipients would not receive job and training services from the same agency that serves non-welfare recipients. Moreover, this aids the Administration's justification to shut down the employment agency for the unemployed of America.	The Department of Labor will operate this program. The governor of the State will designate either the State welfare or employment agency to operate the program, depending upon which welfare recipients.	Same as Ways and Means.	Same as Ways and Means.
RECIPIENT INVOLVEMENT	There is no community involvement of the poor in the formulation of work programs for the poor.	There is no requirement that welfare recipients or their representatives be involved in the formulation of programs which serve them.	The Secretary is required to involve the organizations representing the eligible participants in an advisory committee to develop performance standards for the States.	Same as Ways and Means.	Same as Ways and Means.
REQUIRED PARTICIPATION IN THE PROGRAM	Any person without a child under the age of 6 years is required to participate in the program, unless he or she is exempt for some other reason.	States may require any person with a child over the age of 3 years to participate full time. A person with a child under the age of 3 years may be required to participate 20 hours a week in a work program.	All persons with children over the age of 6 years must participate. Women with children over the age of 3 must participate part-time.	All relative caretakers with children over the age of three will be required to participate in all instances. Women with children between the ages of 1 and 3 can be required to participate at the State's option.	All persons are required to participate, even for a six month period following the date that the woman gives birth to a child, and three months prior to the due date for giving birth to a child.

*** THE SENATE WELFARE REFORM BILL

** AN AMENDMENT TO HR. 1720

**** HR. 3200

SEPTEMBER, 1987

By NATIONAL WELFARE RIGHTS UNION
1900 "K" STREET • SUITE 203 • SACRAMENTO • CA 95814 • 916-442-2901

COMPARATIVE ANALYSIS OF THE WORKFARE PROVISIONS
OF THE WELFARE REFORM BILLS BEFORE CONGRESS IN 1987-PAGE 2 OF 6

ISSUES	CURRENT LAW	WAYS & MEANS COMMITTEE	ED. & LABOR COMMITTEE	S. 1511 MOYNIHAN	REPUBLICAN BILL
EXEMPTIONS	Under current law any person who is ill, incapacitated, of advanced age, who is so physically remote from the employment service agency that effective participation is precluded or whose presence in the home is required because of illness or incapacity of another member of the household is exempt from the program.	Same as current law.	Same as current law.	Same as current law.	Same as current law.
PRIORITY	There are no mandatory priorities as to which group of recipients would be required to participate first.	The bill contains suggested priorities, but these priorities are not mandatory.	The State agency is required to identify the priorities in their plan, but the bill fails to establish mandatory priorities.	No provision.	No provision.
NET LOSS OF INCOME	Cash assistance recipients will not be required to accept jobs that pay less than the cash aid amount received by the family.	No participant can be required to take a job that would result in a net loss of income-- including the value of all welfare benefits such as food stamps and Medicaid.	Participants cannot be forced to take a job that will pay less than federal minimum wage. If the job pays less than cash aid, then the State agency shall establish a program to issue supplemental payments for a 12 month period to assure that the family does not experience a net loss of income.	No participant can be required to take a job; if taking the job would result in a net loss of income-- including the value of all welfare benefits such as food stamps and Medicaid, unless the State gives a supplementary cash payment to make up the difference.	The job must pay at least minimum wage.
CLIENT INPUT	No recipient participation in the current process.	Same as current law.	The State plan for employment and training shall be published and be available for public comments for a 30 day period. In addition recipient organizations shall be involved in the planning and designing of the program.	Same as current law.	Same as current law.

SEPTEMBER, 1987
By MARGARET WELFARE REFORM (LAWYER)
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**COMPARATIVE ANALYSIS OF THE WORKFARE PROVISIONS
OF THE WELFARE REFORM BILLS BEFORE CONGRESS IN 1987-PAGE 3 OF 6**

ISSUES	CURRENT LAW	WAYS & MEANS COMMITTEE	ED. & LABOR COMMITTEE	S. 1511 MOYNIHAN	REPUBLICAN BILL
ASSESSMENT & CONTRACT	All registrants are assessed by the WIN worker. After assessment, the registrant signs a statement indicating that he or she understands his or her rights.	<p>The State agency would be required to look at the educational needs, skills and employability of each client and develop an employability plan. This plan does not have to reflect the preference of the participant.</p> <p>After assessment the participant has to enter into an agreement with the state welfare agency. This agreement would set forth the responsibilities of the participant. It would also set forth the consequences that the participant would suffer for failing to meet the provisions of the adhesive contract.</p>	<p>The State agency will assess the participant. The participant would have the right to select one of the various options available.</p> <p>Participants must enter into an agency-client agreement. The participant has 10 days to change the his or her mind, after she signs the agency-client agreement.</p>	States may assess participants at the point of application. States may also enter into a contract with participants. But States do not have to do an assessment or enter into a contract if they do not want to do so.	Participants would be assisted by the state welfare agency to select one or more of the components available under the range of services.
RANGE OF SERVICES	States provide various range of services to participants.	The State welfare agency has to provide remedial education, job search, job readiness activities, counseling, information and referral, job placement services and two other services from the following list of services: welfare, on-the-job training, skills training, work supplementation and other services.	The State agency has to make a full range of services available, which including work experience, job search services, remedial education, institutional job skills training, on-the-job training and the right to complete any training or educational program which can reasonably be expected to lead to employment.	The State agency can operate a program that will be exclusively welfare and job search.	The State agency can operate a program that will be exclusively welfare and job search.

SEPTEMBER, 1987

By NATIONAL WELFARE RIGHTS UNION
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**COMPARATIVE ANALYSIS OF THE WORKFARE PROVISIONS
OF THE WELFARE REFORM BILLS BEFORE CONGRESS IN 1987-PAGE 4 OF 6**

ISSUES	CURRENT LAW	WAYS & MEANS COMMITTEE	ED. & LABOR COMMITTEE	S. 1511 MOYNIHAN	REPUBLICAN BILL
WORKFARE	Participation in the workfare program is limited to persons who would obtain employment promptly as a result of participation in the workfare program.	Participation in a workfare program is limited to a six month period. In computing the number of hours for which the welfare recipient would have to provide uncompensated labor to local, state and federal governments, their AFDC benefits would be divided by the minimum wage, less any child support received by the family.	No provisions, except that States cannot use IV-C funds to operate a workfare program. The bill prohibits any funds to be used for workfare programs, but it establishes "work experience programs" designed to provide work experiences to participants for a three month period.	Same as current law.	Would allow States to operate non-subsidy workfare programs to work for their cash aid and food stamp benefits divided the federal minimum wage to determine the number of hours the family has to work for free in a given month.
JOB SEARCH	Job search is limited to a 13-week period for any given calendar year.	At the State agency's option, participants can be required to do job search while participating in any of the various components, i.e. workfare, education, training, etc. The statute does not prohibit the state agency from requiring applicants to make 25 job contacts a week, in places where there are very few jobs available.	Limits job search to an eight week period for applicants and recipients.	Limits job search to eight weeks in any consecutive 12 month period.	Same as current law.
REPETITION OF COMPONENT	Repetition of workfare or training programs without pay, such as picking grapes for farmers under the guise of alleged training over and over, year after year.	Same as current law.	The bill does not allow States to require participants to repeat a	Same as current law.	Same as current law.

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**COMPARATIVE ANALYSIS OF THE WORKFARE PROVISIONS
OF THE WELFARE REFORM BILLS BEFORE CONGRESS IN 1987—PAGE 6 OF 6**

ISSUES	CURRENT LAW	WAYS & MEAN COMMITTEE	ED. & LABOR COMMITTEE	S. 1511 MOYNIHAN	REPUBLICAN BILL
CHILD CARE AND OTHER SUPPORTIVE SERVICES	Provides supportive services of child care and transportation that are reasonably necessary as determined by the State agency. Generally, payments for such services are reimbursed.	Essentially the same as current law.	Essentially the same as current law.	Essentially the same as current law.	Essentially the same as current law.
SELF INITIATED PROGRAM	A participant can only complete the education or training he or she has started provided it is approved by the State welfare agency and approves the training or educational program is less than 1 year.	Participants in a self-initiated school or training program that would lead to employment, will be allowed to complete these courses.	Any person attending an accredited postsecondary institution and making satisfactory progress in a vocational or undergraduate education or training program consistent with the individuals employment goals, shall be deemed to be participating satisfactorily in the employment program.	Persons in self-initiated vocational training, school, or postsecondary institution will not have the right to continue their self-initiated education.	Persons in self-initiated vocational training, school, or postsecondary institution will not have the right to continue their self-initiated education.
FEDERAL FINANCIAL PARTICIPATION	The federal government provides 50% federal financial participation for the operation of welfare and job search programs.	States will receive 75% federal financial participation for welfare and job search related administrative activities.	The bill authorizes \$650,000 for fiscal year 1988.	\$140 million authorized as 90% federal reimbursement and 60% federal reimbursement, open-ended, for expenditures above \$140 million.	Authorizes \$500 million in FY 1988 and such sums as necessary thereafter to pay for the employment and training program and transition benefits.

SEPTEMBER, 1987
By NATIONAL WELFARE RIGHTS UNION
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COMPARATIVE ANALYSIS OF THE WELFARE PROVISIONS
OF THE WELFARE REFORM BILLS BEFORE CONGRESS IN 1987-PAGES OF 6

ISSUES	CURRENT LAW	WAYS & MEANS COMMITTEE	ED. & LABOR COMMITTEE	S. 1511 MOYNIHAN	REPUBLICAN BILL
EDUCATION	States can allow registrants to enroll in an educational course for up to a two year period.	The State agency does not have to provide remedial education to a person who the State agency determines does not need remedial education in order to find a job.	Education is one of the options that participants can select.	Education is one of the options that states may offer to clients, but clients are not entitled to educational services.	Same as current law.
SANCTIONS	In the case of a single parent, the parent cannot be included in the family budget unit for three months for the first offense, and six months for the second and subsequent offense. For two-parent families, the entire family is denied AFDC benefits for a three month period for the first offense and six-months for the second and subsequent offense. The State agency is required to provide child care and other services, if it is determined by the State agency that participants need such services. There is no guarantee that participants will have child care if he or she finds employment.	For the first time non cooperation by the parent of a single parent family, the parent would be excluded from the payments until he or she agrees to cooperate again. The parent would be sanctioned for a minimum of three months (or for many many months at the option of the State) for the second or subsequent time.	Prior to imposing the barbanic sanctions of existing law contained in Section 402(a) (19) (F), the State agency would give the participant a second chance to correct whatever they did wrong to avoid any sanctions through conciliation.	<ul style="list-style-type: none"> • In single parent families, the individual's needs shall not be taken into account in calculating the cash aid benefit for the first offense, but, where feasible, be paid to a substitute payee. • In the first instance of non-cooperation, the penalty shall be imposed until such time as the parent agrees to cooperate. • In the second instance, the penalty shall be imposed until the individual cooperates or for three months, whichever is longer. • In subsequent instances, the penalty shall be imposed until the individual cooperates or for six months, whichever is longer. • In two-parent families, when the principal earner fails to cooperate, the entire family will become ineligible for cash aid. • In the first instance of non-cooperation, the penalty shall be imposed until such time as the parent agrees to cooperate. • In the second instance, the penalty shall be imposed until the principal earner cooperates or for three months, whichever is longer. • In subsequent instances, the penalty shall be imposed until the principal earner cooperates or for six months, whichever is longer. 	Same as current law.

SEPTEMBER, 1987
By NATIONAL WELFARE REFORM INQUIRY
1900 "K" STREET • SUITE 213 • SACRAMENTO • CA 95814 • 916-442-2901

STATEMENT OF SENATOR LLOYD BENTSEN

HEARING ON WELFARE REFORM - OCTOBER 14, 1987

TODAY'S HEARING IS THE SECOND BY THE FULL COMMITTEE ON FINANCE ON THE SUBJECT OF WELFARE REFORM. THIS HEARING SHOULD BE ESPECIALLY HELPFUL, BECAUSE IT PROVIDES THE COMMITTEE WITH ITS FIRST OPPORTUNITY TO HEAR THE VIEWS OF WITNESSES ON SPECIFIC LEGISLATION.

WE NOW HAVE BEFORE US S. 1511, THE FAMILY SECURITY ACT, INTRODUCED BY SENATOR MOYNIHAN; S. 1001 AND S. 869, CHILD SUPPORT ENFORCEMENT BILLS INTRODUCED BY SENATOR BRADLEY AND SENATOR DOLE; AND S. 1655, THE AFDC EMPLOYMENT AND TRAINING REORGANIZATION ACT, INTRODUCED BY SENATOR DOLE, COMPANION TO A BILL INTRODUCED IN THE HOUSE BY REPRESENTATIVE MICHEL. IN ADDITION, WELFARE REFORM LEGISLATION HAS RECENTLY BEEN REPORTED BY THREE HOUSE COMMITTEES.

EARLIER THIS YEAR, THE NATION'S GOVERNORS ISSUED A STATEMENT RECOMMENDING THAT WE "TURN WHAT IS NOW PRIMARILY A PAYMENTS SYSTEM WITH A MINOR WORK COMPONENT INTO A SYSTEM THAT IS FIRST AND FOREMOST A JOBS SYSTEM, BACKED UP BY AN INCOME ASSISTANCE COMPONENT."

THIS STATEMENT UNDERSCORES A POINT ON WHICH MOST AMERICANS AGREE - WELFARE REFORM LEGISLATION MUST BRING ABOUT A FUNDAMENTALLY NEW DIRECTION FOR THE NATION'S WELFARE SYSTEM.

WE KNOW FROM EXPERIENCE THAT THIS MAY BE DIFFICULT TO ACCOMPLISH. IN YEARS PAST, THE CONGRESS HAS ENACTED OTHER LAWS DESIGNED TO ACHIEVE THIS SAME OBJECTIVE. THE MOST NOTABLE EXAMPLE IS THE WIN PROGRAM. WHEN IT STARTED 20 YEARS AGO, WIN OFFERED GENEROUS OPEN-ENDED ENTITLEMENT FUNDING FOR DAY CARE, AND A WIDE ARRAY OF EDUCATION, EMPLOYMENT, AND TRAINING PROGRAMS. THE EXPERTS ESTIMATED THAT THESE PROGRAMS WOULD HELP LARGE NUMBERS OF WELFARE RECIPIENTS OUT OF DEPENDENCY.

UNFORTUNATELY, WIN NEVER LIVED UP TO ITS PROMISE. IT WAS ENACTED AT A TIME WHEN THE VALUE OF EMPLOYMENT AND TRAINING PROGRAMS WAS SERIOUSLY QUESTIONED. IT HAD AN ADMINISTRATIVE

STRUCTURE THAT WAS COMPLEX AND LACKED ACCOUNTABILITY. AND NEITHER THE ADMINISTRATION, THE CONGRESS, NOR THE GOVERNORS AND STATE LEGISLATORS WERE FULLY SUPPORTIVE OF IT. LACKING BROAD SUPPORT, IT HAS BEEN WHITTLED AWAY YEAR BY YEAR, DEMORALIZING RECIPIENTS AND ADMINISTRATORS ALIKE.

THE LESSON OF WIN WAS COSTLY, BOTH IN TIME AND HUMAN RESOURCES, AND WE CANNOT AFFORD ANOTHER 20-YEAR DIGRESSION.

WE NEED NOW TO FASHION A FIRM AND EFFECTIVE WELFARE STRUCTURE, ONE THAT ADDRESSES THE NEEDS OF ALL REGIONS OF THE COUNTRY.

I BELIEVE THERE IS CONSENSUS ON TWO MAJOR ELEMENTS INCLUDED IN THE BILLS BEFORE US. ONE IS THAT THE CHILD SUPPORT ENFORCEMENT PROGRAM MUST BE STRENGTHENED.

THE SECOND IS THAT WE MUST BUILD A VASTLY IMPROVED PROGRAM OF EDUCATION, EMPLOYMENT, AND TRAINING FOR WELFARE RECIPIENTS. ENABLING THE PARENTS OF NEEDY CHILDREN TO PARTICIPATE MORE FULLY IN THE ECONOMIC LIFE OF THE COUNTRY IS SURELY THE MOST IMPORTANT TASK BEFORE US. AND HOW WE GO ABOUT DOING THIS WILL DETERMINE WHETHER WE INITIATE REAL REFORM, OR JUST ANOTHER PROGRAM THAT LATER PROVES TO BE A DISAPPOINTMENT.

BUILDING A NEW PROGRAM IS A COMPLEX TASK, ABOUT WHICH THERE ARE MANY VIEWS, AND WE WILL HEAR SOME OF THEM TODAY. BUT I WOULD LIKE TO TAKE A MINUTE OR TWO TO OUTLINE WHAT I BELIEVE TO BE SEVERAL FUNDAMENTAL PRINCIPLES FOR A SUCCESSFUL NEW PROGRAM.

FIRST. WE NEED A SYSTEM OF FINANCING THAT IS STABLE AND SUSTAINABLE, AND THAT TAKES INTO CONSIDERATION THE FISCAL CAPACITY OF BOTH THE FEDERAL GOVERNMENT AND THE INDIVIDUAL STATES.

SECOND. WE NEED AN ADMINISTRATIVE STRUCTURE THAT BUILDS ON EXISTING RESOURCES, ENCOURAGES STATE AND LOCAL INITIATIVE, AND THAT CAN BE HELD ACCOUNTABLE FOR SUCCESS OR FAILURE.

THIRD. WE NEED TO ESTABLISH AN EFFECTIVE PLANNING PROCESS, TO ASSURE THE BEST USE OF LIMITED RESOURCES, AND TO COORDINATE TRAINING PROGRAMS WITH AVAILABLE JOBS IN THE COMMUNITY.

FOURTH. OPPORTUNITIES AND OBLIGATIONS MUST GO HAND-IN-HAND. PROGRAMS MUST BE PERCEIVED AS FAIR BOTH BY RECIPIENTS, AND BY THE COMMUNITY AT LARGE.

FIFTH. WE NEED A PROGRAM THAT IS FLEXIBLE. RECENT RESEARCH HAS GIVEN US NEW INSIGHTS INTO THE VALUE OF EMPLOYMENT AND TRAINING PROGRAMS FOR WELFARE RECIPIENTS, BUT THERE IS MUCH YET TO BE LEARNED. STATES MUST BE ABLE TO ADAPT TO CHANGING SITUATIONS AND TAKE ADVANTAGE OF NEW EXPERIENCE AND KNOWLEDGE.

THERE IS ONE FINAL OBSERVATION THAT I WOULD LIKE TO MAKE. THIS COMMITTEE AND OTHERS IN THE CONGRESS ARE CURRENTLY ENGAGED IN THE PROCESS OF BUDGET RECONCILIATION. WE ARE BEING ASKED TO MAKE TOUGH CHOICES - RAISE TAXES AND CUT SPENDING, TO REDUCE THE DEFICIT AND PROMOTE A STRONG ECONOMY, WITHOUT WHICH ANY EFFORT AT WELFARE REFORM WILL FAIL.

