

STATES' PERSPECTIVE ON WELFARE REFORM

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
ONE HUNDRED FOURTH CONGRESS
FIRST SESSION

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MARCH 8, 1995
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STATES' PERSPECTIVE ON WELFARE REFORM

WEDNESDAY, MARCH 8, 1995

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

The hearing was convened, pursuant to notice, at 10:00 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

Also present: Senators Dole, Chafee, Grassley, Simpson, D'Amato, Nickles, Moynihan, Baucus, Bradley, Pryor, Rockefeller, Breaux, Conrad, Graham, and Moseley-Braun.

OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON

The CHAIRMAN. This is the first of 9 hearings, all of them in this month. They are going to be bunched together pretty tightly. These hearings will be on the subject of welfare, welfare reform, call it what you want. I long ago learned from Senator Moynihan that the word "reform" is often abused, maligned and over-used. In everything we want to accomplish, we put the word "reform" around it, as if the word itself absolutely sanctifies the program.

I have two issues that concern me. The Governor and I were on a television program the other night, albeit at a distance. He was in Vermont, and I was here. He was a little bit critical of the Congress for not wanting to have Social Security or Medicare, or anything else, on the table, and that we were going to take all of whatever cuts we might make out of the hides of the State.

And I am one who has said that Social Security and Medicare ought to be on the table, but I do have a question. If everything is on the table, I would ask the Governors to say, is it fair that monies that we give to the States are also on the table?

Second, the whole philosophical issue of the individual entitlement versus the block grant—and I know you and Governor Thompson disagree on that—is probably the philosophical keystone to the decision we will make. And which way we will go will stem from where we come out on that decision. To the extent that the Governors would address themselves to that, I would appreciate it.

Senator Moynihan?

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

Senator MOYNIHAN. Senator Dole is here, Mr. Chairman.

Well I would take up that theme, since we have a moment, on the subject of reform, which you have heard me go on about. The

dictionary definition is to restore to an earlier good condition, a good state. And that is not what we mean when we talk about this subject because we do not have an earlier condition which we would like to return to.

And it was this Committee, in 1988, very much on a bipartisan basis, with a Republican minority in the Senate of course, that passed the Family Support Act. This was the first effort to redefine what we call the Aid to Families with Dependent Children, which began as a widows' program. It was one of three provisions in the Social Security Act that were just meant to be transitional until Social Security itself covered the family under survivors' benefits. There was more or less universal coverage.

Then a half century went by, and an altogether new population, an altogether new set of social circumstances, were involved. We tried to base our legislation on research. There had been some important efforts in California, Massachusetts and New Jersey, which the Manpower Demonstration Research Corporation had made for us. And we developed the JOBS Program, with the assertion that there was a reciprocal obligation in the AFDC program, in that if society had to help individuals, individuals had to help themselves.

And this was the first time this was stated. Previously, when Frances Perkins would talk about the ADC program, she would describe the typical recipient as a West Virginia miner's widow. There were widows in the coal mining areas for whom this was a permanent condition, not a transitional one.

And we got that legislation in place. It came out of the Senate at 96 to 1. Governor Clinton, then Chairman of the Governors' Conference, was very supportive, as was then Governor Castle of Delaware, who is now Representative Castle.

I do not know how, so early into an enterprise which we said would take time, be slow, and the results would be small but positive, why so quickly we have decided that it did not work, and we have to do something else altogether.

We have from the House, Mr. Chairman, a Draconian measure. The Committee on Ways and Means has voted to repeal Title 4A of the Social Security Act, which provides children with an entitlement to a measure of support.

It also voted to repeal the JOBS Program, which we passed, and was agreed to on the Senate floor 96 to 1. The action over there seems to me to be incoherent, and I hope the Senate will perform its Constitutional role of giving some thought to what happens, and taking some time in doing it.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Dole, and then Senator Rockefeller.

