

**STATEMENT BY
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**BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE**

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Mr. Chairman, Senator Grassley and members of the Committee, I am honored to appear before you today to discuss the next phase of welfare reform. Together our work has had a profound impact on our nation's most vulnerable families. We have exceeded the most optimistic expectations by assisting millions of families in moving from dependence on welfare to the independence of work; we have provided a strong commitment to child care to ensure parents can go to work without worrying about the safety and well-being of their children; and we have succeeded in collecting record amounts of child support on behalf of children with a parent absent from the home. I am confident that together our work in reauthorizing the Temporary Assistance for Needy Families (TANF) program and the Child Care and Development Block Grant and Child Care Entitlement Programs, coupled with several critical changes to Child Support Enforcement, will lead to even greater achievements in the future.

President Bush has laid out a clear path for reviewing all of the programs impacted by the historic, comprehensive Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA). The President made a commitment to pursue four important goals to continue transforming welfare in the lives of those that it helped: strengthen work, promote strong families, give States more flexibility and show compassion to those in need. These goals formed the guideposts in shaping the Administration's proposals for TANF, child care and child support.

I would like to spend my time today sharing information with you on the important progress we have made in strengthening families under these three critical programs and highlighting the specific areas the President has targeted for improvement. I will begin with TANF, the cornerstone of our welfare reform efforts.

Temporary Assistance for Needy Families

As a former governor, I can tell you that the Temporary Assistance for Needy Families program – or TANF – has been a remarkable example of a successful Federal-State partnership. States were given tremendous flexibility to reform their welfare programs and as a result, millions of families have been able to end their dependency on welfare and achieve self-sufficiency.

Since 1996, welfare dependence has plummeted. As of September 2001, the number of families receiving assistance, which represents the welfare caseload, was 2,103,000 and the number of individuals receiving assistance was 5,343,000. This means the welfare caseload and the number of individuals receiving cash assistance declined 52 percent and 56 percent, respectively, since the enactment of TANF. Between January and September of last year national caseloads actually declined about two percent, and while the July to September statistics indicate a slight increase, the figures are still well below the previous year's caseload levels. The general trend suggests the national caseloads are not rising but, instead, have stabilized.

In New York City, where we are understandably most concerned about job opportunities, the city achieved more than 53,000 job placements for welfare recipients from September through December 2001. While the number of TANF recipients increased briefly as a direct result of the tragedy of September 11, by January there were about 18,000 fewer TANF recipients on the rolls than there were in August. Indeed, in December New York City had its lowest number of persons on welfare since 1965.

Some other positive outcomes we have seen since the law's passage include:

- Employment among single mothers has grown to unprecedented levels.
- Child poverty rates are at their lowest level since 1979. Overall child poverty rates declined from 20.5 percent in 1996 to 16.2 percent in 2000. The poverty rate among African American children declined from 39.9 percent to 30.9 percent – the lowest level on record. The poverty rate among Hispanic children declined from 40.3 percent to 28.0 percent – the largest four-year drop on record.
- The rate of births to unwed mothers has stabilized.

But even with this notable progress, much remains to be done, and States still face many challenges. Last year, my Department held eight listening sessions throughout the country to discuss the TANF program and understand the new challenges ahead. The States overwhelmingly support this program. States, administrators, recipients, employers, and advocates have provided valuable insight into how we could make the program even more responsive to the needs of families, while keeping the basic structure and purpose of the program.

The Administration's proposal to reauthorize TANF would build upon our stunning success by:

- strengthening the Federal-State partnership;
- asking States to help every family they serve achieve the greatest degree of self-sufficiency possible through a creative mix of work and additional constructive activities;
- helping States find effective ways to promote healthy marriages and reduce out-of-wedlock childbearing;

- improving the management and, therefore, the quality of programs and services made available to families; and
- allowing States to integrate the various welfare and workforce assistance programs operating in their States.

I would like to offer some detail on each of these elements.

Strengthen the Federal-State Partnership

Our proposal seeks to strengthen the Federal-State partnership by maintaining the Federal financial commitment to the program and by making some key policy changes to increase State flexibility. We provide \$16.5 billion each year for block grants to States and Tribes and an additional \$319 million for annual Supplemental Grants to States that have experienced high population growth and had historically low funding levels. We will also reauthorize and improve the \$2 billion Contingency Fund. Authorization for both the Supplemental Grant program and the Contingency Fund expired in 2001, but one year extensions for both were recently enacted into law as part of the economic stimulus package signed by President Bush this past Saturday. We continue the current maintenance of effort (MOE) requirement to retain States' contribution to assistance for children and families. Finally, we will restore over five years the policy permitting the transfer of up to 10 percent of TANF funds to the Social Services Block Grant.