THIS PAINFUL BUDGET EXERCISE REMINDS US THAT WE MUST CHOOSE OUR PRIORITIES WITH CARE. IN WELFARE REFORM, AS IN EVERY OTHER AREA OF NATIONAL POLICY, WE CANNOT DO EVERYTHING THAT WE WOULD LIKE TO DO.

HAVING SOUNDED THIS CAUTIONARY NOTE, LET ME ALSO SAY THAT I BELIEVE WE CAN MOVE FORWARD, CLEAR IN OUR PURPOSE OF SETTING A NEW DIRECTION FOR WELFARE, AND COMMITTED TO MAKING THE LONG-TERM INVESTMENT THAT WE KNOW IS NECESSARY IF WE ARE TO SUCCEED.

WE WELCOME OUR WITNESSES TODAY. THEY ARE DIVERSE IN THEIR PERSPECTIVES, AND WILL SURELY ENRICH OUR UNDERSTANDING OF THE IMPORTANT ISSUES BEFORE US.



DEPARTMENT OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

OCT 14 1987

The Honorable Lloyd Bentsen
Chairman, Committee on Finance
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This is in response to your request for a report on S. 1511, a bill entitled the "Family Security Act of 1987". In addition to the following general comments, we have enclosed a section-by-section summary and analysis of the bill and cost estimates for each section.

We fully support Congressional efforts to eliminate the injustice of parents failing to assume responsibility for their children's support and help low-income families become and remain self-sufficient. Certain provisions of this bill take a major step toward accomplishing these goals through improvements that would enhance State efforts to obtain child support from absent parents, such as requiring mandatory State guidelines for setting and updating child support awards.

However, in four critical areas this bill is not acceptable to the Administration because it fails to accomplish its stated goals.

First, while stating its intention to provide greater support to low-income families to become and remain self-sufficient, S. 1511 has included provisions which will have just the opposite effect. By making mandatory the currently optional coverage of two-parent families, and allowing for expanded eligibility under the program, S.1511 would reduce the work effort of many who are capable of self-support and significantly increase the welfare rolls. The President has made clear his opposition to a mandatory program, which would cost the States which do not now choose to have a two-parent program \$867 million over five years and could lead to reductions in benefits for those who are in greater need. This opposition is only strengthened by provisions of S. 1511 that would allow States to establish a guaranteed annual income by changing the traditional requirements for recent work history and unemployment of the family's principal wage earner. Specifically, S. 1511 would substitute education for work when defining "employment" and permit a family with a fully employed principal wage earner to qualify for cash benefits and accompanying Medicaid coverage. These profound changes in the nature and scope of the AFDC program are unacceptable to the Administration.

Second, the bill's numerous individual demonstrations--with no provisions for rigorous evaluation and potentially significant costs--and the very limited waiver authority contained in title VIII of the bill, do not allow for the serious testing of welfare reform ideas that the country so desperately needs. To meet this need, we support the creation of a single, broad demonstration authority which would allow States to sponsor community-based projects which could test innovative alternatives to the current public assistance system. This broad demonstration authority,

incorporated into the proposed Low-Income Opportunity Improvement Act, S. 610, is fundamental to the Administration's acceptance of any welfare reform proposal.

Third, the JOBS proposal contained in S. 1511, which is intended to help low-income families become self-sufficient through participation in an employment, education and training program, would add approximately \$1.4 billion to the Federal budget over five years while doing little to reduce welfare dependency. This proposal would have limited effectiveness because it does not make the necessary commitment to wide-scale mandatory participation, particularly among potentially long-term recipients.

Any effective work program for welfare recipients must establish mandatory participation standards and involve mothers with young children. S. 1511 fails to meet either of these criteria. Research has shown that the key element of a successful work program is to reach a large number of individuals with the appropriate type of assistance--and the only way to accomplish this is through mandatory participation standards. In addition, mothers with children under age 3 (who may participate under this bill only at State option, and then only mothers with children over age 1) represent almost two-thirds of those likely to be dependent on welfare for long periods of time.

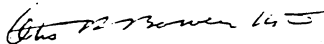
Fourth, the bill requires States to provide new and expanded Medicaid and child care benefits intended to facilitate the transition from welfare to work. A variety of such benefits already are in place--Medicaid transitional coverage, the child care disregard, and the earned income disregard. There is no evidence that requiring States to provide the new benefits proposed in S. 1511 will do anything more than expand the welfare rolls. In addition, in the case of Medicaid, requiring States to provide expanded transitional benefits could divert scarce resources that they might otherwise use for optional Medicaid coverage of low-income groups that they believe have more urgent health care needs--pregnant women, infants, children, the elderly and so on.

Finally, we believe that many of the areas in the Child Support Enforcement program identified in this bill as needing improvement can be dealt with under current authority. For example, the bill recognizes that strengthened paternity establishment standards and time limits for responding to requests for assistance are essential components of any efficient and effective State child support enforcement program. Using the authority contained in current law we are working to strengthen these areas.

We would like to underscore our willingness to work with Congress and the States to achieve the objectives we all agree are desirable. In fact, S. 1655, pending before your Committee and enjoying broad-based support, represents a positive reform of the current welfare system which will reduce dependency in a cost-effective manner. This measure, introduced in the House as H.R. 3200 by Representatives Michel and Brown, has been endorsed by the President. We urge the Committee to give favorable consideration to this proposal.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report and that enactment of S. 1511 would not be in accord with the program of the President.

Sincerely,



Otis R. Bowen, M.D.
Secretary

TITLE I: CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

SUBTITLE A -- CHILD SUPPORT

Sec. 101. Mandatory Income WithholdingDescription

This section would require immediate wage withholding unless both parents agree, or the State finds good cause, to have the conditions for withholding contained in current law apply. The requirements would apply to orders issued or modified on or after two years from enactment of the bill. Under current law, withholding must commence when overdue support equals the support payable for one month, or an earlier date that the State may select or the noncustodial parent may request.

Orders issued or modified prior to two years from enactment of the bill would continue to be subject to the withholding requirements contained in current law, unless the State agrees to either parent's request that the immediate withholding provisions proposed in this section apply.

Other current requirements for the withholding process would remain unchanged, with one exception. The proposal deletes the provision that States may allow support payments to be made through the State upon request of either parent and payment of a \$25 annual fee.

The provisions of this section are effective upon enactment and States must implement the provisions within two years of enactment.

Administration Position

We do not oppose the concept of immediate wage withholding of child support. Indeed, under the Child Support Enforcement Amendments of 1984, wage withholding may be initiated immediately at State option or at the request of the absent parent. We do have concerns, however, with the following two provisions of this section which appear to be unnecessarily complicated and burdensome on the States.

1) The proposal establishes different requirements for orders established or modified before and after a certain date. Each requirement contains exceptions under certain circumstances, e.g., the State agrees to one parent's request to apply the alternative requirement or both parents agree or the State finds good cause to apply the alternative requirement. (If good cause exceptions are allowed, we believe that the determinations must be based on the best interests of the children involved.)

Such a complicated set of requirements and exceptions would be extremely difficult for States to administer. Further, authority exists under current law for a State to initiate withholding under almost any of the conditions allowed under this proposal--but in a much less complicated manner.

2) As written, this section appears to require the State child support enforcement agency to initiate withholding, beginning two years from enactment, for all orders in the State, regardless of whether there has been an application for child support enforcement services or the family is receiving AFDC payments. We strongly oppose this provision because it would be extremely costly, intrusive, and excessively burdensome for the State child support enforcement agency to be responsible for withholding in every child support case in the State. As stated earlier, however, we would not oppose immediate withholding in all cases as long as they were not all brought into the State child support enforcement agency for processing.

Section 102. Child Support DisregardDescription

This section would clarify that States must disregard the first \$50 from any child support payment which was due for a prior month if the payment was made on time.

Administration Position

This amendment is unnecessary because we are in the process of clarifying this requirement by revising our regulations. We agree that, under the \$50 child support disregard provision, custodial parents are entitled to a disregard whenever a payment is made on time. When obligors meet their child support obligations, the AFDC family should not be denied the \$50 disregard because of delays in transmitting or receiving collections within a State or between States.

Sec. 103. State Guidelines for Child Support Award AmountsDescription

This section would require guidelines for setting support award amounts to be used unless there is a finding that good cause exists for not applying the guidelines. Guidelines would have to be reviewed every 5 years. The State would have to establish and use procedures to ensure that 1) orders established under the guidelines would be reviewed, and adjusted, as appropriate, at least every 24 months; 2) orders which were not established under the guidelines would be reviewed, and adjusted, as appropriate, if the State agrees with a request by either parent for review; and 3) both parents would be given 30 days notice of a pending review, and 30 days from notice of a proposed adjustment to initiate proceedings to challenge the adjustment.

The proposal would be effective upon enactment. States would be required to implement the requirements for 1) periodic review of the guidelines and use of the guidelines to set support awards no later than the first day of the thirteenth month after enactment, and 2) periodic review and adjustment of award amounts no later than the first day of the thirtieth month after enactment.

Administration Position

We strongly support mandatory State guidelines and have submitted proposed legislation to require the use of State guidelines as a rebuttable presumption to establish child support awards. We believe that using guidelines as a rebuttable presumption would more likely protect children's best interests than allowing good cause exceptions which could focus on the impact of support payments on obligors rather than their children.

We also support the concept of requiring periodic review and adjustment of awards. However, we have two concerns with the approach taken in this bill:

(1) Mandatory review and adjustment of all awards every two years would be unduly burdensome on States and the courts. Our legislative proposal would require periodic review and revision, if necessary, of all support orders being enforced under the child support enforcement program, in accordance with priorities and criteria specified by the Secretary in regulations. The regulatory priorities and criteria would ensure that the orders continue to comply with the guidelines while allowing flexibility in the frequency and scope of review. This approach would give us the opportunity to work with the Congress and States to establish criteria which are effective, without being unduly burdensome.

(2) Automatic review and adjustment of only those orders established under the mandatory guidelines places an unfair burden on parents with orders which were established prior to the effective date of these guidelines. We believe that all orders being enforced by the child support agency, whether or not they were established under the mandatory guidelines, should be reviewed in a similar fashion to ensure equity.

We further recommend that any mandatory guidelines legislation include provisions similar to those in section 204 of the Administration's proposed "Family Assistance, Child Support Enforcement, and Social Services Improvement Act of 1987" that require States, when establishing guidelines, to consider, at a minimum, such factors as prescribed by the Secretary in regulations.

SUBTITLE B -- ESTABLISHMENT OF PATERNITY

Sec. 111. Standards for Measuring the Performance of State Paternity Establishment Programs

Description

This section would create paternity establishment standards which a State must meet to avoid imposition of a penalty of between 1 and 5 percent of Federal payments to the State under the proposed Child Support Supplement program which would replace the AFDC program.

The standards would be based on a State's paternity establishment percentage for a fiscal year. The percentage would be the ratio of (1) the total number of children receiving payments or services under the program for whom paternity was established to (2) the total number of children receiving payments or services under the program who were born out of wedlock. Children who are dependent by reason of the death of a parent or with respect to whom there is a finding of good cause for refusing to cooperate would not be included in the total number of children needing paternity establishment. For FY 1987, the Secretary could compute the States' paternity establishment percentages based on data collection for the last quarter of FY 1987.

A State's paternity establishment program for a fiscal year would meet the requirements of the section if its paternity establishment percentage 1) is 50 percent or greater, 2) is above the national average paternity establishment percentage, or 3) increases 3 percentage points a year. The State's paternity establishment program must meet the requirements of the section beginning in FY 1991. (For example, if a State's percentage in FY 1987 was 12% and the national average was 18%, that State would have to increase its percentage to 15% by the end of FY 1990 and to 18% by the end of FY 1991 in order to avoid a fiscal penalty.)

The Secretary could modify the requirements of the section to take into account additional variables that affect the ability of the State to meet the requirements. The Secretary would be required to submit an annual report to Congress on the data upon which the States' paternity establishment percentages for a fiscal year are based, any additional variables the Secretary has identified, and State performance in establishing paternity.

The amendments would be effective on the date of enactment.

Administration Position

While we strongly support setting performance standards for paternity establishment, we strongly oppose the standards

proposed in this section of the bill because poorly performing States would only need to make marginal improvements in order to satisfy these standards.

Because we believe that paternity establishment is in the best interest of children and that it has long-term implications for increasing the self-sufficiency of families, we believe stronger standards than those proposed in this bill are necessary. We now have authority to establish such performance standards, so that the bill would preclude us from developing the more stringent standards needed to ensure that major improvements are made in poorly performing States.

In setting performance standards we believe that it is more effective and more equitable to establish a national goal which each State must achieve, regardless of its current record, in a specified period of time. We are developing such standards now by revising the regulations which contain the current audit standards for paternity establishment to make them more substantive. We plan to work with Congress and the States during this process.

Sec. 112. Increased Federal Assistance for Paternity Establishment

Description

This section would increase the Federal matching rate for State costs for laboratory tests in determining paternity to 90 percent.

Administration Position

We oppose this provision because we believe that it is costly and unnecessary. The current 68 percent Federal matching rate for State administrative costs of the child support enforcement program already is considerably more generous than the 50 percent matching rate for administrative costs under the AFDC, Medicaid and Food Stamp programs, and there is no need to increase it. A 90 percent matching rate for laboratory tests in determining paternity could lead to wasteful spending because the States would not have much financial incentive for operating cost effectively. Moreover, research indicates that paternity establishment for AFDC cases, even in high costs States, can pay for itself.

The long-term benefits of establishing paternity and the already generous matching rates, coupled with the current exclusion of laboratory costs in incentive payment calculations, are more than adequate incentives for States to establish paternity. These existing incentives, reinforced by strengthened performance standards and procedures, will improve paternity establishment by States.

SUBTITLE C -- IMPROVED PROCEDURES FOR CHILD SUPPORT ENFORCEMENT AND ESTABLISHMENT OF PATERNITY

Sec. 121. Requirement of Prompt State Response to Requests for Child Support Assistance.

Description

This section would require the Secretary to establish time limits within which States must accept and respond to requests for assistance in providing services under the program. The Secretary would be required to establish an advisory committee within 30 days of the date of enactment and consult with the committee prior to issuing any regulations on time limits. He

would be required to issue a proposed regulation within 90 days of enactment, allow at least 60 days for public comment, and issue final regulations no later than the first day of the seventh month after enactment.

Administration Position

We strongly support establishing time limits for responding to requests for child support services, but we believe sufficient statutory authority already exists to establish time limits. Under current law the Secretary is required to establish such standards for State child support programs as he determines to be necessary to ensure that such programs will be effective. Using this authority, we are moving toward establishing time frames for taking necessary actions in child support enforcement cases. Although additional statutory authority is not necessary to accomplish this common goal, we are interested in the views of the Congress regarding appropriate time frames for action and look forward to discussing this issue further.

Sec. 122. Automated Tracking and Monitoring Systems Made Mandatory

Description

The section would require States to develop Statewide automated child support enforcement systems no later than the date specified in the initial advance planning documents or 10 years after that document is submitted to the Secretary, whichever is earlier. The Secretary could waive any requirement with respect to the automated system if a State demonstrates that it has an alternative system that enables it to be in substantial compliance with the Child Support Enforcement program requirements of the Social Security Act.

A State would receive 90 percent Federal matching of costs attributable to the planning, design, development, hardware and installation of a system which meets the requirements of section 454(16) of the Act if the State submits an advance planning document by October 1, 1989. Enhanced funding for development of the system would be available as long as the system meets the requirements of section 454(16) of the Act up to the date the State is required to complete the system.

The provision would delete the availability of 90 percent matching for the costs of enhancement of an automated system. It also would delete the Secretary's authority to suspend approval of the advance planning document if he finds there is a failure to substantially comply with the advance planning document. Under that provision, suspension continues until there is no longer any failure of the automated system to comply with the advance planning document.

The proposed requirements would become effective upon the date of enactment.

Administration Position

While we strongly support requiring States to develop automated child support enforcement systems and setting a time at which enhanced funding ends, we oppose this proposal because it could result in lengthy delays in development of this essential component of any State's child support program. In order to make current law work well, and to be able to add more effective requirements to the child support program, it is essential for every State to have automated child support enforcement systems as soon as possible.

By extending (potentially until FY 2000) the 90 percent Federal matching rate currently available for State development of automated systems, States may be encouraged to take up to 10 more years to develop automated systems. We believe this is an unnecessary extension of the 90 percent matching rate, which has already been available for almost a decade. Given the status of current efforts we believe that all States could be fully automated no later than FY 1993. Currently, systems are under development (using 90 percent funding) in 35 States, nine of which are transferring existing systems and technology from other States. (We are encouraging these transfers to make it quicker and easier to establish State automated systems.) In addition, some States, which have not applied for 90 percent matching funds, have chosen to develop their own automated systems under the regular matching rate available for program administrative costs. Providing 90 percent matching funds in these States is unnecessary.

Finally, we strongly oppose deletion of the Secretary's authority to suspend approval of an advance planning document because of the State's failure to substantially comply with the contents of that document. We believe that authority is an essential management tool to ensure State compliance with that document.

Sec. 123. Additional Information Source for Parent Locator Service

Description

This section would require the Secretary of Labor to enter into an agreement with the Secretary of HHS to provide prompt access by HHS to the wage and unemployment compensation claims information and data maintained by the Department of Labor (DOL) and State employment security agencies.

The provision would be effective upon enactment.

Administration Position

We agree that direct access to employment security information would be of great assistance to States in locating non-custodial parents and obtaining information necessary to implement wage withholding. State and local information generally is more current than information available in Federal records in locating non-custodial parents owing child support. Access to current employer and wage information also is invaluable for expeditious initiation of mandatory wage withholding.

While additional legislative authority may not be necessary to accomplish these objectives, we would not object if the Congress nonetheless decided to address this issue explicitly through legislation. However, the amendment made by section 123 of the bill is technically inadequate and does not provide the statutory authority that would permit full implementation of the intent of the section. We stand ready to work with the Committee to develop draft language for the Committee's consideration to accomplish the agreed-upon goals.

Sec. 124. Use of Social Security Number (SSN) to Establish Identity of Parents

Description

This section would amend Title II of the Social Security Act to require States to obtain SSNs from the parents of a child for whom a birth certificate is issued. A State would have to

require parents to furnish their SSNs and States would in turn supply the SSNs to the child support enforcement agency unless the State finds good cause for not doing so. The SSNs would not have to be on the birth certificates. Any provision of Federal law inconsistent with this proposed requirement would be null and void two years from enactment of this bill, the effective date of this provision.