OPENING STATEMENT OF HON. BOB DOLE, A U.S. SENATOR FROM KANSAS

Senator DOLE. I will not take long, Governor Dean. I know you have a number of things to do. But I wanted to thank the Chairman for calling this series of hearings. With his expertise, and Senator Moynihan's expertise, I think we will have a very productive round of hearings here.

I do not know of any other issue we should devote more time to than this issue. And I think there may be a little different ap-

proach on the Senate side. I was the Ranking Republican on the Subcommittee in 1988. Senator Moynihan was Chairman of that Subcommittee.

I do not know anything else as meaningful or as critical as doing our part to help America's children in need, and helping them get the necessary support to remain a part of their family, helping them realize their full potential as we launch into the next century.

There is no doubt about it, whether the issue is child welfare or out-of-wedlock births, or nutrition, our first concern must be the well-being of the children involved. They are not the instigators, they are the victims of what we see as a growing problem.

In fact, I recall we were out with Senator Danforth at the fundraiser to raise \$1 million for at-risk children. I think Senator Moynihan mentioned, in St. Louis, out-of-wedlock births were 69 percent.

Senator MOYNIHAN. Yes, sir.

Senator DOLE. And I assume they may even be higher in other areas in America, but that was certainly a revelation to many people in that audience. This is an epidemic. How do we keep the family together? How do we help the children? And how do we prevent some of the things we want to prevent?

So I think what we are trying to do, in working with the Governors, is assist the States in coming up with these innovative ideas that you may be working on, that Tommy may be working on, other Governors have been working on. And I hope that this will be a cooperative effort, a nonpartisan effort. And I know it is difficult sometimes.

This was the Committee that initiated child support enforcement. Senator Long, years and years ago, saw this as an important area, that we need to go after fathers who had children and fled the State, or failed to provide support. And the first effort in this Committee by Senator Long was to say, if you have an income tax refund coming, and you are not paying your child support, we can reach out and take it.

Now, since then, we have refined it. It has gotten tougher. I know the President wants to make it even tougher. I think that is commendable. I think we should. If there is some way we can make certain that those who have the responsibility to pay for their children, then we ought to make certain that we have the necessary statutory authority to do that.

But, again, we have 50 outstanding Governors, as far as I know. I know that the one in front of me is an outstanding Governor. And, Governor Thompson, I know you are committed to trying to be helpful. So I hope that, in all this discussion, you will not lose sight of the Governors and the States, and the roles that they have to play. Because, in the final analysis, you have closer contact with people. You may have ideas that may have escaped us. You may be able to save money, which is certainly one of the goals. Congressman Archer said that, in the past 30 years, we have spent \$5 trillion on the welfare system. I am not sure how that figure was arrived at, but I think we can seek common ground. And I again thank my colleague, Bob Packwood, for calling these hearings.

The CHAIRMAN. Senator Rockefeller, and then Senator Grassley.

**OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, A
U.S. SENATOR FROM WEST VIRGINIA**

Senator ROCKEFELLER. Thank you, Chairman Packwood, very much for beginning these hearings, and making them so intense.

Seven years ago, Senator Pat Moynihan took the same approach exactly, by urging this Committee to deal with the facts, and to get beyond the rhetoric of this issue. It resulted in the enactment of a major bipartisan bill, which I think this will be too, that got a lot done—the Family Support Act.

The process was not easy, obviously, and its work is not finished, but we are building now from the foundation of the Family Support Act. And we now discuss how to promote work, and how to promote personal responsibility.

I hope we are going to surprise the pundits and our various observers. And I suspect that we will, and succeed again in enacting a constructive bipartisan welfare reform bill this year.

Welfare reform means many things, depending on who is defining it. We will not solve all of society's problems through one bill on welfare, and we should not make the job impossible by trying to act as if we had a chance to do that.