In addition to these basic funding provisions, we propose a number of policy changes on the use of funds that will provide States increased flexibility in managing their programs.

- We ease limitations on services for the unemployed by clarifying the definition of “assistance” so that rules tied to such spending would not apply to child care and

other non-cash support services.

- We allow States to designate “rainy day funds” and clarify that such funds would be reserved by States for future TANF use.
- Further, we revise current restrictions on carried-over funds by allowing such funds to be spent on any service or benefit that achieves a TANF purpose.

Maximize Self-Sufficiency Through Work

The second element of our reauthorization proposal is to maximize self-sufficiency through work. First and foremost, States would be required to engage all TANF families with an adult in self-sufficiency activities. States must approve activities as part of self-sufficiency plans and regularly review case progress.

And in addition to the requirement for universal engagement, we will increase the direct work requirement. In order for a case to be counted as participating, our proposal requires a full 40 hours per week participation in monitored, simulated work activities by welfare recipients. Cases counted as participating would be required to average at least 24 hours per week (of their total required 40 hours) in direct work, including employment, on the job training, and/or supervised work experience. States will have the flexibility to decide which activities should make up the remaining 16 hours. These could include a variety of services the States determine are needed by the family.

On a temporary basis, certain cases could be counted as participating even when they are not averaging did not average 24 hours per week in direct work. These cases would still be fully participating – defined as 40 hours per week – but could be in work-related training, short term substance abuse treatment, or rehabilitation for up to three months within any 24-month period. When calculating participation rates States will be allowed

to exclude parents with children under 12 months of age. As in current law, teen parents who are heads of households and maintain satisfactory school attendance will be deemed as meeting all participation requirements.

We will also gradually increase minimum participation rate requirements. In FY 2003, at least 50 percent of all TANF cases headed by a parent will be required to participate in combined work and other activities designed to help them achieve self-sufficiency. This percentage will increase five percent each year until reaching 70 percent in 2007.

Calculation methods will be improved to recognize practical challenges States face in keeping recipients involved and participating in the program. There will be no separate standard for work participation for two-parent cases.

The current penalty structure will apply when a State fails to meet either, or both, of the universal engagement or participation rate requirements. Potential penalties will be limited to a maximum of five percent of a State's TANF grant, as under current law. States subject to a penalty will have the opportunity to develop a corrective compliance plan and no penalty will be assessed as long as they are making progress toward meeting the requirements. The current caseload reduction credit will be phased out so that States still receive full credit against participation targets in the first year, 50 percent of credit in the second year and no credit thereafter. The five-year cumulative lifetime limit for TANF cash assistance will be retained. States may also continue to exempt up to 20 percent of their cases from this limit.

Finally, understanding the significant barriers that tribes face to self-sufficiency, HHS will undertake a major new technical assistance effort for tribal organizations to help them build and administer effective Tribal TANF programs.

Promote Child Well-Being and Healthy Marriages

Our proposal embraces the needs of families by promoting child well-being and healthy marriages. To this end, we establish improving the well-being of children as the overarching purpose of TANF. This meaningful change recognizes that the four current goals of TANF are important strategies for achieving this purpose. Similarly, we clarify and underscore that the fourth goal of TANF is to encourage the formation and maintenance of healthy, two-parent, married families and responsible fatherhood.

In addition, we will target \$100 million from the discontinued Illegitimacy Reduction Bonus for broad research, evaluation, demonstration and technical assistance, focused primarily on healthy marriage and family formation activities. Funds previously used for the Illegitimacy Reduction Bonus could be spent far more effectively on developing innovative approaches to support family formation and healthy marriages. Strong and stable families are good for children and must be a central goal of our next steps in welfare reform.

Research shows that both adults and children are better off in two-parent families. It is no criticism of single parents to acknowledge the better outcomes for children of married-couple families. Rather it supports the underlying principles to redirect our policies to encourage healthy marriage especially when children are involved. Our approach to promoting healthy marriage is to provide financial incentives for States, often working together with private and faith-based organizations, to develop and implement innovative programs to support family formation and healthy marriages. Those demonstration programs will be carefully evaluated and information about successful programs will be broadly disseminated.