Administration Position

We do not oppose including both parents' SSNs in records which accompany birth certificates. However, we are concerned that the confidentiality of such records be protected. The provision contains no language to ensure protection of individuals' privacy.

Sec. 125. Commission on Interstate Child Support

Description

This section would establish, within 60 days of enactment, a Commission on Interstate Child Support composed of 15 members, 8 of which would be appointed by the Congress and the remaining 7 by the Secretary. The Commission would be required to hold one or more national conferences on interstate child support reform by October 1, 1988 and report to the Congress recommendations for improving interstate child support establishment and enforcement and revising the Uniform Reciprocal Enforcement of Support Act. The Commission would terminate on October 2, 1989. Two million dollars would be authorized to carry out the provisions of this section.

Administration Position

We oppose this proposal because we believe that recent and ongoing efforts to improve the processing of interstate child support cases make establishing a commission unnecessary and a waste of scarce resources. The 1984 Amendments greatly enhanced the enforcement techniques available in interstate cases. Those techniques, along with revised Federal regulations on interstate cases and the development of standardized forms, will significantly improve processing of those cases. In addition, States will gain invaluable knowledge from the results of three years of interstate demonstration grants which have explored innovative approaches to improving interstate case processing.

TITLE II: JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING PROGRAM

Section 201. Establishment of JOBS Program

Description

Section 201 would require each State welfare agency to administer a job opportunities and basic skills (JOBS) training program under a State plan approved by the Secretary. The program would have to be fully implemented Statewide within 3 years of enactment, except where it is not feasible to do so. Nonexempt recipients would be required to participate in JOBS to the extent that programs were available in their area and resources permitted. Exemptions would be provided for those who were ill, incapacitated, or of advanced age; needed to care for another family member; working at least 30 hours a week; under the age of 16 or a child attending elementary, secondary, vocational or technical school full-time; in the last trimester of pregnancy; personally providing care for a child under 3; or residing in a remote area. States would have the option to require participation of those with children between the ages of 1 and 3,

and of both parents in a two-parent family. Those with children under 6 (except principal earners in two-parent families) could not be required to participate more than 24 hours a week. Exempt individuals could participate on a voluntary basis. Unemployed absent fathers who could not meet their child support obligations could participate, on either a voluntary or mandatory basis, at State option.

Those attending school or vocational training designed to lead to employment could continue in those programs and receive child care funds through JOBS.

Initial JOBS activities would include assessment and a review of family circumstances; the development of an employability plan; and at State option, negotiation of a contract specifying agency and participant obligations. Case managers also could be assigned, at State option.

States could include the following activities in their programs: high school or equivalent education, remedial education, appropriate post-secondary education, on-the-job training, skills training, work supplementation, community work experience (CWEP), job search, job readiness, job development, placement, and follow-up services, and other employment, education, and training activities allowed under regulations of the Secretary.

Custodial parents under the age of 22 who had not completed high school, or an equivalent program, would be required to participate in educational activities--even if otherwise exempt because of a child under age 3 (although not if exempt for other reasons).

States would have to provide the opportunity for a fair hearing in cases of disputes over program assignments. Wage rates for assigned jobs would have to meet the greater of Federal or State minimum wage requirements, and assignments could not result in displacement. Also, States could not require participants to take any job which would result in a net loss of income (including the value of Food Stamps and health benefits) unless the State provided a supplementary payment to the family to compensate for the loss. Such a payment would be treated as an assistance payment for Medicaid eligibility and Federal matching purposes.

Program activities under JOBS would have to include private sector involvement and be coordinated with programs under the Job Training Partnership Act (JTPA). JOBS funds could not replace current State expenditures.

The Work Supplementation program would be authorized with changes, including categorical Medicaid eligibility for participants. The maximum hours for CWEP assignments would be reduced based on the amount of reimbursement to the State for child support collections. Up to 8 weeks of job search could be required of applicants and up to 8 weeks a year required of recipients.

Sanctions for failing to meet program requirements would, in the first instance, remain in effect until the participant's compliance; in the second instance, remain in effect until compliance, but at least 3 months; and in any subsequent instance, remain in effect at least 6 months.

Administration Position

We strongly support changes to the AFDC program which will substantially reduce dependency among AFDC recipients through education, training, and employment activities. However, we believe that there are serious flaws in the provisions of JOBS which would severely limit its effectiveness in reducing

dependency. In particular, JOBS does not require the necessary commitment to wide-scale mandatory participation, particularly among potential long-term recipients and it drastically restricts States' ability to design work programs which will be most effective for their welfare populations. Specifically, JOBS flaws include the following:

(1) Lack of real participation requirements.

Except for the special provision covering young custodial parents without a high school education, the only services which States are required to provide participants are assessment, a review of family circumstances and the development of an employability plan. There is no requirement for States to provide actual employment-related services to even a minimum number or percent of recipients. As the key element of a successful program is to reach a large number of individuals with the appropriate type of assistance, it is unlikely that the program would substantially reduce dependency.

(2) Exemption for parents and caretakers of children under 3, unless the State has elected a lower age limit.

Currently, 35 percent of the AFDC families include children under age 3. More importantly, almost two-thirds of all women who will use AFDC for 10 years or more enter the program with a child who is less than 3 years old. Thus, this exemption could leave a large proportion of recipients, and an even larger proportion of those likely to be dependent on welfare for long periods of time, beyond the reach of program services.

We believe that society supports earlier involvement in work activities. A recent Labor Department survey found that in March 1987 the majority of women with children under age 3 were in the labor force. We should expect no less of welfare recipients. As a matter of fact, findings from demonstrations in this area undertaken in several States indicate that women with preschool children are at least as likely to get jobs and to retain those jobs as women with older children.

The breadth of this exemption is narrowed somewhat by the provision which would require custodial parents under the age of 22, who have not completed high school, to pursue educational activities, notwithstanding the exemption. However, we are concerned that program activities would not reach the many parents with young children who are not covered by this provision, but who also are potential long-term dependents--including those who have completed high school, but have no work experience or job skills and all those over the age of 22, regardless of their educational attainment.

(3) The prohibition against assignments of more than 24 hours a week when there are children under age 6.

This prohibition places an unnecessary restriction on States and individuals when deciding on the most appropriate work, education or training assignment for the individual. There may be situations where the most useful assignment for the individual takes more than 24 hours per week. Where this is the case and the parent or caretaker does have access to day care, or is otherwise sufficiently free from child care responsibilities, they should be allowed to participate in such assignments.

(4) The prohibition against a State requiring individuals to accept employment which would result in a net loss of income (including Food Stamps and the insurance value of health benefits) unless they provide a supplemental payment to make up the difference.

This provision will prolong dependency among employable recipients. Welfare recipients employed in some entry-level jobs would continue to get benefits to supplement their wages, thus prolonging their dependency. The benefits would be available to them, but not to employees who have never been on welfare, thus creating inequities and potentially drawing more employable persons onto welfare. Further, an individual should not be able to choose to be on welfare in order to be economically better off--an individual should be on welfare only because he/she has no other alternative.

The provision also would create new, complex administrative burdens for the State and employers, as States would be required to establish the value of Medicaid and employer-provided plans. Employees also could purposely choose low-cost plans or no health insurance at all so as to maximize their tax-free supplementary welfare payment (which also qualifies them for Medicaid).

(5) Maintaining the limitation of no more than 8 weeks of job search a year.

This provision has been difficult to administer and can prevent a State from requiring appropriate job search by an individual who has just completed an education or training activity.

(6) Failing to provide that a family's Food Stamp allotment can be used in determining CWEP hours (as authorized under current law).

We believe it is counterproductive to restrict State flexibility in this manner since CWEP has proven beneficial for participants and effective in reducing dependency.

(7) Requiring that jobs pay at least the greater of the State or Federal minimum wage.

We believe that this requirement would unnecessarily limit State flexibility in referring individuals to appropriate employment. For example, there could be individuals who are not quite ready for regular employment, but need work experience or on-the-job training to qualify for regular employment. In such instances, it might be reasonable to treat a job like a training position and pay less than the equivalent of minimum wage.

(8) Extending displacement limitations to all program activities.

We believe it is appropriate to prohibit displacement in CWEP, where welfare recipients are not being paid, or in Work Supplementation, where a recipient's employment is being subsidized. Because of the nature of these programs, regular working individuals could be unfairly affected by the placement of a program participant. At the same time, we believe a welfare recipient seeking regular, unsubsidized employment should be able to "displace" another individual if they have competed fairly, on an open market basis, for a job.

(9) Allowing reimbursement for post-secondary education.

Welfare recipients who have the education and skills to enter college also have the skills to obtain employment. Since these AFDC recipients are not in as great a need of assistance as other more disadvantaged groups, we would oppose this as an allowable activity under JOBS.

Finally, we also are concerned about the provision that allows a State to extend JOBS services to absent parents who are not recipients. Other programs are available to assist these

parents, and it is likely that such services funded under the Social Security Act would be extended to them at the expense of services to AFDC recipients. Until welfare/work programs authorized under the Social Security Act are successful in serving a substantial portion of their principal target population, we do not believe the service base for the program should be expanded.

Section 202. Related Substantive Amendments

Description

Federal matching funds at a 90 percent rate would be provided for the first \$140 million in expenditures for JOBS operation and administration. For program operation and administration expenditures in excess of \$140 million, Federal matching funds at a 60 percent rate would be provided. However, for costs associated with assessments and reviews, case management, and development of participant/agency contracts, 50 percent Federal matching would be available. Also, if less than 60 percent of the non-Federal share of expenditures were in cash or less than 60 percent of the expenditures went for services to priority individuals, the State would qualify for 50 percent funding for all expenditures. Priority individuals would include those receiving assistance for 30 of the 60 prior months; applicants who received assistance for 30 of the 60 months immediately prior to application; custodial parents under the age of 22 who are out of school, but have not completed high school; and parents receiving benefits on the basis of unemployment.

States have to assure the availability of adequate child care needed by participants in JOBS. Such care could be provided directly, arranged through use of vouchers or contracts, or by payments to participants who secure their own care. The value of child care provided to participants would not be considered income under any Federal or Federally supported needs-based program and could not be claimed as an employee-related expense for certain tax credit purposes. State expenditures for child care would be matched at the Federal matching rates for benefit payments.

States also would be required to pay for transportation and related support services needed by JOBS participants. Expenditures for transportation and other support services would be matchable as regular AFDC administrative expenses (at a 50 percent matching rate).

Administration Position

We oppose the matching provisions because the rates are too high, coverage is too broad and the provisions would be exceedingly difficult to administer. We also oppose the linkage of funding to the priority groups specified in the bill because this linkage would encourage delayed intervention rather than early intervention to prevent dependency.

Under JOBS uncapped Federal funds at a 60 percent match rate would be extended to a very broad range of activities, including basic and remedial education, certain post-secondary education and skills training. Open-ended funding under the Social Security Act for education and training, which traditionally have been the primary responsibility of State and local governments, would create the potential for massive cost-shifting from those governments to the Federal government. It also does not recognize the substantial Federal resources already available to serve the disadvantaged through programs such as the Jobs Training Partnership Act and the Adult and Vocational Education programs.

The 90 percent match for the first \$140 million in JOBS expenditures, combined with the open-ended 60 percent match for JOBS activities and the benefit matching rate for child care, would place a disproportionate fiscal burden on the Federal government at a time when we are endeavoring to constrain the Federal budget. Allowing States to claim a significant level of in-kind expenditures for JOBS activities, in effect, further raises those rates. It would increase Federal costs under the program and reduce a State's incentive to devise a cost-effective program. These conclusions are based on the experience of similar work programs which have allowed in-kind matching and received minimal State contributions under these rules.

Authorization of in-kind match also raises some serious administrative concerns. It would create significant oversight difficulties because of the inherent problems associated with assessing the value of resources and non-cash contributions.

The differential matching rates for regular AFDC administrative expenses and JOBS-related administrative expenses, and the conditions imposed on the availability of the higher JOBS match rate, raise additional administrative problems. First, it would be difficult to distinguish between administrative costs which are eligible only for the 50 percent rate (e.g., case management, assessment, and contracting) from other program administration costs which qualify for a 60 percent rate. Under these rules, States would have an incentive to minimize what gets classified as case management and related functions in order to qualify for the higher matching rate and maximize their Federal funding. They also would have an incentive to try to claim regular AFDC administrative costs as work program costs in order to increase Federal funding of their programs.

For these reasons, we do not believe the funding provisions of the JOBS program are tenable. Rather, we prefer a uniform 50 percent open-ended Federal match for support services and work-related activities other than education and training, with States continuing to provide their share in cash. This approach would ensure that States have a meaningful financial investment to structure cost-effective programs and that Federal matching funds are appropriately provided.

The provision that provides higher matching rates to States that spend at least 60 percent of their JOBS funding on certain priority groups would create new administrative burdens but more importantly could result in mis-targeting of services. A wide range of recent research indicates that past time on welfare is not a good indicator of future time on the rolls. In fact, because the FSA targets those receiving welfare for more than 30 months, it would encourage States to provide services to many recipients who have been on the rolls longer than 2.5 years and who can be expected to leave welfare sooner than families just coming onto the rolls. It also would encourage States to delay intervention rather than stressing the early intervention that is more likely to prevent long-term dependency. Thus, we oppose the linkage of funding to services provided to those already on the rolls for an extended period.

These problems with the funding provisions are even more serious when combined with the lack of national participation standards. The lack of participation standards, overly expansive federal funding, and potential mis-targeting mean that we could incur high costs with little likelihood of a reduction in dependency or welfare savings.

Section 203. Repeal of Certain ProvisionsDescription

The existing authorities for title IV-A employment search, CWEP, work supplementation, WIN, and WIN demonstration programs would be repealed, as would two WIN-related matching provisions.

Administration Position

We support the repeal of the WIN and WIN demonstration programs, together with related funding provisions. The Administration has proposed such a repeal for a number of years because the WIN program has not been effective in reducing welfare dependency.

We do not oppose repeal of the IV-A options (job search, CWEP, and Work Supplementation) because they are reauthorized in JOBS. However, as noted elsewhere, we do believe in places the reauthorization unnecessarily limits State flexibility.

Section 204. Regulations; Performance Standards; StudiesDescription

The Secretary would have 6 months to issue proposed rules, including rules establishing uniform data collection requirements, and one year to publish final rules.

The Secretary would have five years to develop performance standards for JOBS program activities, in consultation with organizations representing Governors, State and local administrators, educators and other interested parties, and to submit them to Congress.

The Secretary would be required to conduct an implementation study, based on a representative sample of States and localities, which would document the services offered, participation rates or activity levels, characteristics of those served, provision of support services and methods by which activities were offered. For each of the fiscal years 1988 through 1990, \$500,000 would be authorized for this implementation study.

The Secretary would also be required to conduct a cost-effectiveness study, based on data from 5 States, to determine the relative effectiveness of different approaches for assisting long-term dependents. Projects included in the study would be conducted for at least 3 years and would use specific outcome measures, as well as experimental designs and random sampling, in testing effectiveness. Annual progress reports and a final report to Congress would be required. For the cost-effectiveness studies, one million dollars would be authorized for each of the fiscal years 1988 through 1992. The Secretary would establish uniform reporting requirements for the demonstration projects, as appropriate.

Administration Position

We do not oppose these provisions. Our GROW proposal provides a similar period of time for development of performance standards and authorized funds for similar studies.

Section 205. Effective Date

The amendments under title II of the bill would be effective October 1, 1989 unless the State opted for an earlier date. The earliest effective date would be the first day of any calendar quarter on or after the issuance of proposed rules (or, if earlier, the date when proposed rules are required under section 204 of the bill).

TITLE III: TRANSITIONAL ASSISTANCE

Section 301. Extended Eligibility for Child CareDescription

Section 301 would extend child care assistance for 9 months in a 36-month period to a family that loses Child Support Supplement (CSS) (eligibility due to increased earnings if the family was receiving CSS payments for at least 3 of the 6 months preceding the month in which the family lost eligibility).

A family would not be eligible for transitional child care if the caretaker-relative in the family had: 1) submitted false or misleading information in order to obtain CSS payments; 2) been sanctioned while receiving CSS payments within the preceding 12 months; 3) terminated, refused, or reduced hours of employment without good cause; 4) failed to cooperate with the State agency in establishing and collecting child support payments; or, 5) failed to cooperate with the State agency in identifying and pursuing any third-party payments for health insurance.

Families would be required to contribute to the costs of transitional child care based on a sliding scale fee to be developed by the State and approved by the Secretary of HHS.

Section 301 would go into effect on October 1, 1988.

Administration Position

We oppose this provision. There is no evidence that mandating new child care benefits would be cost-effective or get more people into jobs and off welfare. Paying for child care does not appear to be a major factor in the employment of AFDC recipients, as AFDC families make little use of the provisions available under current law to cover child care costs. Our data indicate that the child care disregard is applied in only about 20 percent of the AFDC cases with earnings. For those who do use the disregard, the average amount of child care costs disregarded per case (not per child) was only about \$106 per month in 1986. Even for full-time workers, the average disregard per case was only \$134.

Not only is mandating such new transitional child care subsidies unnecessary but it could create inequities. Two workers working side-by-side with the same earnings may be treated differently, with a former welfare recipient receiving substantial child care support while the person who was never on welfare would not. In fact, this provision, combined with others in the FSA, could have the perverse effect of drawing families onto welfare.

Section 302. Extended Eligibility for Medical AssistanceDescription

Section 302 would require States to extend medical assistance for up to nine months (in any 36-month period) to families who leave the CSS program because of increased earnings. As with section 301, a family would have had to be receiving CSS payments for a minimum of 3 of the 6 months preceding the month in which the family lost CSS eligibility.

The initial four months of transitional medical assistance could be provided either by continuing Medicaid (in the same amount, duration and scope), or by paying a family's expenses for health insurance offered by the caretaker relative's employer or (if more cost-efficient) by the employer of the absent parent who is paying child support. If such an employer plan provides less coverage, the State must make up the gaps with Medicaid.

For families that receive the entire four months of transitional assistance, the State must offer them the option of extending medical coverage for an additional five months. The State may provide medical assistance during the five month extension in several ways. They must at least offer families an extension of Medicaid, of the same amount, duration, and scope, except that the State may omit certain non-acute care services. The State also has the option of offering families any of the following: payment of the family's expenses for health insurance by the employer of the caretaker relative or absent parent supplemented with Medicaid, enrollment in the family option of a group health plan of the caretaker relative's employer, enrollment in the family option of a group health plan for State employees, enrollment in a State basic health plan for the uninsured, or enrollment in a Medicaid HMO.

A family would be denied any extended medical assistance for the same reasons as described under Section 301. If a family's gross monthly earnings exceeded 185 percent of the poverty line, the State would not provide or would terminate the family's eligibility for the five-month extension.