Along those lines, we also redirect \$100 million from the current-law High Performance Bonus to establish a competitive matching grant program for States and Tribes to develop innovative approaches to promoting healthy marriages and reducing out-of-wedlock births. State expenditures will be matched dollar for dollar and TANF funds may be used by States to meet their matching requirement.

We require States to discuss in their State plans the efforts they will make to accomplish the family formation goals of the TANF program, including the promotion of healthy marriages, and their efforts to provide equitable treatment for two-parent married families.

And finally within the context of our goals to strengthen family formation and reduce illegitimacy, we will reauthorize the Abstinence Education grant program to States and territories at \$50 million per year.

Improve Program Performance

Our fourth reauthorization element focuses on improving program performance. We will replace the current High Performance Bonus with a \$100 million Bonus to Reward Employment Achievement for meeting the employment goals of TANF. We also will require States to establish and report on performance goals related to each of the four major goals of TANF and to describe in their State plans how they are addressing each. Likewise, States will be required to describe particular strategies and programs they are employing to address critical TANF challenges. We will research the best ways to construct performance measures that relate to the TANF goals, collaborate with States to identify key performance measures, and build uniform data support and reporting methodologies.

Program Integration

For any organization to succeed, it must never stop asking how it can do things better. Using the flexibility under programs such as TANF and the One-Stop Career Center system, States have made great strides towards transforming and integrating their public assistance programs into innovative and comprehensive workforce assistance programs. But, with greater flexibility even more can be accomplished. The final key element of our TANF proposal seeks to enable far broader State welfare and workforce program integration.

In our proposal, we establish new State program integration waivers to permit States to further integrate welfare and workforce development programs in order to improve the effectiveness of these programs. Broad flexibility to design new strategies and approaches will be provided. The proposed waivers could apply to all aspects of selected Federal programs, including funding and program eligibility and reporting rules, enabling States to design fully integrated welfare and workforce development systems that could revolutionize service delivery.

I would like to turn now to another program that offers a vital connection to a family's ability to achieve self-sufficiency: child support enforcement.

Child Support Enforcement

Child support is a critical component of Federal and State efforts to promote family self-sufficiency. For the low-income families who receive child support, it makes up a significant portion of the family budget (26 percent).

PRWORA instituted a number of important child support enforcement measures. Tools such as increased automation, the National Directory of New Hires and Federal Case Registry, the passport denial program, the financial institution data match, and license revocation have made a tremendous difference in improving State performance and strengthening child support collection efforts. Equally important, PRWORA streamlined paternity establishment, particularly voluntary paternity establishment, to encourage fathers to take the first step toward providing their children with financial and emotional support. The impact of these changes has been dramatic. The number of paternities established or acknowledged has reached almost 1.6 million. Of these, nearly 700,000 paternities were established through in-hospital acknowledgement programs. In FY 2001, with a caseload of 17.4 million cases, a record of nearly \$19 billion in child support was collected.

Like TANF, our proposals for child support enforcement build on our success under PRWORA. These proposals will increase child support collections and direct more of the support collected to families, moving the child support program toward a focus on families and away from the historic purpose of recoupment of Federal and State outlays.

Directing More Support to Families

Under current law, States and the Federal government can keep some of the child support collected on behalf of current or former TANF recipients to defray costs of welfare. We are proposing to change that law and give States an incentive to give more of the child support directly to the family. Families and children will benefit financially and, equally important, the children will see that their parents support and care for them.

Today, more families receiving assistance are working and the assistance they receive is

more temporary. The Wisconsin W-2 waiver demonstration has shown that when TANF families receive the child support paid on their behalf, fathers are more likely to pay child support and to pay *more* child support.

Currently, half the States pass through a portion of child support collections to TANF families, entirely out of State funds. Under our proposal, the Federal government would share in the cost of amounts above a State's current pass-through up to the greater of \$100 per month or \$50 over current State efforts. Federal contributions to passthrough of collections to TANF families will provide a strong incentive to States to begin to pass through additional support to these families, or increase the amount of the current passthrough. Effective October 1, 2004, this proposal would increase collections going to families by \$280 million over five years.

Under a similar proposal to increase support reaching families, States would be given the option to adopt simplified distribution rules under which all support collected would be sent to families that have transitioned from welfare. This proposal would increase collections going to families by \$810 million over five years and eliminate the need for States to explain and support complex distribution decisions. This provision would also be effective October 1, 2004.