A State would be required to impose a premium for a family receiving medical assistance during the five-month extension. The amount of the premium could vary depending on the option made available, but could not exceed 10 percent of the difference between the family's gross monthly earnings (less the costs of child care) and \$581.

Section 302 would go into effect on October 1, 1988.

Administration Position

We oppose section 302 because it is unnecessary and costly, and would complicate the Medicaid extensions which currently are available. We also are concerned that the cumbersome and costly new provisions in Section 302 would greatly reduce State capacity, both financially and administratively, to take advantage of Medicaid optional coverage authorities now in law that they believe might better meet their citizens' needs, such as those for all pregnant women, infants, and children up to age 5 whose income is below the federal poverty line.

Four months of Medicaid coverage is already available for families that lose AFDC eligibility as a result of increased earnings or child support. Even more extended coverage (up to 15 months) is provided to families that lose AFDC eligibility as a result of losing the earned income disregards. There are a variety of other options, such as medically needy coverage and Community Health Center programs, currently available to address the needs of low-income families and individuals without setting up such a complicated system to administer.

There is no evidence that the type of extensions proposed in Section 302 would be cost-effective, promote earlier employment, reduce welfare dependency, or produce long-term welfare savings. Indeed, there is some evidence to suggest that Medicaid coverage is not the critical factor in employment decisions. The 1981 OBRA changes moved off of the welfare rolls working families with relatively high incomes, many of whom appear to have had a long-term attachment to AFDC. No transitional Medicaid coverage was provided at that time; and if such an additional provision for Medicaid were key to families' employment decisions, one would expect that many of these would have quit work and returned to the welfare rolls. However, the rate of return for families with earnings was no greater after OBRA than it was before, suggesting that Medicaid was not a key factor in their job decisions.

We also are concerned that the medical assistance extension in this bill would postpone the adjustment of former recipients to self-sufficiency and provide employers with an incentive not to offer, or to reduce, health insurance coverage for lower wage earners if they know Medicaid will provide coverage to former welfare recipients. In fact, the provision might well induce families that otherwise would leave the welfare rolls in less than 3 months to remain on the rolls to receive extended publicly-subsidized medical coverage.

In addition, we have serious concerns about the numerous administrative complexities and costs of implementing Section 302. A new, costly and complex administrative structure would have to be created by States to compute income eligibility and to compute and collect premiums for these new medical assistance extensions. Subtracting the costs of child care and then using a threshold of 185% of the poverty level for eligibility would likely result in most recipients remaining eligible, few paying premiums, and the State making extensive calculations and determinations for all.

Experience has shown that, while States have for some time been permitted to collect income-related co-payments, deductibles, and co-insurance from Medicaid beneficiaries, few if any have chosen to do so because of the cost and complexity of such a process. Similarly, States choosing to use any of the other options for providing health insurance coverage would have to establish an administrative structure to pay premiums and deal with the various entities administering the plans.

Denial of extended medical assistance for failure to pay premiums, to make monthly income reports, or to continue employment has been made subject to a "good cause" determination by the State. This could result in a major administrative burden and could well result in court challenges.

TITLE IV: FAMILY LIVING ARRANGEMENTS

Section 401. Households Headed by Minor Parents

Description

Except under certain circumstances, individuals under age 18 who were never married and who had a dependent child in their care (or who were eligible because they were pregnant) could be eligible for assistance only if they resided with a parent, legal guardian, other adult relative, or in a foster home, maternity home or other adult-supervised supportive living arrangement. Assistance in these minor parent cases would have to be paid to the parent or legal guardian. At State option, these individuals could be required, as a condition of eligibility, to attend school (or school in combination with parenting and family-skills training classes) if they had not graduated from high school.

These provisions would be effective at the beginning of the first quarter which begins one year after enactment.

Administration Position

We generally support these provisions, which are similar to ones included in the package of legislation we submitted as "The Social Welfare Amendments of 1987." We do not support the provision which makes school attendance requirements for minor parents an option for the States. We believe these individuals must be required to attend school or engage in other productive activities if we are to make serious inroads against the problems of long-term dependency. Also, the provision seems inconsistent with section 201 of the bill which provides that custodial

parents under the age of 22 who have not completed high school would be required to pursue educational activities even if they have a child under the age of 3.

Section 402. CSS Program in Two-Parent Families

Description

Section 402 would replace the optional AFDC-Unemployed Parent (AFDC-UP) program with a required program, effective October 1, 1989. It also would change the definition of a "quarter of work" from that available in AFDC-UP, at State option, to allow full-time attendance in elementary school, secondary school, or a vocational or technical training course approved by the Secretary, or participation in a JTPA education or training program to count as quarters in determining eligibility. However, individuals could not receive credit for more than 4 quarters based on education or training activities.

It also would allow States, in determining ongoing eligibility of recipients (but not applicants), the option to employ a different definition of unemployment (in terms of a higher number of hours) than provided by the Secretary or to waive the requirement entirely. The State could implement this option Statewide or only in selected areas of the State. The definition designated by the Secretary could not define unemployment as anything less than 100 hours a month.

Administration Position

We strongly oppose these provisions. The President informed the Congress of his views on mandating benefits to two-parent families last year. Basically, it is inconsistent with this Administration's position that States should have maximum flexibility in deciding how and where their resources should be targeted. In some States, the costs of implementing this program through increased caseload, staffing and training requirements would overload the resources available to the State for providing financial assistance. This could result in cutbacks of benefits to individuals who are more needy or who have less capability for self-support. For this reason, we believe AFDC-UP should continue to be an optional program for States.

In addition, we do not believe there is any merit to mandating coverage of two-parent families. The GAO recently reported that a 1979 study by the University of Wisconsin's Institute for Research on Poverty claimed that the AFDC-UP program "appeared to actually increase marital instability". Moreover, the contention that mandatory two-parent coverage is necessary to avoid marital break-up assumes that parents will make long-term marital decisions based largely on short-term income comparisons. Evidence from the Seattle and Denver Income Maintenance Experiments (SIME/DIME) indicates that, contrary to this view, marital decisions are not made primarily on these economic bases.

In SIME/DIME families in the experimental group received a higher guaranteed income with both parents present than if the husband left, and they clearly were better off financially if they stayed together. However, marital break-up rates were as high or higher for the experimental group than for the control group which received regular welfare benefits.

SIME/DIME also indicates that extending welfare to two-parent families is likely to lead to reduced work effort. In the second year of the project, for example, husbands in the experimental group showed significant reductions in both the total number of hours worked (9 percent lower than the control group) and the proportion working at least one week during the year (7 percent lower). This effect on work effort applies to all husbands in

low-income families, not just those receiving AFDC benefits. Moreover, extending welfare to two-parent families may have other adverse effects, such as higher taxes on the private sector and more welfare dependency, which must be weighed against any possible benefits.

We also oppose the provisions changing the definition of "quarters of work" used to establish eligibility for benefits and authorizing waivers of the Secretary's definition of unemployment (currently known as the "100-hour rule"). The basic intent of the program has been to provide benefits to families deprived of support because the family's principal earner is unemployed. As proposed in the bill, individuals with no work history beyond a few errands or odd jobs could qualify for benefits, and families where the principal earner is fully employed also could qualify.

These provisions would alter the basic nature of the program, eliminating its categorical eligibility requirements and extending benefits to many more two-parent households. The first provision would substantially reduce the incentive for young couples initially to pursue employment opportunities rather than depending on the welfare system for support. The second would increase welfare expenditures going to families which are more capable of self-support, radically altering the purpose of the program and increasing welfare dependency.

TITLE V: BENEFIT STRUCTURE IMPROVEMENTS

Section 501. Periodic Reevaluation of Need and Payment Standards

Description

Section 501 would require each State to re-evaluate its need and payment standards at least once every 5 years and report to the Secretary as required. The Secretary would establish a schedule for these re-evaluations and report to Congress promptly on his findings.

Administration Position

We do not oppose this provision.

TITLE VI: DEMONSTRATION PROJECTS

Sec. 601. Child Support Demonstration Project in New York StateDescription

This section would authorize a five-year demonstration project in New York to test an alternative program to the Child Support Supplement Program proposed in this bill.

Administration position

There is insufficient detail in the proposal to evaluate New York's proposed alternative program. However, rather than enact specific legislation for New York State, we believe Congress should provide all States broad authority through enactment of the Administration's proposed Low-Income Opportunity Improvement Act.

Under the Act, the demonstration sites would receive the same funding they would otherwise receive under current law, ensuring Federal cost neutrality, and the demonstration would be structured to allow for rigorous evaluations. We believe these criteria should apply to all welfare reform demonstrations.

Section 602. Demonstration of Family Independence Program

Section 602 would authorize Washington State to implement its Family Independence Program (FIP) as a demonstration project upon application and approval of the Secretary. This program would operate as an alternative to the CSS program.

All those eligible for CSS would be eligible to enroll in FIP, which would operate simultaneously with the CSS program as long as there were individuals who qualified for CSS. States would have to use available funds to provide cash assistance before making expenditures on services.

Enrollees in FIP could be required to register, undergo assessment, or participate in work and training. Exempt from FIP would be parents with children under 6 months, single parents of children under 3 on assistance for less than 3 years, those over age 64 or under 16, those who are incapacitated, temporarily ill, or needed at home to care for an impaired person, women in their third trimester of pregnancy, and those not yet advised that their participation is required. Participation would be voluntary for FIP's first two years. After two years, participation could be mandatory only where less than 50 percent of the enrollees could be placed in employment within 3 months after they are job ready. Work and training activities would not be mandated in counties where unemployment rates were twice the State average. Benefit guaranties and applicant and recipient rights in existing State law would be maintained, as would due process procedures equal to those in CSS.

The Secretary would be required to waive any requirements under title IV which would prevent the State from implementing FIP. The State would be reimbursed for cash assistance and child care at the IV-A program matching rate, for administrative expenses at the applicable IV-A administration matching rate, and for an evaluation plan at a 75 percent matching rate. In order to receive approval the project could not exceed anticipated reimbursements under the current CSS program.

The project would be in effect for 5 years, but could be terminated earlier by the State or by the Secretary if the State materially failed to comply with the law.

Administration Position

While we support the concept of State demonstrations, as is evident from the Administration's proposed Low-Income Opportunity Improvement Act, we strongly oppose this particular proposal for two key reasons:

1. The proposal is not structured to allow the rigorous kind of evaluation that is both possible and necessary with this kind of proposal.
 - o The provisions for voluntary participation and selective geographical implementation would make it impossible to obtain definitive research findings on the program's effectiveness.
2. The funding provisions of the proposal are too loosely written and incomplete to ensure that the Federal budget will not be adversely affected--especially in light of the guaranteed benefit levels, the generous disregards, and the proposed work and training activities.
 - o We believe that Federal funding should be specifically limited to the costs which otherwise would have been incurred under the programs included in the demonstrations. The Low-Income Opportunity Improvement Act would provide the appropriate protection against cost increases while giving States the flexibility they need to test innovative approaches to welfare reform.
 - o The proposal does not address the inclusion of other public assistance programs, such as Food Stamps and Medicaid, under FIP. It is, therefore, unclear how these programs would interrelate. However, we believe that substantial expenditures over those resulting from current law would occur.

Sec. 603. Demonstration Projects for Evaluating Model Procedures for Reviewing Child Support Awards.

Description

This section would require the Secretary to enter into agreements with four States to conduct two-year demonstration projects to test and evaluate model procedures for reviewing child support award amounts. The States would be reimbursed for 90 percent of the reasonable costs incurred in conducting of the demonstration projects. Those costs would be excluded from total administrative costs in calculating incentives.

Administration position

This demonstration is unnecessary. The Department currently is evaluating State procedures for reviewing child support awards as part of its evaluation of the impact of the 1984 Child Support Enforcement Amendments.

Section 604. Demonstration Program of Grants to Provide Permanent Housing for Families that Would Otherwise Require Emergency Assistance

Description

Section 604 would establish a demonstration program which would allow up to 3 States the opportunity to test whether temporary housing costs under emergency assistance (EA) could be effectively reduced by the construction or rehabilitation of permanent housing that families on assistance could afford.

Eligibility for a grant would be limited to States which provide housing or shelter under the EA program, have an acute homelessness problem among families, and submit plans for achieving 10-year cost savings. Priority would go to States with the greatest potential cost savings.

Grants would be awarded within 6 months of the appropriation of funds. To receive a grant a State would have to assure that it would be used: 1) for permanent housing to be owned by the State, an agency of the State, a political subdivision, or a nonprofit organization; and 2) used exclusively for rental to families who would be eligible for AFDC, unable to find affordable housing, and otherwise homeless or compelled to live in a shelter or other temporary accommodations. The States would have to discontinue the use of an equivalent number of units of the most costly accommodations when units became available under the demonstration except under certain circumstances.

The average cost to the Federal government per unit of housing could not exceed the yearly Federal costs under EA for providing emergency housing or shelter in that jurisdiction. Federal costs over 10 years under the demonstration for construction, rehabilitation, EA payments and regular assistance would have to be lower than costs which would have been incurred if the State had made EA payments (at the 75th percentile cost rate) at the level of the standard payment to the families involved during the 10-year period. The non-Federal matching share would have to be equal to at least the State's AFDC payments matching rate plus 10 percent, but local jurisdictions could not be required to increase their matching share.

Failure by a State to meet grant conditions would be treated like an AFDC compliance issue. Grants in the sum of \$15,000,000 a year would be authorized for fiscal years 1988 through 1992, with State allocations based on need. Regulations would be required within 6 months of enactment.

Administration Position

We strongly oppose this demonstration proposal. The Emergency Assistance program was created to respond quickly to a family crisis by providing temporary assistance. It never was intended to address long-term causes of homelessness, such as shortages of low-cost housing.

The shortage of low-cost housing is a problem which has developed over a long period of time and has become acute in several large, urban areas. However, it is a housing problem, not a welfare problem, and it would be inequitable to establish a special program just for one portion of the low-income population.

In general, programs which have been established in the Department of Housing and Urban Development are designed to address low-income housing shortages. In addition to programs such as the Section 8 vouchers and certificates program, HUD administers a variety of programs specifically designed to help families that might otherwise need emergency assistance. These include the following:

- o Emergency Shelter Grants: Assistance related to emergency shelters involving the renovation, rehabilitation and conversion of buildings to be used as emergency shelters and provision of essential services for occupants, such as employment, health and drug abuse.

- o Supportive Housing Demonstration: 1) Transitional Housing to develop innovative approaches for funding supportive housing, particularly for deinstitutionalized homeless, families with children, and mentally handicapped, and to focus on the homeless capable of moving into independent living within a reasonable amount of time; and 2) Permanent Housing for the handicapped homeless.
- o Supplemental Assistance: 1) for facilities to assist the homeless; and 2) comprehensive assistance for particularly innovative programs and assistance to cover the costs in excess of assistance provided under the above two programs.
- o Section 8 Assistance: To develop Single Room Occupancy units with priority for the homeless.
- o Title V: To collect information about underutilized public buildings and to review the properties for suitability for housing the homeless.

HHS should not be in the housing construction and acquisition business -- a function it was never intended to serve and which is clearly inappropriate for the Department of Health and Human Services, as well as duplicative of HUD efforts.

Section 605. Demonstration Projects for Developing Innovative Education and Training Programs for Children Receiving Child Support Supplements

Description

This section would amend section 1115 to authorize projects which would demonstrate innovative education and training programs for children receiving assistance, including tests of financial incentives and other approaches to reducing dropout rates, encouraging skills development, and avoiding welfare dependency. The projects would last from 1 to 5 years.

Administration Position

The Administration supports increased waiver authority. However, we believe we should provide States with broad demonstration authority covering a wide range of programs rather than authorize numerous, narrow categorical demonstrations. Moreover, we believe that education and training projects for children should be carried out under the existing educational and training authorities rather than under the Social Security Act.

Section 606. Demonstration Projects to Address Access Problems

Description

This section would authorize grants to States for demonstration projects for activities designed to increase compliance with child access provisions of court orders, such as the development of systematic enforcement procedures, special staff to handle disputes, and dissemination of information. For each of fiscal years 1988 and 1989, \$5,000,000 would be authorized for this purpose. The Secretary would be required to submit a report on the effectiveness of the demonstration by July 1990.

Administration Position

We oppose this position because we oppose Federal intervention in this area. Visitation issues always have been a matter of State and local jurisdiction, and they should remain so.

Section 607. Demonstration Projects to Test Innovative Methods for Providing Suitable Foster Care Environments

Description

This section would authorize demonstrations, which could be conducted on less than a Statewide basis, to test innovative methods for providing suitable foster care arrangements and other needed services for infants abandoned or removed from their parents' custody and placed in a hospital. Selection of States would be based on need and submittal of a satisfactory proposal and evaluation. Projects would be conducted between October 1, 1987 and September 30, 1990. For each of the fiscal years 1988 through 1990, \$4,000,000 would be authorized.

Administration Position

We share the concern underlying this provision about infants with AIDS being abandoned. However, this provision is unnecessary because such demonstrations can be conducted under current law. The Department will be conducting studies of this problem and soliciting demonstrations of innovative approaches to the problem this year.

Section 608. Demonstration Projects to Expand the Number of Child Care Facilities and the Availability of Child Care, with Emphasis on Increasing Child Care in Rural Areas

Description

This section would authorize demonstrations in 5 to 10 States to conduct demonstration projects to increase child care opportunities for recipients. States would be required to contract with nonprofit organizations to assist providers who meet State and local standards in acquiring, expanding, or rehabilitating child care facilities. States would be selected based on the nature of assistance to be provided, geographic coverage, potential service population, and existing child care opportunities. Priority would go to States that focus on communities with populations under 50,000 and with the severest shortages of care for recipients. Projects would begin by September 30, 1988 and be conducted for 3 years (assuming compliance). States would provide information required by the Secretary, and the Secretary would report to Congress by October 1, 1991. For each of the fiscal years 1989 through 1991, \$5,000,000 would be authorized for these demonstrations.

Administration Position

We oppose this provision because it is duplicative of other Federal programs and funding sources. For example, States could undertake similar activities using funds from the Social Services Block Grant or administrative funds under title IV-A of the Social Security Act.

Section 609. Demonstration Projects to Encourage States to Employ CSS Mothers as Paid Day Care Providers

Description

Section 609 would amend Section 1115 of the Act to authorize demonstrations in up to 5 States involving employment of recipients as providers of day care for the children of other recipients. These demonstrations would be used to facilitate participation in the JOBS program and to give recipients increased opportunities to avoid welfare dependence.

Administration Position

This provision is unnecessary because under the current AFDC program, States would receive Federal matching funds which could support employment of recipients as providers of day care for other recipients. In fact, some States are already undertaking this type of activity. Therefore, a new demonstration authority in this area is not needed.

TITLE VII: PAYMENTS TO AMERICAN SAMOA, THE COMMONWEALTH OF PUERTO RICO, GUAM, AND THE VIRGIN ISLANDS

Section 701. Inclusion of American Samoa as a State under Title IVDescription

This section would include American Samoa as a State under Title IV, authorize a 75 percent matching rate, and cap Federal expenditures in American Samoa for parts A and E of Title IV at \$1,000,000 a year.

Administration Position

We oppose this provision. We believe that we should not extend the AFDC/CSS program to this territory because of the probable negative impact such a program would have on its economy and culture. Our concern comes in part from the enormous dependency problems which have developed in Micronesia following introduction of welfare benefits there. Moreover, a recent GAO report noted that American Samoan officials themselves opposed extending AFDC to their area because they believed it "would disrupt their 'extended-family' based culture".

Section 702. Increase the Amount Available for Payment to Puerto Rico, the Virgin Islands and GuamDescription

This section would raise the current cap on Federal matching funds in Puerto Rico, the Virgin Islands and Guam by about 13 percent, effective October 1, 1987.

Administration Position

We support this provision as long as the additional funds are targeted towards the provision of work activities.

TITLE VIII: WAIVER AUTHORITY

Section 801. Waiver Authority under Title IVDescription

This section would add a new part F to Title IV which would authorize the Secretary to approve up to 10 demonstration projects at a time to test new ways to assist families in becoming financially independent and provide States with maximum flexibility in using their low-income program funds. Applications would be submitted to the Secretary of HHS. The demonstrations would have to incorporate the principles of experimental design. In approving applications, the Secretary would consider a project's consistency with 9 general policy goals in the bill, ranging from meeting needs and reducing dependency to improving the operation of public assistance programs. The Secretary would be required to give special consideration to certain kinds of projects, e.g., those that

improve the methods of helping public assistance recipients, coordinate employment and training programs, provide transitional assistance, provide child care, etc.

Demonstrations could include programs under Title IV-A (including EA and JOBS), IV-B, IV-D, IV-E, the Social Services Block Grant, and any other non-Federal program designed to alleviate poverty. Applications would specify such things as: the included programs; eligible classes of individuals or families; principles of determining eligibility and maximum benefits (including assurances about no loss in benefits); and the expected effects on opportunities for achieving economic independence. Work, education, and training activities under the program would have to meet a variety of conditions regarding factors like access to child care, minimum wage requirements, health and safety standards, travel limitations, displacement, workers' compensation, and fair hearings. The Governor would retain final responsibilities for compliance.

To determine the funding and budget of the demonstration, each Federal department or agency with a program included in the demonstration would have to estimate how much in Federal and matching State funds would be spent under that program in the affected geographic area for each year of the demonstration if the demonstration were not in effect. The agency would provide its estimates, together with the underlying assumptions and principles, to the Secretary. The State also would provide the Secretary with the assumptions and principles which it used in developing its budget and funding levels. The Secretary would then review the Federal and State information for consistency. Adjustments in the budget would be made to reflect changes in Federal law and regulation, and the budget would be reviewed at least annually. The Secretary would establish a schedule of payments from affected agencies and a single set of technical or grant requirements for the demonstrations. The Secretary also could establish a single non-Federal share requirement. Payments to States could be adjusted to reflect earlier overpayments to them under the regular programs. However, payments to the States would not be adjusted where the amount of money actually needed to carry out the demonstration is less than the proposed budget because of the demonstration's effectiveness; the State could use these excess funds to improve the demonstration or otherwise benefit those included in the demonstration.

Where entitlement programs are included in the demonstration, States could propose that expenditures under such programs be continued as entitlements. In this event, the affected Federal agencies would submit budget estimates, and the Secretary would reject any proposal when the estimates indicated a large increase or decrease in the amount. If the Secretary approves, funding for the demonstration would be determined on the entitlement basis.

To be approved, applications must ensure that certain civil rights are protected and statutory requirements, including budgetary requirements, are met. The States would have to be notified of the Secretary's decision within 4 months of the date of the application's submittal. Notification of an approval would include the approved waivers, Federal funding and payment schedules. Disapprovals would explain the basis.

Individuals eligible under the demonstration would not separately be eligible for benefits under included programs, but would retain eligibility for programs not included under the program.

Within one year of the termination of any demonstration, the Secretary would have to submit a report to Congress. The Secretary also would have to submit annual progress reports.

Amendments which could improve the demonstration would be approved by the Secretary if they met demonstration requirements and benefits and services to eligible individuals were not substantially altered.

Unless the Governor or the Secretary opted out at an earlier time, demonstrations would be in effect up to 5 years. The Governor could terminate, with at least 3 months notice, upon a determination that the demonstration was not likely to be effective and that Federal, State or participant interests would be better served by termination. The Secretary could terminate the demonstration upon determining that the State was not meeting the conditions of approval.

This section would be effective October 1, 1987.

Administration Position

As discussed in the analysis of section 602, we support the concept of broad State demonstrations like those which would be authorized under the Low-Income Opportunity Improvement Act, S. 610.

However, we oppose this specific proposal because we have serious problems with several aspects of the bill. These problems include:

1. The limitation in scope to HHS activities

Under the bill, only a limited number of HHS programs would be waivable. The authority to grant waivers would be vested in the Secretary of HHS. We do not believe it is possible to test significant alternatives to the current welfare system under these rules. Welfare must be viewed as a system, and the program list would have to be significantly expanded to provide a real opportunity for trying alternative welfare systems. As it now stands, the list would not enable States to adequately address the extensive overlap in existing assistance programs or the administrative inefficiencies caused by conflicting program rules and procedures. To conduct meaningful welfare reform demonstrations, there should be authority to waive rules under any Federally-assisted program for low-income individuals. Also, States need to be able to file a single application for waivers from a variety of Departments. Thus, the demonstrations cannot be properly administered out of HHS or any single Department but must be coordinated through an interagency board. Such a board would provide a focal point within the Federal government for the development and coordination of policies affecting low-income individuals.

2. Limit of ten demonstrations

We believe that there should be no limit on the number of demonstrations. There are many problems with the current welfare system and many potential improvements. Limiting the number of demonstrations limits our chance to learn about possible ways to achieve improvement and puts the Federal government in the position of attempting to prejudge which are likely to be more successful, thereby potentially leading to the denial of worthwhile experiments.

3. Lack of limits on potential costs

As stated before, we believe that Federal funding for these types of demonstrations should be limited to the costs which would have been otherwise incurred under the programs included in the demonstration. This bill, by creating a new entitlement authority, puts the Federal government at an unacceptable, high

financial risk. It provides no real protection against unforeseen cost increases or faulty costing assumptions.

4. Excessive limitations on State flexibility

In a few instances, this proposal imposes requirements which could create severe administrative burdens on States and prevent States from testing true alternatives to the current welfare system. For example, the proposal seems unnecessarily prescriptive in the restrictions imposed on States in establishing work requirements. Of even more concern is the provision in section 493(d)(2)(C)(ii) which requires that benefit levels for any individual or family under the demonstration would not be lower than those which would be available under the included programs (or would be supplemented, if lower).

Meeting this requirement on a case-by-case basis would seem to require that States continue eligibility determinations and benefit calculations for all individuals and families under all programs included in the demonstration. Therefore, it would prevent States from enjoying significant administrative advantages under the demonstration and prevent States from implementing a true alternative system of assistance. We support the provision of the Low-Income Opportunity Improvement Act which would require States to "demonstrate that benefit levels will be adequate to allow individuals and families to reasonably meet the needs previously addressed by the programs included, but superseded by, the demonstrations". However, we cannot support any provision which prevents States from disengaging themselves from the current system and drastically limits their flexibility.

5. Statement of special consideration projects

We believe that the Federal government should permit as many, and as wide-ranging, demonstrations as possible.

6. Terminating experiments after five years

The length of time for demonstrations should be variable. Some may require less than five years for testing; others may require longer.

7. Requiring experimental design for all evaluations

While experimental design is recognized as the most reliable evaluation methodology, there may be instances where it is infeasible. For example, demonstrations with significant community involvement may make random assignment impractical. In such cases, quasi-experimental design or pre-post evaluation methodologies may be most appropriate.

MOYNIV6
9-Oct-87
Version

S.1511: FAMILY SECURITY ACT OF 1987
(Federal Budgetary Impact in Millions)

SEC. NO.	PROVISION	Effective Date	Programs	FISCAL YEARS				
				1988	1989	1990	1991	1992
I. CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY								
101	Mandatory income withholding for all child support orders	Enact. +2 yr	CSE	0	0	-8	-8	-8
102	Change in definition of disregard of first \$50	Enact.	CSE	1	1	1	1	1
103	Guidelines made mandatory with periodic review	Enact. +2 yr	CSE	0	0	-47	-81	-104
111	Standards for paternity establishment	Enact. +3 yrs	CSE	0	0	3	2	-3
112	90% match for paternity lab costs	Enact.	CSE	3	4	6	9	9
121	Prompt State response to requests for child support assistance	Enact. +1 yr.	CSE	0	23	29	31	12
122	Mandatory automatic tracking and monitoring systems	Enact.	CSE	3	3	10	10	10
123	Access to INTERNET	Enact.	CSE	-1	-1	-1	-1	-1
124	SSN on birth certificate	Enact. +2 yr	CSE	0	0	-1	-2	-2
125	Commission on interstate child support	Enact.	CSE	1	1	0	0	0
II. JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING PROGRAM								
201	Establishment of JOBS program	Oct-89	CSS Medicaid	68 %	100 %	380 -10	460 -20	468 -30
201b	State option to require certain absent fathers to participate in JOBS	Oct-89	CSS	**	**	**	**	**
202a	Federal matching rate 75% for services and 50% for administrative expenses	Oct-89	CSS	**	**	**	**	**
202b	Payment of child care, transportation and other work-related expenses	Oct-89	CSS	13	20	117	157	184
203	Repeal of certain provisions	Oct-89	CSS	0	&&	&&	&&	&&
204a	Regulations schedule	Enact.	CSS	0	0	0	0	0
204b	Performance standards developed after study	Enact. +5 yrs	CSS	0	0	0	0	0

204c	Implementation study	Enact.	CSS	1	1	1	0	0
204c	Cost-effectiveness study	Enact.	CSS	10	10	10	10	10
III. TRANSITIONAL ASSISTANCE								
301	Transitional child care benefits	Oct-88	CSS	0	84	86	92	93
302	Transitional Medicaid benefits	Oct-88	Medicaid	0	35	105	175	230
IV. FAMILY LIVING ARRANGEMENTS								
401	Most minor parents required to live with their parent	Enact. +1 yr	CSS	0	-20	-21	-21	-23
402a	Mandatory Unemployed Parents Program	Oct-89	CSS	0	0	153	315	323
			Medicaid	0	0	110	270	330
			Food Stamps	0	0	%%	%%	%%
402a	Quarters of work & allow States to abolish 100-hr rule or increase hours	Oct-89	CSS	0	0	22	38	51
402b	State plan requirements	Oct-89	CSS	&&	&&	&&	&&	&&
402c	Participation in training & educ. programs count as quarters of work	Oct-89	CSS	0	0	3	5	8
V. BENEFIT STRUCTURE IMPROVEMENTS								
501	Periodic reevaluations of need and payment standards	Enact.	CSS	&&	&&	&&	&&	&&
VI. DEMONSTRATION PROJECTS								
601	Child support demo project in NY	Oct-87	CSS	2	2	2	2	2
602	Demos evaluating model procedures for reviewing child support awards	Oct-88	CSS	0	4	4	0	0
603	Demos on shelter for homeless	Oct-87	CSS	15	15	15	15	15
604	Demos of ed. & training programs for children to reduce dropout	Oct-87	CSS	2	2	2	2	2
605	Demos to address visitation problems	Enact.	CSS	5	5	0	0	0
606	Demos to test methods for providing foster care environments	Oct-87	CSS	4	4	4	0	0
607	Demos on child care	Oct-88	CSS	0	5	5	5	5
VII. PAYMENTS TO TERRITORIES								
701	Inclusion of American Samoa in CSS program	Oct-87	CSS	1	1	1	1	1

702	Increased funds for the Territories	Oct-87	CSS	10	10	10	10	10
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VIII. WAIVER AUTHORITY

801	Waiver authority revised	Oct-87	CSS	&&	&&	&&	&&	&&
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TOTALS		CSS	131	243	794	1,091	1,149
		CSE	7	31	-8	-39	-86
		Medicaid++	5	60	250	480	585
		Food Stamps++	0	-5	-17	-29	-36
		NET	143	329	1,019	1,503	1,612

NOTES:

** Costs for these provisions are included in the line for JOBS.

&& Less than \$500,000.

++ Estimates for Medicaid and Food Stamps are based on the entire bill; the selected provisions shown were estimated separately.

% Estimated decreases in Food Stamp spending on Food Stamp recipients who begin receiving FSP benefits approximately equal estimated increases in Food Stamp spending on people newly eligible for both programs.

S.1511: FAMILY SECURITY ACT OF 1987
(Federal Budgetary Impact in Millions)
BY TITLE

TITLE / Program	Total Summarized	FISCAL YEARS					
		1988	1989	1990	1991	1992	
I. CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY							
Child Support Enforcement Program		7	31	-8	-39	-86	
II. JOB OPPORTUNITIES AND BASIC SKILLS (JOBS) TRAINING PROGRAM							
Child Support Supplement Program		92	131	508	627	662	
III. TRANSITIONAL ASSISTANCE							
Child Support Supplement Program		0	84	86	92	93	
Medicaid		0	35	105	175	230	
IV. FAMILY LIVING ARRANGEMENTS							
Child Support Supplement Program		0	-20	157	337	359	
V. BENEFIT STRUCTURE IMPROVEMENTS							
Child Support Supplement Program		&&	&&	&&	&&	&&	
VI. DEMONSTRATION PROJECTS							
Child Support Supplement Program		28	37	32	24	24	
VII. PAYMENTS TO TERRITORIES							
Child Support Supplement Program		11	11	11	11	11	
IX. WAIVER AUTHORITY							
Child Support Supplement Program		&&	&&	&&	&&	&&	
TOTALS		CSS	131	243	794	1,091	1,149
		CSE	7	31	-8	-39	-86
		Medicaid	5	60	250	480	585
		Food Stamps	0	-5	-17	-29	-36
		NET	143	329	1,019	1,503	1,612

NOTES:

&& Less than \$500,000.

Statement by the Honorable Hank Brown
Ranking Member, House Ways and Means Subcommittee on
Public Assistance and Unemployment Compensation

Chairman Bentsen and Senator Moynihan:

I greatly appreciate the opportunity to address the Senate Finance Committee about welfare reform. Senator Moynihan and many others have done a great deal of creative work to fashion S.1511. Some of us have even ventured the guess that Senator Moynihan would like to include further benefit increases in his bill, but declined to do so on the grounds that major new benefit increases would destroy welfare reform. In our view, he is right, and we compliment him for writing a bill that represents a reasonable starting point for serious negotiation between Democrats and Republicans and between Members of the House and Senate.

As many of you will recall, the Congress undertook welfare reform last winter amidst widespread talk of consensus on the importance of work. There was then, and there is now, general agreement that dependency among welfare participants is a serious problem, and that education, training, and employment programs have a reasonable chance of reducing dependency. But when the House of Representatives took up welfare reform in earnest, it quickly became clear that the heralded consensus on dependency and work did not exist.

After months of partisan debate, the Ways and Means Committee reported out a welfare reform bill that not only fails to encourage work among welfare recipients, but actually erects new barriers to work. The most important among these are:

--outright exemption of all welfare mothers with children under age 3. This provision alone exempts more than 20% of the caseload from participating in the employment and training programs;

--a prohibition on use of the Community Work Experience Program for more than six months, and under some circumstances, for more than three months. An unbiased observer might express some amazement that a bill designed to promote work contains a provision to severely limit use of the one current program that states use to give recipients direct experience in the labor force. What rational argument can be used to limit this program which has now been in existence for six years and operates in half the states?;

--a prohibition on jobs that do not pay a "standard wage." I note in passing that no one has bothered to define what is meant by standard wage, and draw your attention to the fact that this provision limits the flexibility of officials operating these programs in the nation's cities and counties. Do we promote work by outlawing a job that a welfare mother without work experience and with limited education could fill merely because it pays 50 cents an hour less than the amount some official says should be the standard wage for that job?

--a prohibition on jobs that pay less than the value of welfare benefits. Who is helped when welfare regulations try to provide recipients with guarantees that no one else gets from the labor market? Millions of young Americans enter the labor force each year and take jobs that pay less than the value of a welfare package that includes AFDC, food stamps, and medicaid. But within a few years, if they work hard they are almost certain to earn much more than they would receive from welfare.

In summarizing these provision of the House welfare reform bill, it is amazing that legislation sold to the American public as pro work actually would restrict job referrals. What a tragedy it would be if we were to pass welfare reform legislation that erects new barriers to work, and thereby move welfare recipients even further away from the fundamental goal of independence.

Mr. Chairman, we cannot urge you in terms that are too strong to create a welfare reform package that avoids these foolish and short-sighted-prohibitions on work.

Instead, we hope you will write legislation that advances the nation toward three goals. First, we should provide the states and localities with much greater flexibility in helping citizens who request aid from our many public assistance programs. The President's report Up From Dependency carefully lays out the rationale for working to achieve this goal, and proposes a specific program to help us get there. More specifically, we need to provide a broad waiver authority that would allow states to design demonstration programs addressed to dependency, to achieving greater efficiency in administration, and to encouraging better coordination among the wide range of welfare programs.

Senator Moynihan has included a good-faith program of this type in his bill. The House Republican bill goes further, especially by including more than twice as many programs that the states could use in designing their demonstrations. We do recognize the issue of committee jurisdiction, and believe that a program like Senator Moynihan's will at least establish the principles that states know as much as the federal government about effective welfare programs, and that States can be trusted to create reforms that are in the best interests of welfare recipients.

Second, a good welfare reform bill should contain very strong child support enforcement provisions. We all congratulate Senator Moynihan on the excellent child support provisions in his bill. We would, of course, enjoy participating in some negotiation about details--especially those concerning paternity establishment and interstate enforcement--but both the Moynihan provisions and those in H.R. 3200 are a good start.

Third, and most important, we urge you to create an employment and training program whose primary aim is to move welfare recipients toward independence. In our view, such a

program must contain mandatory participation standards. The standards should start low--at perhaps 15% of the non-exempt caseload--and build gradually over a decade or so until around three-quarters of AFDC recipients are involved in a program designed to lead to employment.

Not everyone agrees that participation standards are appropriate at this time. However, federal law has required work for more than two decades, and yet many of the states have failed to involve more than a small fraction of their caseloads in actual employment programs. Recipients of public assistance must understand that public benefits are accompanied by public obligations--by civic accountability. The federal government must set the tone for this change in welfare philosophy. We know of no way to do so other than by requiring participation and setting specific goals for the states.