Increasing the Amount of Child Support Collected

The second prong of our strategy for child support enforcement is to increase the amount of support collected by adding to our existing cadre of enforcement tools.

First, we would expand our successful program for denying passports to parents owing \$2,500 in past-due support. The passport denial program, run jointly by HHS and the Department of State, currently works to deny passports to delinquent parents owing more

than \$5,000 in past due support. In FY2000 alone, individuals with child support arrearages paid \$3.6 million in lump sum child support payments to avoid losing their passports. An additional number of these individuals have entered into payment agreements under which support payments are made regularly to children. Currently, passports are being denied to 60 delinquent parents per day.

We know of many examples of payments by parents who could pay but don't until threatened with the loss of their passport. One parent who had never made a voluntary payment paid \$67,000 in order to travel for work. Another parent paid over \$10,000 to obtain his passport to go to a family reunion. And a parent in New York paid his account in full -- \$27,328 -- in order to go on a vacation. Under our proposal, approximately one million cases could be added to the passport denial program.

We also are proposing to expand the Federal administrative offset program by allowing certain Social Security benefits to be offset to collect unpaid child support in appropriate cases selected by the States. Currently under the Federal Debt Collection Act, Old Age, Survivors and Disability (Social Security) benefits can only be offset for Federal debt recovery. Our proposal would provide a limited expansion to include child support debts and would be subject to the same offset thresholds, or safeguards, as current law.

Our final enforcement proposal would ensure that child support orders are fair to both custodial parents and children as well as the noncustodial parents by requiring States to review and adjust child support orders in TANF cases every three years, reinstating a pre-PRWORA policy.

Typically, the ability of obligors to pay child support increases over time. Periodically reviewing and adjusting child support awards to reflect current income can result in

increases in the amount of the support provided and the economic security of single parent families. The five-year limit on receipt of TANF creates a substantially different environment than that which existed prior to PRWORA. At least one review of a support order during a family's receipt of TANF will help ensure that families leave the welfare rolls knowing that they will continue to receive child support at an appropriate level.

There also are legitimate reasons to reduce an existing award, for instance, if the obligor has lost his job or suffered a major decline in income. In those cases, periodic review and adjustment means that the award amount is fair and that the child support agency is assisting a low-income father who does not have the current ability to pay support, by helping the father avoid building up a large and unmanageable arrearage.

Processing Fee

In addition to our proposals for increasing support and directing more of the support collected to families, we will require States to impose a \$25 annual processing fee on families that have never used public assistance in cases where the State has been successful in collecting support on their behalf. Because the fee is collected only when the State is successful in collecting support and represents a fraction of the cost of the services families receive, we are confident it will not pose a barrier to families seeking child support enforcement services.

As States and the Federal government struggle to serve all the needs of its citizens, it is imperative that we find innovative ways to finance the program. This minimal step toward contributing to the costs of the program is reasonable and represents a firm step toward changing the perception that the purpose of the child support program is to recoup welfare benefits, building on the positive message of our child support distribution proposals. While it will raise expectations of customer service, I am confident that these

expectations will be met.

I would like to turn now to child care, a key support service.

Child Care

In 1999, 20 million families in the United States had one or more children under the age of 13 with an employed mother. Thirty-two percent of these families were low-income. For a number of reasons, including the high cost of child care, many of these families have difficulty finding care arrangements that they can afford. I can tell you from my experience as Governor of Wisconsin, access to child care assistance can make a critical difference in helping low income families find and retain jobs.

Further, studies measuring the impact of child care subsidies on employment in several communities and States across the country show that receipt of subsidies substantially increases the likelihood of employment. Eighty-three percent of all families who received child care subsidies in 1999 did so because the parents were employed (with most of the other parents receiving subsidies while in training or education).

As we approach reauthorization of our child care authorities, the Administration is committed to preserving the key aspects of the program: parental choice; administrative flexibility for States and Tribes; support for work and job training; inclusion of faith-based and community-based organizations; and healthy development and literacy skills for children in care. The major restructuring of the Federally funded child care programs under PRWORA remains an effective and efficient method for distributing child care funds to States. States were given flexibility to determine the best use of those funds to meet the varying needs of their low-income populations. Therefore, our proposed

reauthorization of the discretionary Child Care and Development Block Grant (CCDBG) and mandatory Child Care Entitlement programs, does not seek any changes to the underlying structure and financing of these essential programs. Rather, we enthusiastically support maintaining the historically high level of funding for child care.