Participation standards are the heart of welfare reform. But if we expect states to impose these standards on recipients, we also realize that the federal government must be willing to pay part of the bill. Thus, we would immediately commit \$500 million to support state designed employment and training programs, and greater sums in subsequent years if the programs are being effectively implemented by the states.

Federal funding of employment and training programs brings me to the next principle that we suggest you consider in fashioning your welfare reform bill. Whatever financing mechanism you select, we urge you to include incentives that reward states that actually place welfare recipients in jobs. There are several ways to achieve this goal, and we modestly suggest you consider the specific mechanisms built into the House Republican bill.

Finally, we are aware that welfare clients need some assistance during the period of transition from welfare dependence to productive participation in the labor force. Current law contains no provisions specifically focused on

ensuring child care assistance during the transition period. Under the leadership of Representative Nancy Johnson, we have developed a generous proposal that would provide child care subsidies to Americans who have left welfare to accept jobs that pay less than 150% of the federal poverty level.

Again, there are surely a host of excellent approaches to providing transition child care. But the best ones will tie benefits to income, and will require some contribution from former recipients from the very beginning. Above all, good child care provisions will neither require nor encourage use of center-based or other expensive forms of child care. Let parents make their own arrangements, and provide them with some financial help.

All of us--Republicans and Democrats--are faced with an historic opportunity to reform America's welfare programs. Increasing state flexibility can stimulate creativity at the state and local level, and in all likelihood encourage a stream of innovative welfare strategies that will breathe new life into our welfare programs. Strong child support enforcement will firmly establish the principle of parental responsibility for financial support of children and minimize the need for welfare programs to support poor children. And most important, helping the states build strong and mandatory employment and training programs will move the Nation toward a welfare system based on the principles of civic accountability and individual initiative.

House Republicans have constructed a bill that will move the nation toward achieving all these objectives. This bill has been endorsed by the Reagan Administration. If the Senate now gives careful attention to the principles and legislative provisions Mr. Rowland and I have summarized here this morning, the Congress will be able to rescue welfare reform at the Eleventh Hour. Then we shall have planted the seeds of hope and initiative in a system that is now characterized by confusion and apathy.

Statement by
Senator Daniel Patrick Moynihan

On Monday last, the stock market fell by over 500 points, a crash even deeper than that which ushered in the Great Depression. It is sad that it took so stunning a blow as this to bring the President to the table to discuss deficit reduction. He has, now, at least consented to talk with us.

Everyone is or ought to be worried about the implications of the market's lack of confidence. We have been living well beyond our means for the last seven years and it has caught up with us. We must reduce the deficit.

Deficit Reduction

And we shall. In fact, we have begun. Both the House and the Senate are working on a Budget Reconciliation bill that will, through a combination of spending reductions and new revenues, save \$23 billion in FY 88.

That sum is only a start. Clearly we will have to do better. There is no disagreement on that point. The question then remains, how do we effect the additional savings necessary to restore confidence in this country's economy? Whatever we do, it is generally agreed that Social Security will be exempt.

Protecting Social Security Benefits...

And that raises a curious problem. Social Security -- the Act -- includes the Aid to Families with Dependent Children (AFDC) program. As everyone here is aware, it is this program that is the focal point of our welfare reform efforts and these Finance Committee hearings.

What bears repeating is that all Social Security Act programs, save this one for the children, have their benefit payments adjusted for changes in the cost of living.

Indeed, on December 31 of this year, Social Security beneficiaries will receive a 4.2% cost-of-living benefit increase. This is not a real increase in the amount of income;

rather it is an adjustment that preserves purchasing power. This adjustment prevents an effective cut in benefits.

Except for Poor Children

This same 4.2% increase in inflation that Social Security beneficiaries are protected against represents a further erosion in the purchasing power of AFDC recipients because their benefits remain unadjusted for inflation. Since 1970, children's benefits have declined by one-third in the median state.

If one had set out in 1970 to cut children's benefits by one-third, as a means of saving the federal and state governments some money, he would have been rightly branded mean-spirited or worse.

It is bad enough that children's benefits have been allowed to erode as they have over the last 17 years. It is bad enough that we, in S. 1511, the Family Security Act of 1987, are not attempting to raise and index children's benefits. We did not include such provisions in our bill because they are just too expensive at this time in our fiscal history.

We Can Afford the Family Security Act

Having made that very difficult decision, we nonetheless proceeded to introduce legislation with a modest price tag: \$2.3 billion in new federal spending over five years; \$87 million in new federal spending in FY 88. Last year, we spent \$26 billion on agricultural price supports.

Two billion dollars (over five years) for a welfare bill is not a great deal of money as these things go. We will hear today from some witnesses who will tell us that it is not nearly enough. I also worry that it is not enough. At the moment, however, I worry more that we may not even have that much.

Twice in the last week, the distinguished Republican Leader, and the ranking minority member of our Subcommittee, Senator Dole, has said that we ought to slow down congressional consideration of new spending bills, including welfare reform.

We must not allow the Family Security Act to be lost in this manner. The \$87 million we need next year, the \$210 million we need in FY 89, and the \$610 million in FY 90 are not staggering sums. The elimination of \$87 million from the FY 88 budget -- money which has already been reserved in the Senate Budget Resolution for welfare reform -- will not resolve our larger problems with the deficit.

Fighting for Children

I urge Senator Dole and my other distinguished colleagues on this Committee and in the Senate not to give up on AFDC reform.

I am proud that support for the Family Security Act is bipartisan; Senators Durenberger, Danforth, and Chafee are among the 13 members of this Committee cosponsoring S. 1511. I am confident that we can, together with the help of the Chairman and Senators Packwood and Dole, report out a bill that strengthens child support enforcement, that helps prepare unemployed mothers to find and take jobs, that provides transitional child care and Medicaid to families leaving the welfare rolls for payrolls, and that stops discriminating against poor children who live with both their parents.

We can do at least this much for the future.

GARREY CARRUTHERS
Governor



OFFICE of the GOVERNOR
State of New Mexico
Santa Fe 87503

The Honorable Daniel P. Moynihan
United States Senate
Washington, D.C. 20510

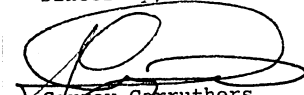
Dear Senator Moynihan:

Thank you for your recent letter regarding the Family Security Act (S. 1511). In New Mexico, my administration is completing a welfare reform plan which we have chosen to call "Mainstream." This effort is a combination of state legislation, waiver requests to be submitted to federal funding agencies, and regulation changes designed to promote self-sufficiency and reduced dependency on public assistance on the part of persons receiving Food Stamps and Aid to Families with Dependent Children.

The objectives of the Family Security Act are similar to those of Mainstream, particularly with regard to the emphasis placed on child support enforcement as well as education and employment opportunities. It is apparent that the Family Security Act, if passed, would be of assistance to my administration in efforts to improve the existing system.

Thank you for sharing the information contained in your letter. I would appreciate any additional material you might wish to share regarding the act and its status.

Sincerely,



Garrey Carruthers
Governor

LG/RDB/LM/lm

The New York Times - October 25, 1987

Jersey Gets Key U.S. Waivers In Effort to Overhaul Welfare

By JOSEPH F. SULLIVAN

Special to The New York Times

TRENTON, Oct. 23 — After more than a year of negotiation, New Jersey has become the first state to obtain Federal waivers so that it can begin one of the most sweeping welfare overhauls in the country.

The New Jersey program, which will require nearly all able-bodied welfare recipients to accept job training and seek full-time employment, comes amid a broad national re-examination of welfare policy.

Many people say New Jersey's experience could become a model for other states and for the Federal Government; indeed, Congress is debating a welfare bill, sponsored by Senator Daniel Patrick Moynihan, that essentially would make it easier for states to follow New Jersey's example.

President Reagan told New Jersey officials recently that the new program "could prove among the most far-

reaching and significant ever in helping those on welfare get off and become productive citizens."

But what the President did not say was that the waiver process — which was concluded only after a 12-hour White House meeting that ended at 2 A.M. on Oct. 1 — was an exercise without precedent, one that presented the Federal bureaucracy with a novel challenge and helped a new White House agency earn its spurs.

"There is no way the state could undertake a program like this without these things in place," said Drew Altman, the state's Commissioner of Human Services, who found himself spending hours in various Washington offices as soon as he took over the job July 1, 1986, while Governor Kean lobbied President Reagan directly, or talked with Howard H. Baker Jr., the President's chief of staff.

Among the most important rights won by the state were these:

¶ The state will be able to keep and recycle the savings in Federal funds that are expected to accrue from the changes.

¶ A total of 600 welfare recipients who agree to become family day-care providers will be allowed to keep a larger portion of their welfare grants despite earning income.

¶ The state will be allowed to phase in its program and operate it differently in each county.

¶ Welfare recipients will be eligible for Medicaid benefits for up to 12 months after finding a job.

Slow Approval Process

In addition, the waivers allow New Jersey to extend its program to women with children as young as 2 years old, instead of 6 years old as required in Federal regulations. "Without that, we couldn't have hoped to meet our goal of trying to get to those on welfare before they become long-term recipients," Mr. Altman said.

Getting the approvals from the various Federal agencies involved was slow and labored. "We're still trying to fight the concept of top-down control around here; we have 50 years of top-down control to deal with," according

to Chuck Hobbs, a Presidential assistant who heads the new White House agency, the Low Income Opportunity Advisory Board. So far, Wisconsin is the only state other than New Jersey to ask for regulatory changes to enable it to begin an experimental program.

Under the New Jersey plan — called Reach, for Realizing Economic Achievement — all able-bodied welfare recipients must agree to take part by accepting job training and education and trying to find full-time employment. In return, the state will provide training, day care services, transportation and Medicaid coverage.

Governor Kean signed the Reach legislation Oct. 8 in Bergen County, one of three counties, along with Middlesex and Union, where the program will begin. Within two more years it will be operating in all 21 counties, Mr. Altman said. The cost to the state by then will be about \$100 million.

The waivers giving the state time to phase in the program and operate it differently in each county were important to state officials.

"This is not Kentucky Fried welfare reform, where you set up identical franchises in each county," Mr. Altman said. "The program is being run by the counties with local officials, job-training councils and community groups all participating."

Because of the differences in the needs of welfare clients in rural, suburban and urban counties, the program may come up with different ways to provide the transportation and day care services and may offer the job counseling and training services through different agencies.

Flexibility is also the byword of Mr. Hobbs's office and the focus of a bill sponsored by Senator Moynihan, Democrat of New York, that is in hearings before the Senate Finance Committee.

Mr. Hobbs noted that New Jersey's Reach program emphasizes job training and Wisconsin's program, which will soon get the four waivers requested, stresses education and is aimed at keeping young welfare recipients with children in school.

"Both programs are worth trying," Mr. Hobbs said. "If we were to sit down and design our own program, we may not do it either way, but we want to allow the states the latitude to come up with their own ideas."

Rikki Baum, an aide to Senator Moynihan, said his bill "would grant the governors the flexibility they asked for to design their own programs and would assure them the funds to put them into operation."

Many of the waivers obtained by New Jersey are part of the bill, including the ability to phase in programs or limit them to a few counties and to include welfare recipients with children as young as one year, as long as day-care services are provided.

STATEMENT OF
THE HONORABLE BILL CLINTON
GOVERNOR OF ARKANSAS
NATIONAL GOVERNORS' ASSOCIATION

Mr. Chairman, distinguished members of the committee, it is my pleasure to be here today as a lead Governor on welfare reform for the National Governors' Association.

Welfare reform has been the number one priority for the nation's Governors since our Welfare Prevention Task Force was first organized in the spring of 1986. We responded to the challenge issued by the President in his 1986 State of the Union Address by developing a welfare reform policy that captures the thinking and experience of the states. States have been the laboratories for effective strategies aimed at reducing welfare dependency by increasing opportunities for meaningful education, training, and work.

We first presented our policy to you in testimony on April 9, 1987. It includes six basic components:

- o A strong, well-coordinated child support enforcement program that underscores our basic belief that parents must support their children through their own efforts;
- o A flexible, state-designed work program that accommodates remedial education, training, job placement and experience;
- o A requirement that all recipients of cash assistance with children age three or older participate in a work program;
- o A binding contractual agreement between the recipient and the government that assigns clear, mutual obligations--the client to strive for self-sufficiency and the government to provide adequate support services for a designated period of time as the client moves toward economic independence;
- o An enhanced case management system at the central point of intake that assesses a client's needs, resources, and the steps necessary to move the client toward self-sufficiency; and
- o As we realize savings from a strong work program, movement toward a cash assistance program that would ultimately be a state-specific family living standard developed according to a nationally prescribed percentage of that state's family living standard.

These basic principles, incorporated into a policy statement that received nearly unanimous, bipartisan support from the governors, are principles around which a national consensus has developed. Policy statements issued by groups as diverse as the American Public Welfare Association, the National Alliance of Business, and the United Way contain the basic thought that as a matter of national policy, we must turn a system that is now simply an income maintenance system with a minor work component into a system that offers welfare recipients a way out! The labor and business communities have repeatedly told us that the United States faces a massive shortage of an educated, trained work force as we approach the 1990s. We believe that the opportunity we provide the adult welfare population to enter the workforce and, perhaps even more importantly, the opportunity we provide for the seven million children living on welfare to grow up in households where education and work are the norm, is critical to our future as a nation. It is good social policy. It is good business!

Senators, an opening for debate and action on welfare reform seems only to come once every five years. The Governors share Senator Moynihan's belief that there is a rare and important syzygy, an alignment of individuals and organizations around some basic and critical themes that should not be denied. Unless we seize this opportunity swiftly and enact welfare reform in this session of the 100th Congress, we will lose this rare moment for another five years. The country cannot afford this loss.

We applaud Senator Moynihan for his tremendous leadership on the issue of welfare reform. His bill, S. 1511, supported by 56 of your colleagues, is an comprehensive outline for turning our welfare system around. The bill, consistent with much of the Governors' policy, seeks to do what the Governors believe must be done--that is, to turn from a maintenance system that traps millions of women and their children in hopeless dependency toward a program that offers opportunity and hope to those families. We believe that the Senator's bill is the appropriate reference point for a discussion of welfare reform in this committee.

One of the common themes Senator Moynihan strikes in his bill is the idea that a fundamental underpinning for welfare reform is a strong, well-coordinated child support enforcement system that enforces the belief that each parent has a responsibility through his own efforts, to support the children he or she has brought into the world. We appreciate this emphasis. The consensus that we must do a better job with child support is evidenced in other bills before the Committee as well.

In introducing his child support enforcement bill, S. 869, Senator Bob Dole said, "The time has come for Congress to be serious about reforming our national welfare system and there is a bipartisan commitment to do just that. Part of this effort will involve some fine tuning of the former child support

enforcement initiative." Senator Dole's bill provides five basic ideas for improving our national performance in child support enforcement which he, like the Governors, sees as a first line defense against welfare dependency. His bill calls for: automatic wage withholding upon the issuance of a child support award by a court; the incorporation of child support award guidelines in state statute as rebuttable presumption; the updating of all child support award orders every two years; the use of employment service data in tracking absent parents; and increased penalties to states for failure to comply.

We support all of these ideas with the caution that automatic wage withholding requires a fully automated tracking system in all but the smallest of our states and that states need sufficient lead time to incorporate child support award guidelines into state statute.

Senator Bradley has also recognized the critical importance of a strong child support enforcement program and outlined his strategies in S. 1001. His bill would boost state efforts to establish paternity, particularly in cases where children are receiving Aid to Families with Dependent Children; incorporate state guidelines for establishing child support awards into state statute that are binding on the judiciary; establish four state demonstrations to test and evaluate model procedures for reviewing child support awards, provide for immediate wage withholding unless both parents agree to an alternative arrangement, mandate an automated tracking and monitoring system, establish a Commission on Interstate Child Support to make recommendations for improving interstate child support systems and revising the Uniform Reciprocal Enforcement of Support Act; and give states access to the Department of Labor's INTERNET system for purposes of locating absent parents.

Again, we support these ideas. We are aware that states have not always done a good job of cooperating with one another in tracking absent parents or in enforcing sister state child support awards. We, therefore, especially welcome the idea of a commission focused on developing better interstate relationships. We would suggest that, if such a commission is established, Governors be represented on the panel.

Clearly, there is a broad consensus to focus more attention on child support enforcement, including the common themes of automatic wage withholding, the establishment of child support award guidelines in state statute, intensified efforts to establish paternity, automated tracking systems, and wider use of employment data to track absent parents. The Governors stand ready to implement these ideas.

The second fundamental underpinning in both Senator Moynihan's bill and the Governors' policy, is a comprehensive education, employment and training program that provides critical support services that will assist adult welfare recipients become employable and employed. Further, our policy and Senator

Moynihan's bill propose that government help remove disincentives to work and smooth the transition to self-sufficiency by providing key ancillary services like day care and health care coverage for a time after an individual leaves a training program and enters private employment.

I would like to use my remaining time to offer a few comments on some critical aspects of the pending bills.

1. Senator Moynihan's bill requires each state to design and operate a flexible training program for welfare recipients. While we appreciate the flexibility that the Moynihan bill offers the states in this regard, we are concerned that a state might simply implement a job search program and consider the job done. Many of our welfare clients are in need of intensive services. Many cannot read or write. Others have had no connection with the labor market and have no marketable skills. We would suggest that the bill require that all states provide a range of services to include education, training, and on-the-job training, without specifying the specific services to be provided. Such language will ensure that the intent of our policy--that each recipient receive as wide a range of services as is possible, consistent with a state's economic condition--is carried forward without telling each state specifically how to do so.

2. There is much disagreement about which recipients should be served by an employment and training program. H.R. 1720, the House Ways and Means Committee bill, requires participation of all recipients whose youngest child is three or older. States have the option to require participation of recipients with children down to age one, if they receive a federal waiver and guarantee appropriate child care. The Moynihan bill is similar except that it does not require federal waiver to serve recipients with children age one to three and, arguably, does not guarantee child care to program participants. H.R. 3200, the Michel bill introduced in the Senate by Senator Dole, requires participation of all recipients with children age 6 months or older. We would suggest as a middle ground for this debate that participation in education, training and employment be mandatory for recipients with children age three or older but only with a guarantee that safe, appropriate child care will be available to their children. Further, we suggest that states be allowed the option of serving only those recipients with younger children who volunteer for the program. Taking volunteers with very young children ensures that recipients will come forward only if appropriate child care is available.

3. Another critical issue surrounding the establishment of an education, employment and training program for welfare recipients is funding.

The Governors believe strongly that this program must operate with an open-ended match. States will only invest funds, both federal and state, up to the point where it is cost effective in the long run; that is, where AFDC benefit savings offset the initial investment. Currently less than one percent of all AFDC expenditures go towards the support of welfare recipients in their quest to become economically independent. Our proposal for open-ended funding, even under the most generous assumptions, will see us spending only 6 to 7 percent of our AFDC dollars on education, employment, and training. If we are to give more than lip service to the idea that people can be educated and trained, than we must be willing to invest in that idea.

The Governors would be willing, however, to look with the Congress at reasonable ideas for capping administrative costs for the program. Limitations on administrative costs would increase state efficiency in running the program and would encourage states to utilize existing employment and training systems rather than creating wholly new systems.

4. Another critical component of the Governor's policy that bears discussion is the idea of transition services. All of the bills currently before the Congress recognize the need to extend health care coverage to recipients who leave AFDC for employment. H.R. 1720 calls for six months of continued Medicaid coverage, the Michel bill uses current law, and the Moynihan bill calls for four months of extended coverage with five additional months provided on a sliding fee scale. We would suggest that states provide Medicaid coverage to families leaving the AFDC rolls for increased earnings due to work for a period of nine months, the last five months of which states may charge an income-related premium at their option. Additionally, we would recommend to the committee that states be given the option to extend health care coverage to recipients for an additional nine months conditioned on the payment of an income-related premium or offering alternatives like enrollment in an employer's group health plan, enrollment in the state employees health benefit program, enrollment in a state basic health care plan for the uninsured or enrollment in an HMO. We must fashion a solution that recognizes that one of the major disincentives to work for our current welfare population is loss of health care coverage for themselves and their children.
5. The other transitional service we feel strongly about is the provision of day care to families leaving the AFDC rolls for employment. Hardly a day goes by without a newspaper report of the great unmet need for child care for our working families. And during

the course of our work on welfare prevention last year, many welfare and former welfare mothers stressed the need for a healthy, appropriate day care setting for their children. We support Senator Moynihan's provision for nine months of transitional day care on a sliding fee scale.

6. In our policy, the Governors call for a new way of paying benefits to eligible recipients. Rather than a national minimum benefit level, an idea which always seems to die in the glare of budget realities, we proposed a Family Living Standard, developed according to a national methodology but using state-specific costs to arrive at a state-specific standard of living. Our proposal included the extension of such a benefit to intact families as well as single-parent families. While we recognize that this is not the year to achieve this proposal, we encourage you to include in a final bill, a study of our idea or other proposals for a more rational way to provide cash assistance to families who will continue to need our help. Welfare reform will not be fully accomplished until we, as a nation, confront the difficult problem of widely varying standards of need in this country.
7. For almost as long as we have been debating welfare reform, the issue of whether or not to provide cash assistance to intact families has been controversial. Consensus is growing around the idea that you cannot encourage the formation of stable, healthy families while pursuing a national policy that provides assistance only to families with an absent parent. We believe that the extension of the unemployed parent program to all states is good policy. We would suggest that as a part of the extension of UP, one parent in a two-parent family receiving benefits be required to participate in the education, training, and employment program.
8. A final item for comment is the concept of broad waiver authority to allow the states to experiment with alternative approaches which meet a specific list of policy goals. This idea was first introduced by the Administration as a result of its year-long welfare study, and was included in the Michel bill, and, less broadly, in the Moynihan bill. It is an idea with merit. It recognizes that the states and local communities have provided most of the creative solutions now being used to combat welfare dependency. While we support flexible waiver authority, we do not want to compromise the entitlement nature of critical safety net programs in an era of massive federal budget deficits. While it is clearly Congress's prerogative to decide its jurisdictional lines, we leave you with the thought that, with appropriate protection of the entitlement nature of the programs, most Governors support waiver authority.

Mr. Chairman, members of the committee, we hope our comments have been helpful to you. In closing, I would like to come back to one critical idea. The similarities among the various pieces of legislation are more important than the differences. The similarities speak to the broad consensus on this issue. But consensus is a fragile thing. It can quickly come apart in the swirl of deficit reduction, competitiveness strategies and presidential politics. On behalf of the nation's Governors, I urge this committee, this Senate, and this Congress not to let this historic opportunity pass. We must act. We must act now.

Thank you.



Welfare Reform Hearing-- Statement by John C. Danforth

Thank you Mr. Chairman for holding this hearing on welfare reform. This is an issue that deserves careful thought and defies simple answers. The question of how to adequately and fairly provide for the needy without encouraging dependence and discouraging work is one that our nation has been grappling with for years. I am pleased that our Committee is again struggling with the difficult problems associated with the welfare system in an effort to find a way of helping the poor escape out of poverty.

I have a long standing interest in welfare reform. In 1978, I joined Senators Baker, Bellmon, Ribicoff, Hatfield, Stevens, and Young in introducing the Job Opportunities and Family Security Act of 1978. That bill was designed to increase family stability, simplify the system, reduce the inconsistencies in the program among the states, and make it more profitable to work than to remain on welfare.

Given the fiscal constraints of today, the proposal we set forth in 1978 seems radical. However, the problems remain the same and the major concern I had then is still a

concern today. Our country has a history of making comprehensive changes in our welfare programs without thorough understanding. There is certainly some intellectual appeal in sweeping away an old system that doesn't seem to be working and replacing it with a new, comprehensive program. However, the people who receive welfare are not intellectual concepts but very real people- the poorest in our Nation- with very real problems and needs. Dramatic changes in the welfare system must be based on careful study resulting in educated answers rather than ideological guesses. The solutions must work. My hope is that in this Congress we will be able to make some positive changes in the system based on what we have learned, but more importantly, that we will be able to recognize that we do not have all the answers yet. A number of states, including Missouri, have developed new ideas about how to improve the welfare system. My hope is that the basis of the legislation that passes this year will be a reliance on this experimentation by the states.

While there is still a great deal of disagreement over the problems with the system, the causes of these problems, and the possible solutions, a general agreement has developed on certain issues. Liberals and conservatives alike agree that the current welfare system is outdated and permits the expansion of a growing single parent culture by not encouraging family formation and by not expecting responsibility from either of the young parents. Both agree

that the changing demographics and economics mean that we can no longer tolerate a system that does not help those on welfare gain the skills and attitudes necessary to move into the workforce. It is generally agreed that legislation in this Congress must improve our child support enforcement system; encourage welfare recipients to become trained and well-equipped for available jobs; and ensure that the system is one of mutual commitment where welfare recipients are expected to move off the rolls into work.

Senator Moynihan's bill, that we are examining today, contains these basic features. This piece of legislation builds on the consensus that has been formed over the last year by shifting the welfare system from a simple payment system to one of mutual obligation. If passed, it would ensure that the system encourages parental support of children, rather than presenting obstacles to independence and trapping people in a web of long-term dependency.

Most importantly, this bill does not try to "solve the welfare problem". It builds on what we have learned and recognizes that there is still a great deal that we do not know. Rather than discarding the system or making numerous requirements for the states, it makes incremental changes and encourages experimentation. The Family Security Act of 1987 takes one step in the right direction. It is a modest proposal that should not create false hopes for a "solution". However, if passed, it would enable a fundamental shift in our welfare institution and an encouragement of the values that we cherish in this country.



Statement of Senator Dave Durenberger
 Senate Finance Committee Hearing on Welfare Reform
 October 14, 1987

I'm extremely pleased that the Finance Committee, joined by many distinguished colleagues from the Senate and House, is turning in earnest to consideration of welfare reform. Our welfare reform efforts come at a time when society needs to reaffirm the value it places on children and on the well-being of future generations.

The challenge that faces us today was brought home to me in an article in Sunday's Washington Post. The story, titled "Fewer Students May Make the Grade: Poverty, Language, Home Life Raise Barriers to Graduation," described the incoming kindergarten class at East Consolidated elementary school in St. Paul, Minnesota. Of the 167 students in the Class of the Year 2000, fifty-three (32 percent) live in single-parent households; and eighty-one (49 percent) live in home where either both adults are unemployed or the single parent is unemployed. This year, for the first time, minority enrollment in the kindergarten class hit 50 percent: 11 students are Hispanic, 8 are black, 65 are Asian. This class is not unusual. Classes all across the nation reflect the changing nature of the American family and the demographics of our society.

Due to a lower birthrate in recent years, the class of 2000 will be smaller than many of its predecessors but this does not mean an easy road ahead for these children. The difficult circumstances faced by many of these children and their families -- poverty, divorce, unemployment, single parenting -- make these children at high-risk for dropping out of school, early parenting, alcohol and drug abuse and joblessness. Unless we renew our commitment to children and particularly those in disadvantaged circumstances, these children will be inadequately prepared to assume adult responsibilities and become productive, contributing members of our society.

We must strengthen our commitment to providing quality education and training that will prepare our children for tomorrow's workforce. We must ensure that all of our nation's children have a healthy start and that the special health needs of children are met as they grow into young adults. We must see that poor children are given the opportunity to fulfill their potential. If we do not do this now, we will be wasting our nation's most valuable resource -- our children.

We need a welfare reform policy that restores the value society places on children and families. We need a policy built on human dignity, personal responsibility and fairness and one that is designed to strengthen families -- the building blocks of our future.

Our welfare program must:

- * Move us toward greater dignity for the parent by providing "stepping stones" to independence . . . to the ability to bring home a paycheck;

- * Reaffirm the fundamental responsibility of parents for the well-being of their children;

- * Strengthen child support enforcement through better collection efforts and paternity establishment;

- * Assist parents in developing the skills to make the transition from welfare to economic self-sufficiency;

- * Help families seeking to make this transition by providing child care and transportation assistance and access to health care coverage.

The Family Security Act, S. 1511, authored by our distinguished colleague Senator Moynihan, meets these requirements and deserves all of our support. It is just one several proposals introduced this year to improve our welfare system. Together these proposals suggest a level of interest in this issue which is unprecedented in recent years. I am very encouraged by this and hope we can work together to reach a consensus that will strengthen families and improve the lives of our children.

STATEMENT OF SENATOR DANIEL J. EVANS

COMMITTEE ON FINANCE

S. 1511

October 14, 1987

I. Introduction

Mr. Chairman, I am delighted to have the opportunity of testifying before this Committee on a matter of such importance to our nation. Reform of our federal welfare system is long overdue. Welfare programs nationwide are failing to help the very people they are intended to serve. Hard-core poverty and long-term unemployment persist. Too many of our children confront a world of limited hope and opportunity. A recent study by the American Enterprise Institute found that between 35-40% of the nation's poor in the mid-1980s were children and their caretakers in families headed by women. Millions of our citizens are functionally illiterate. A government such as ours, premised on equity and fairness and ensuring that all our citizens share in prosperity, cannot and must not tolerate the ill-effects of our existing welfare system.

I commend the Committee for its willingness to move forward on welfare reform. My distinguished colleague from New York, Senator Moynihan has developed a sound legislative package that would do much to repair the gaping holes in the federal safety net. He deserves much of the credit for returning this issue to the fore of domestic policy debate.

Mr. Chairman, my comments today will focus on three areas which, in my view, the Committee must give particular attention in preparing a legislative reform package. First, we must consider the framework within which welfare reform must take place - namely, a strong and cooperative federal-state partnership. Secondly, we must recognize current efforts by states to develop and implement welfare demonstration projects. Finally, we must address the existing and very serious shortcomings in our quality control system for federal income assistance programs. I believe this issue is critical to welfare reform efforts.

II. S. 1511 Within Context of Federalism Reform

I was an original cosponsor of S. 1511. I strongly endorse the major elements of this package, many of which are similar to the provisions included in legislation I introduced earlier this year calling for comprehensive reform of our federal-state partnership. That measure emphasizes assisting children living in poverty and breaking the generational reliance on public assistance. Most important, it seeks to eliminate those federal policies which destroy the family. Achieving these goals must be our first priority.

S. 1511 contains a number of provisions which are aimed at these objectives. The legislation, for example, requires all states to join the 26 states already participating in the AFDC-Unemployed Parent program. The current AFDC program encourages the separation of parents in order to qualify for benefits. My own state of Washington discontinued its AFDC/UP program in February, 1981. In the next 17 months, 38.2% of former AFDC/UP families became eligible for regular AFDC benefits, in most instances, because there were no longer two parents in the home. This result is not unique in Washington State. In Missouri, state administrators found that 27% of AFDC/UP cases closed after

suspension of the program in 1981 were reopened as regular AFDC cases during the next 14 months. The AFDC program, without a UP component is antifamily and must be changed.

S. 1511 also strengthens the child support enforcement laws currently stranding many single parents on public assistance. It enhances work and training opportunities for AFDC recipients and targeted efforts to place those with a history of long-term reliance on welfare, while providing necessary support services such as child care and assistance with transportation costs for those participating.

A continuing roadblock to many who attempt to become independent is the staggering costs of medical coverage and child care. The legislation provides transitional Medicaid and child support coverage for those attempting to move off public assistance.

There are other provisions I, along with many others, would like to see addressed by S. 1511. The inclusion of some type nationwide minimum benefit level is essential. The nationwide disparity in benefits is disgraceful. Such grants vary up to 500% among states. To be poor and hungry in New York, however, is not much different than being poor and hungry in Mississippi, Maine or Missouri. To eliminate these inequities, the federal government should establish national minimum benefit levels and eligibility standards for the AFDC and Medicaid programs. This national benefit floor should be established at between 75 and 90% of poverty-level income.

Due to our current budgetary constraints and philosophical differences, I recognize that establishment of a national minimum benefit may not be possible at this juncture. As an alternative, I would urge the Committee to adopt a provision calling upon the National Academy of Sciences to complete a comprehensive evaluation of minimum benefit proposals. This study would include assessments of how to establish performance standards, state impact and other implementation issues relevant to successful maintenance of performance levels. A similar provision is contained in the House welfare reform proposal.

III. STATE WAIVER REQUESTS

S. 1511 contains various state waiver requests for welfare demonstration projects. Such proposals should be encouraged in our welfare reform efforts. Much can be learned from state projects seeking to simplify and improve benefits and training opportunities. I believe they will illustrate the many areas in which the federal government has over-burdened and over-regulated states. Providing states with the freedom to design alternative systems must be accompanied with guarantees that assistance to the beneficiary will not be diminished in any way.

Washington State's waiver request contains such guarantees. The AFDC portion of the project has been included in S. 1511. I would urge that this provision be expanded to include the necessary waiver for Medicaid. This project, the Family Independence Plan, (FIP), is a five-year demonstration project as an alternative to the current AFDC program. FIP is a work-training intensive project aimed at enhancing the job skills of welfare recipients. It is a proposal that has been carefully drafted and has received overwhelming bipartisan support from our state legislature. In my view, it is the most advanced and well-crafted proposal of all the state waiver requests in S. 1511.

Under the terms of the new state law, the state will implement this program in January of 1988. Thus, the necessary waivers must be in place well ahead of this date. I cannot

emphasize more strongly that time is of the essence for the Washington State project. I therefore stand ready to work with the Committee to attach the FIP waiver provisions to another appropriate legislative vehicle if it becomes apparent that the Congress will not complete work on S. 1511 this year.

IV. REFORM OF THE FEDERAL QUALITY CONTROL SYSTEM

Our efforts to reform the federal welfare system will be futile if we are unable to ensure that states have the necessary resources and capabilities to carry out our new proposals. The existing quality control system for AFDC, Medicaid and Food Stamps, if left unchanged, will prevent states from moving forward. Under this system, huge fiscal penalties have been levied against the states for their error rates in program administration.

During the last legislative session, we recognized the serious flaws in federal quality control and commissioned a study by the National Academy of Sciences to explore reform alternatives. This study has not yet been completed. Additionally, we placed a moratorium on the collection of AFDC penalties. This moratorium will expire in July, 1988. I strongly urge the Committee to include a provision in S. 1511 extending the moratorium in both the AFDC and Medicaid programs. In AFDC alone, over \$234 million is pending in penalties for FY'84 and in all three programs, over \$1 billion in fines has been levied against the states. Until we develop a new system that will serve as an effective management tool, we cannot allow the existing process to be used to impose additional and more punitive hardships upon the states and ultimately, the very people these programs are to serve.

V. Conclusion

In conclusion, Mr. Chairman, S. 1511 is an important first step in building a strong and secure safety net for all our citizens. As we move ahead, we should keep in mind the critical next steps in this continuum. They require a determination of how the federal government will finance its increased role in providing a more secure safety net. We must begin the important task of sorting out and returning to state and local governments, programs they can operate more efficiently and more effectively.

The legislation I introduced earlier this year, S. 862, offers such a concept. A more secure safety net program can be achieved by gradually terminating federal responsibility for a variety of intergovernmental programs than can be operated better by state or local governments.

For those state and local governments too poor to fund federal program terminations, targeted general assistance grants would be available to help during the transition. In total, the cost of the new safety net benefits conferred would be equal to the cost of the old programs terminated and the new general assistance created. Fiscal neutrality, the key to the success of tax reform, undoubtedly will help ensure the adoption of major welfare reform.

As a nation, we cannot afford to continue proposing reform and falling short. The mood in Congress and throughout the nation is receptive to change. If we are clever and prudent, we can make the necessary changes proposed by Senator Moynihan and others -- and the changes I have suggested to S. 1511 today -- without spending much more money.

Thank you, Mr. Chairman. I stand ready to work with you and the Committee on this legislation and would be happy to answer any questions you or any Committee members may have.

TESTIMONY OF THE HON. JAIME B. FUSTER, RESIDENT COMMISSIONER
FROM PUERTO RICO, BEFORE THE COMMITTEE ON FINANCE

October 14, 1987

Mr. Chairman, members of the Committee, I appear before you today on behalf of the 3.5 million American citizens who live in Puerto Rico, to request your assistance in effecting a much-needed overhaul of the existing limitations on AFDC funding for Puerto Rico.

To put matters in perspective, let me briefly review the history of Puerto Rico's participation in this program. Aid to Dependent Children was established under Title IV of the Social Security Act in 1935 as a cash grant program to enable participating jurisdictions to aid needy children with one or both parents dead, disabled or absent from home. Renamed Aid to Families with Dependent Children, the AFDC Program was extended to Puerto Rico in 1950, 15 years after its implementation on the U.S. mainland. Despite the extreme poverty prevailing on the Island at that time, Puerto Rico was not granted participation on a parity basis. Instead, a ceiling of \$4.25 million was placed on the amount of federal assistance, which included both Aid to Families with Dependent Children and Aid to the Aged, Blind and Disabled.

This cap was subsequently raised to \$24 million in FY 1972. Later, in 1979, the cap was raised to \$72 million. That was the last time that the ceiling for Puerto Rico's participation in this most important program was revised. Now, eight years later, as we enter the closing years of this decade, I believe that the time has come to revisit the conditions and limits placed on Puerto Rico's participation in AFDC.

In this regard, I request your support for a moderate cost-of-living increase to raise the ceiling currently applicable to the Commonwealth of Puerto Rico from \$72 million to \$104 million. This action is absolutely necessary simply to restore the original purchasing power that the existing cap had, when it first went into effect many years ago..