Our proposal includes \$2.1 billion for the Child Care and Development Block Grant and \$2.7 billion for Child Care Entitlement -- a total of \$4.8 billion for what is referred to as the Child Care and Development Fund or CCDF. When combined with TANF and other Federal funding sources, over \$17 billion is available for child care and related services for children.

Under our proposal, States continue to have flexibility to use Temporary Assistance for Needy Families (TANF) funds for child care both by transferring up to 30 percent of TANF funds to CCDF and by spending additional TANF money directly for child care. In recent years, States have used significant amounts of TANF funds for child care, including \$2.3 billion for transfers to CCDF and \$1.4 billion in direct spending in FY 2000. In addition to CCDF and TANF, other programs in my Department also fund early childhood care and education, including the Social Services Block Grant and Head Start. And the Administration's education bill, recently passed by the Congress and signed by President Bush, includes additional flexibility and funding for school age care and literacy programs. Taken together, all of these funding opportunities have substantially increased the amount of resources available for quality child care and related programs.

Funding available through our child care programs and TANF transfers alone will provide child care assistance to an estimated 2.2 million children in FY 2003. This is a significant increase over the number served just a few years ago; in 1998 about 1.5

million children received subsidized care.

The overall goal of TANF reauthorization is child well-being. Child care supports this goal as well as being a vital work support. Our child care reauthorization proposals complement our expectation that all families will be fully engaged in work and other meaningful activities by ensuring that resources are available to support safe, affordable child care when necessary.

Promoting Child Development and Literacy through Child Care

In addition to supporting working parents, quality child care promotes early childhood development and literacy skills. To improve quality and support the child development component of child care, States support a range of strategies and the Department manages a broad portfolio of training and technical assistance activities to support their efforts. According to the latest plans submitted by States, the most common approaches include grants and loans to providers for specific quality improvements, training and technical assistance for providers and staff, monitoring of compliance with regulatory requirements, strategies to improve retention and compensation of child care providers, and a special focus on improving the quality of care for infants and toddlers.

The President's budget maintains funding for quality child care. A minimum of four percent of the CCDF must be spent on activities to promote quality. In addition, the budget proposes to retain set-asides for infant and toddler care, school-age care and resource and referral services, additional quality expenditures, and ongoing research to identify and promote effective child care practices. My Department is providing technical assistance to equip States to make the best use of their quality funds, including activities that promote literacy. At the same time, we are promoting systemic partnerships between child care, Head Start, family literacy, and other school readiness and reading programs.

State Flexibility

States have significant flexibility to decide how child care funds will be used and what will be emphasized in achieving the overall goals of improving access to care and the quality of care. For example, within basic Federal requirements, States determine eligibility criteria and co-payments for families as well as provider reimbursement rates. The Department convenes State child care officials and other experts to assess needs within the child care system and to plan remedies where they are needed and improvements where they are possible. Further, to add to this dialog, this year we are funding the first federally sponsored child care policy demonstrations that will be rigorously evaluated.

Promoting Parental Choice

Along with State flexibility, parental choice is a key element of a successful child care program. Families must be allowed to choose the care that best meets their needs, whether with a relative, neighbor, child care center, faith-based program, or after-school program. In FY 2000, over 78 percent of CCDF subsidy payments were made using certificates or vouchers. Using these vouchers and other child care payments, 56 percent of children were cared for in a child care center, while 31 percent were in family child care homes, four percent were in group homes, and nine percent were in the child's home.

To help parents make these critical child care decisions, CCDF funds parent education and outreach. Nationally, my Department funds the Child Care Aware web-site and toll-free hotline to link parents to information about child care in their local communities.

We are on the right track with CCDF and we must maintain a high level of Federal funding commitment to ensure our child care resources continue to meet the needs of

working families.

Conclusion

Mr. Chairman, the proposal I bring before you today contains many different elements. What binds these fundamental elements together is the desire to improve the lives of the people and families protected by America's social safety net. As noted by the President, "We've made progress, there's no question the doors of opportunity that were shut and sealed have now been opened.... Yet there is no acceptable level of despair and hopelessness in America. We will not leave people in need to their own struggle, and we will not leave them to their own fate." The President has publicly stated his commitment to the next phase of welfare reform; and this committee demonstrated its desire to succeed when you made the hard choices on the original precedent-setting PRWORA legislation and in your on-going interest in the impact of these changes. It is time to take the next steps in welfare reform and the President and I stand ready to work with you to achieve even greater successes for America's neediest families.

I would be happy to answer any questions you have.