Such an increase is also needed in order to partially rectify the major disparities which have arisen between benefit levels payable on the mainland, and those payable in the Commonwealth. At present, the average AFDC monthly payment for a family of three is only \$97 on the Island, as opposed to \$340 on the mainland. Similarly, the average monthly payment on the Island per recipient is only \$30, versus \$116 in the continental United States. These figures reflect real and significant inequalities. Moreover, since the existing cap was established, the cost of living in Puerto Rico has risen by over 40%. This has substantially eroded the real value of the existing allocation.

The bottom line is that the poor Americans who live in Puerto Rico not only receive public assistance which is grossly inadequate to meet their most basic needs, but that they are also subjected to a form of economic discrimination which other poor Americans do not experience. The result is that those who need assistance the most are actually receiving the least assistance. While it is true that we are presently laboring under severe budgetary constraints, it is also true that the present situation perpetuates inequity. As a matter of simple justice, this situation should not be allowed to continue.

Secondly, I would like to request your support for the inclusion of Puerto Rico in the welfare reform package finally approved by your Committee. I am sure that you will agree that it would be patently unfair to exclude the American citizens of Puerto Rico from the Child Support Supplement as set forth in S.1511, or from any other program designed to replace the existing AFDC program. I support the concept of welfare reform, and I hope that the people of Puerto Rico will eventually participate in the benefits of an improved, family-oriented approach.

Finally, I request that Puerto Rico be excluded from any provision mandating the AFDC-UP program. As the proposed expansion of the AFDC-UP program would entail new outlays, most jurisdictions would automatically receive additional moneys to cover such outlays. This will not occur in the case of Puerto Rico, however. Since our allocation is capped by statute, any additional outlays would have to come from Puerto Rico's own, extremely limited, financial resources. Any increase in our allocation would thus be literally "eaten up" in an attempt to comply with this new requirement. I therefore ask that the Commonwealth be relieved of this burden until additional funding is available to facilitate compliance.

In considering Puerto Rico's request, the Committee should bear in mind that after an 89-year long legal relationship between the Island and the mainland, and despite substantial economic development, needy American citizens in Puerto Rico still remain the poorest group within the population of the United States.

TESTIMONY

of

DOUGLAS G. GLASGOW
 VICE PRESIDENT FOR WASHINGTON OPERATIONS
 NATIONAL URBAN LEAGUE, INC.

SUMMARY OF KEY POINTS

- The National Urban League's perspective on welfare reform is framed by seven guiding principles which stem from its rich historical and current experience in serving poor families.
- We must be successful at improving the lives of at least one-third of America's poor who comprise the AFDC population, if we wish to begin addressing the problems of overall poverty and unemployment in this country.
- S. 1511 takes a positive step towards strengthening families by mandating the AFDC-UP program for all states. The Urban League urges adoption of this provision.
- The Urban League recommends inclusion of language in S.1511 that would place community based organizations at the planning/program design and service delivery levels of education, training and employment programs.
- The National Urban League prefers placing primary national emphasis on improving the labor market system (and the means of getting into and staying in that system) as the first avenue by which parents can support themselves and their children. S.1511 instead feeds into the distorted and disruptive public perception that all poor fathers are assumed unwilling to support their children by placing its first emphasis on the child support collection system.
- S. 1511 must make major improvements in its "JOBS" program by: assuring that states provide at least basic education, skills training, and other employment related services; placing emphasis on voluntary rather than mandatory participation; providing clear and strong federal directives and performance standards for meeting the needs of the long-term and those at risk of becoming long term AFDC recipients; and providing satisfactory guarantee that appropriate, safe and quality child care be available to "JOBS" participants.
- Less than one year extended child care, medical and transportation assistance following placement in unsubsidized (low paying) employment sets the stage for repeated spells of AFDC. S. 1511 must continue to move in the direction of one year extensions for these important services and delete those provisions that deny extended day care and medical assistance to persons sanctioned in the prior year despite their leaving AFDC in good standing.
- The Urban League recommends deletion of S. 1511's Title VIII- Waiver Authority.
- The National Urban League does not consider the AFDC Employment and Training Reorganization Act of 1987 (S.1655) a "welfare reform" bill and urges its rejection.

NATIONAL URBAN LEAGUE PRINCIPLES FOR WELFARE REFORM

- (1) The primary objective in reforming our system of social welfare must be to strengthen the family.
- (2) Program interventions must be designed to insure that poor families and individuals needing and seeking work have equal access to income through viable employment, thus enabling their capacity to participate fully in society.
- (3) Families and individuals having multiple barriers to employment such as a lack of education, skills training, work experience, and long term spells of poverty and unemployment must be targeted for intensive services that facilitate their transition to the labor market.
- (4) To insure permanent entry or reentry into the labor force, special emphasis must be placed on the critical transition stage from public assistance to employment. Support services such as child care, transportation, extended medicaid coverage and income disregards must be provided.
- (5) A system of social welfare benefits must be economically just and promote the strengthening of families.
- (6) A comprehensive continuum of service delivery systems must be utilized in national and local plans for improving the lives of poor families and individuals. Along with federal, state and local private agencies, community based organizations must be strategically involved in both planning and service delivery levels.
- (7) As a nation, we must never be hesitant or timid in utilizing our federal resources effectively to improve the life conditions of families and individuals living in poverty.

Mr. Chairman and members of this committee, as Vice President of the National Urban League responsible for Washington Operations, I appreciate this opportunity to offer the Urban League's approach and recommendations pertaining to proposals for welfare reform under consideration by this committee, particularly S. 1511 as introduced by Senator Moynihan.

Our perspective on welfare reform is framed by seven guiding principles which stem from the Urban League's historical and current experience at identifying and meeting social service and economic needs of primarily poor individuals and families. Key areas of longstanding service include education, job training and other employment related services. Established in 1910, the National Urban League is a private, nonprofit, interracial community service organization with 112 affiliates in cities throughout 34 states (including the District of Columbia). Through various programs of direct services, research and advocacy, the Urban League Movement is committed to securing full and equal opportunity for minorities and the poor.

Before I proceed with our specific comments and recommendations for S.1511, I must first stress that the National Urban League, in its extensive work on welfare reform with members of both houses of Congress, has repeatedly emphasized the need to address the broader issues of poverty and unemployment in this country. In prior testimony before various committees and subcommittees of the House and Senate, we provided extensive analysis and perspective on these two national problems, including the growing phenomenon of the working poor, their disproportionate impact upon Black Americans, and outlined remedial strategies for their resolution. The National Urban League fully intends to keep these issues before the nation and the Congress, and is committed to fashioning creative, humane, and effective plans for their solution.

The Urban League is encouraged that both houses of Congress have recognized the need to address the problems of at least one-third of America's poor, namely the parents and children who are recipients of the Aid to Families with Dependent Children program (AFDC).

Indeed, we must and can be successful with this population of poor. To strengthen families both economically and socially, welfare reform proposals must reflect what we have learned about AFDC through research and direct field experience. For example, we know that AFDC recipients:

- want to work to support themselves and their children;
- are comprised primarily of children who need the same protection and care as non-poor children;
- differ in the amount of time spent on AFDC;
- that the approximate one-quarter of AFDC recipients who are long-term consume about 60% of AFDC resources and need various educational, training and employment services;
- that recipients at risk of becoming long-term are young unmarried women with young children;
- that recipients need critical supportive and transitional services such as child care, medical care, and transportation to facilitate their movement into permanent, unsubsidized jobs; and
- that 2-parent AFDC families tend to move off AFDC more readily than single parents.

It is therefore imperative that we incorporate what we know about the realities of AFDC poverty into our proposed solutions and invest our limited resources accordingly.

In light of what we know about AFDC recipients and using the Urban League's seven principles for welfare reform as our guide, I should like to highlight the following comments on and recommendations for S. 1511.

- o First, we are encouraged that Senator Moynihan's bill has taken a positive step towards strengthening families by mandating the AFDC-UP program for all states and allowing for state improvements upon current AFDC-UP law. We urge adoption of this provision.

- o Second, we are pleased to learn of Senator Moynihan's intention to include language in S. 1511 that would place community based organizations at the planning/program design and service delivery levels of education, training and employment programs. This is especially important if we wish to utilize the entire continuum of service delivery systems available to us in implementing welfare reform. We urge that S. 1511 be amended to adopt such language.

However, the National Urban League is deeply concerned about those provisions of S. 1511 which are not compatible with the principles we consider to be high priority. Principle (2) addresses the issue of parental support for their children through equal access to income through viable employment. The National Urban League prefers placing primary national emphasis on improving the labor market system (and the means of getting into and staying in that system) as the first avenue by which parents can support themselves and their children. By placing first emphasis on the child support collection system, and by particularly proposing immediate mandatory automatic wage withholding, S. 1511 feeds into the distorted and disruptive public perception that all poor fathers are assumed irresponsible and unwilling to support their children. The impact of this message is especially detrimental to Black Americans, in light of the fact that Blacks remain disproportionately poor and disproportionately unemployed. A close examination of recent child support data reveals that:

- o In 1985, the presence or absence of child support was not a major determinant of whether the family existed in poverty. On average, Black and white poor households who did receive child support remained poor after the receipt of child support (\$5,005 white/\$5,403 Black).
- o Black males whose economic circumstances permit them to enter into child support agreements (i.e. allow for awards) perform as responsibly as their white counterparts in adhering to such agreements. Of the 8.8 million female-headed households in 1985 with children under 21 with an absent father, approximately 26.2% (2.3 million) were Black, with 70.6% of the white and 36.3% of the Black such households having been awarded child support. Nearly the same proportion of Black (72%) as white women (74.6%) received child support in 1985.
- o Additionally, based upon our analysis of 1985 child support and other income related data, as well as findings from studies prepared for HHS by the Bush Institute of Child and Family Policy in 1985, national child support collections would be greatly increased if more emphasis were placed on higher income fathers.

Therefore in order to convey a more realistic national policy on parental support for children, the Urban League recommends that S. 1511 place its "JOBS" program as Title I, delete immediate mandatory automatic wage withholding, and add language to its child support provisions that also emphasizes the need to increase collections from higher income parents.

Urban League principle (3) states that "families and individuals having multiple barriers to employment such as lack of education, skills training work experience, and long term spells of poverty and unemployment must be targeted for intensive services that facilitate their transition to the labor market".

S. 1511 fails to meet this most critical principle and must be amended to correct the following deficiencies:

- o Establishment of a "JOBS" program without any assurance of key federal standards: states are allowed virtually complete flexibility in the choice and scope of employment related services; S. 1511 therefore does not assure that states provide at least basic education, skills training, and other employment related services for those recipients who need these services, leaving the door open for states to choose only current law workfare (CWEP) and/or job search programs as the only state"JOBS" programs. A 1987 report by the U.S. General Accounting Office (GAO) confirms our ongoing concern that states, for the most part and provided with limited resources (as seems inevitable under deficit reduction) would continue to offer very limited employment services;
- o S. 1511 emphasizes mandatory rather than voluntary participation requirements when we know that AFDC recipients want to work and need not be coerced to improve the quality of their lives;
- o S. 1511 also fails to provide clear and strong federal directives and performance standards for meeting the needs of the long-term and hard-to-employ AFDC recipient, a population of special concern to the National Urban League and, as studies have found, often screened out of most employment programs. We find that S. 1511's fiscal incentive for targeting the long term AFDC recipient and the young at-risk of becoming long-term is insufficient in emphasizing and directing states' need to specifically serve this population. Additionally, S. 1511's fiscal incentives for targeting could be easily diluted by the bill's inclusion of parents in two-parent families as part of this target population.
- o Additionally, S. 1511 does not provide satisfactory guarantee that appropriate, safe and quality child care will be available to mandatory "JOBS" participants.

This is especially critical for very young children who need constant supervision and care. Poor families must not be forced to choose between a threat of loss of income through abusive sanctioning at program implementation levels or placing their children at risk in child care arrangements that could bring them physical and/or emotional harm.

In principle (4) the Urban League stresses the importance of providing certain services for that critical transition stage from public assistance to employment. The need for extended child care, medical assistance, transportation and income disregards have been repeatedly documented through Congressional testimony and reflect the recommendations of those service providers who work directly with poor and low income families, as well as AFDC recipients themselves. Less than one year extended child care, medical and transportation assistance following placement in unsubsidized (low paying) employment sets the stage for repeated spells of AFDC. In light of the current fiscal climate,

the Urban League is encouraged that Senator Moynihan's bill does provide for 9 months of extended child care on a sliding scale fee and we would urge consideration of further extending this service to at least one year. We would further recommend extended medical coverage (without states' imposition of a premium on the recipient) for at least one year. Additionally, S. 1511 must be amended to delete those provisions that deny extended day care and medical assistance to persons sanctioned in the prior year despite their leaving AFDC in good standing.

Our final priority principle (5) stresses that "a system of social welfare benefits must be economically just and promote the strengthening of families". The National Urban League is deeply concerned that this principle will be particularly violated by the provision in S. 1511 that proposes expanded waiver authority to states. It is our view that this provision essentially paves the way for eventual abandonment of 50 years of federal responsibility in social welfare and employment related programs. Critical to the constituency of the Urban League is the fact that, through this provision, the Secretary of HHS could ignore a state's noncompliance with civil rights laws and choose to continue funding a project despite state violations. Black and other minority Americans know only too well the experience of being "defined out" when eligibility rules for various programs are being formulated. The Urban League therefore recommends deletion of S. 1511's Title VII Waiver Authority.

In conclusion, I should like to comment briefly on S. 1655, the AFDC Employment and Training Reorganization Act of 1987, introduced by Senator Dole. The National Urban League does not consider S. 1655 a welfare reform bill. Instead, through its hollow and punitive provisions on employment training, child care, mandatory participation requirements, state participation performance standards, and unlimited waiver authority, S. 1655 represents a detrimental approach to and a dangerous detraction from national efforts to permanently move families and individuals out of poverty. The Urban League urges rejection of S. 1655.

Thank you for the opportunity to testify on this most important issue. The National Urban League stands ready to work with this committee in fashioning a just, humane, and effective welfare reform bill in the days ahead.

PREPARED STATEMENT OF JUDITH M. GUERON

Good morning. I am Judith Gueron, President of the Manpower Demonstration Research Corporation (MDRC). I appreciate the opportunity to share with you today my observations on the work and training provisions of the welfare reform bills currently before the Committee. Given the time available, I will limit my remarks to two bills -- S.1511, introduced by Senator Moynihan, and S.1655, introduced by Senator Dole -- and I will not address the broader welfare reform issues raised by these bills. My intention is not to endorse either bill, but to discuss some of the issues they raise in the context of the available research on welfare employment programs.

Often Congress must make decisions on social policy with strong evidence of the problem but little certainty on the effectiveness or cost of proposed solutions. This is particularly troubling, given the public's concern with accountability. We are, however, in a very different position with regards to employment and training programs for welfare recipients, because of very rigorous research conducted by MDRC since 1982. In the Omnibus Budget Reconciliation Act of 1981, Congress gave the states the opportunity to experiment with a variety of employment approaches for AFDC recipients. We can speak with confidence now because a number of states submitted their initiatives to rigorous evaluation using control groups and because funding for this pioneering research was provided by the Ford Foundation and the states.

Let me start by sharing with you the general message from the research. Let me also note that it is impressive that the legislative proposals now before you seem to recognize and embody many of these lessons. I have attached a fuller discussion of the research findings to my written testimony.

First, we have learned that welfare employment programs can benefit both welfare recipients and taxpayers. They can lead to increases in earnings and reductions in dependency. Across the states in the MDRC study, employment rates rose, on average, between 3 and 8 percentage points, which translates into earnings gains of between 8 and 37 percent.

Second, we have learned that we should, nonetheless, be modest in our expectations. We can count on change, but should not expect a quick solution to the problems of poverty and dependency.

Third, we have learned that it costs money in the short run to save money in the longer run, a difficult lesson given current constraints but one that should moderate our rhetoric.

Fourth, we have learned that much of the creativity and will is at the state and local levels, and new legislation should be designed to promote this. Since no one approach has emerged as superior, federal legislation should encourage state ownership and initiative and provide flexibility while assuring the efficient use of resources. At the same time, the continued need for federal funding for welfare employment programs is also clear.

In translating these lessons into legislation, we should also consider the nation's twenty year history into the WIN program. 1987 isn't the first time that Congress has expressed a preference for work over welfare. With less consensus, back in 1971, Congress required that all adult AFDC recipients with school-age children register and participate in a welfare employment program and take jobs or risk sanctions. In fact, given limited and later rapidly shrinking resources, participation often become a paper process and the program lost credibility as it failed to meet this operational objective.

What do the research and this experience suggest about specific provisions in the work programs of the several bills before the Committee? I mentioned earlier that most of the bills incorporate the basic research lessons, both in the prominence they give to employment programs and in their recognition of the importance of meeting a number of general principles: promoting state flexibility and assuring that programs serve high risk groups. Also, in a larger context, the bills recognize both the success and the limitations of employment programs, by complementing these with efforts to expand child support enforcement and to improve other aspects of the welfare benefits system.

While in many respects the bills make incremental changes in welfare employment programs, formalizing what has been accomplished since 1981, in

one area they go beyond what is known by requiring participation from mothers with young children. On this issue, S.1511 seems more incremental in its approach, while S.1655 -- by mandating participation from mothers with children as young as six months, and setting participation standards for teen mothers as well as the overall caseload -- has the potential for more radical change. It should be stressed that MDRC's research does not directly address the implications of this change. Our studies have focused mostly on women with school age children; we do not have data on the impact or cost-effectiveness of mandatory programs that work on a large scale with teen mothers or mothers of small children.

While state flexibility is intended to be a keystone of the new legislation, there are complex ways in which particular features of the bills may undercut that principle and stifle the kind of experimentation that has been going on over the past few years. For the remainder of my comments, I'd like to focus on four interrelated issues which are likely to affect how states carry out the legislation: the availability of resources, targeting strategies, service mix, and participation or other performance standards. In some cases, the research record suggests what ought to be done; in others, it can identify what should not be done, but is less able to point to a specific solution. In such cases, we feel that the open questions are as instructive for formulating policy as the clear answers.

1. Recognizing funding realities

The extent to which Congressional enthusiasm for mandatory employment programs is translated into operating reality will depend on how much money the federal government provides, the federal/state matching rate, and how states respond to new funding arrangements. Both S.1655 and S.1511 recognize the importance of assuring a minimum national program, and wisely continue to provide base funding at a 90 percent federal match. This effectively guarantees that states will continue to receive at least their current WIN allocation level. S.1655 proposes a capped appropriation, starting at \$500 million, with federal funds available to states at a dollar-for-dollar match beyond the 90 percent matching base. The availability of funds under S.1511 is not subject to an appropriation, and the federal/state matching rate is set at 60/40 for most employment and training activities.