But I think it is also important to remember that politicians and taxpayers are not the only ones who do not like welfare. A lot of people on welfare hate it a lot more. And I can say that about many of the people of my State who get AFDC benefits. They want to be financially independent, through work, and by getting child support owed to them which, incidentally, on a national basis, is about \$30 billion of private dollars, obviously not a dime of public funding.

Two principal points that I want to make, drawing on 4 years of having chaired the National Commission on Children.

First, welfare reform should result in more parents taking responsibility for their lives, and for the lives of their children. They must be willing to work, and work should be required at some point. But I also want to stress that we must get beyond the false promise that, merely setting a time limit on welfare benefits, will result in millions of parents going to work. Some do need to be pushed. There is no question about that. But some cannot work without child care, transportation to a job, or health coverage when their Medicaid runs out.

Like everyone else, I hope the jobs will be in the private sector. But, as one of the two Senator from the State of West Virginia, a State with chronic high unemployment, some communities simply do not have jobs. I worked in one for 2 years, and I know that. There are no jobs within a 15 to 20-mile radius of steep mountain country.

We can pretend that the jobs are there, or we can be honest about the alternative. We need to discuss the circumstances of families living in rural areas, with few jobs, and without the transportation to employment, which is even further beyond that.

I hope we will discuss ideas like community service, when private jobs simply do not exist, but parents are willing to work.

Second, and finally, welfare reform should not, as Senator Dole—and it would be typical coming from Senator Dole—should not punish children for what is not their fault. Punishing children also

punishes all of us, the future of our communities, our States, and our country. We must keep in mind that the majority of people on welfare are children; I think it is 2 out of 3. In any event, there are about 10 million children on welfare in this country.

I believe America should still keep its safety net under children, and I believe we will. Approaches that make children hungry, homeless, or more at risk of abuse and neglect, do not deserve the label of real reform in my view.

I thank the Chairman.

The CHAIRMAN. Senator Grassley.

OPENING STATEMENT OF HON. CHARLES E. GRASSLEY, A U.S. SENATOR FROM IOWA

Senator GRASSLEY. Mr. Chairman, I am going to put a statement in the record, but I do want to say a couple of things that are not in my statement. This is more for the benefit of my colleagues, because we really have not had a discussion on it. The last time you had welfare reform was the short period of time that I was off the Committee.

I think that there might not be bipartisan agreement that the welfare state is broken, but there surely is bipartisan agreement that the welfare program within the welfare state is broken, and has to be fixed.

My approach to welfare reform comes from two things that I have seen over the last 10 years. One is that we have all been involved—most of you more than me—in some welfare reform a couple of times at least, during the period of time that I have been in the Congress. And every time we approach the issue, there is a problem as we define it today. In past efforts to reform welfare, there was every sincere effort to design a program that would move people from welfare to education, or welfare to work, and to save the taxpayers money.

At the time we pass that sort of legislation, we all feel very good about it, and then we move down the road a little way, and you see what you had hoped to accomplish. And everybody had the best of intent—everybody had the best of intent. While we might accomplish part of what we wanted to accomplish, but we did not really accomplish the goals that we wanted.

And then the second point I would make is that, during that period of time, I have observed the willingness of State legislators and State Governors to take much more dramatic action, and be more ingenious than what we have ever been able to do here. Unfortunately they are stymied by Federal law from doing what they really want to do. And even what they did accomplish, they had to come here on bended knees with hat in hand to get waivers.

So, we see what we have tried to do and our failure to accomplish as much good as we hoped to accomplish; and, secondly, we see the approaches used in States like Missouri, Iowa, Wisconsin and Michigan. They are reforming welfare and being very daring and bold in what they are trying to do. That is why I believe we ought to give maximum discretion to the States. That is what my legislation does, and that is the approach that I would like to get my colleagues to think about.

The CHAIRMAN. Senator Chafee, and then Senator Breaux.

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

Senator CHAFEE. Thank you very much, Mr. Chairman. I want to join in the praise of you for starting these hearings. I am all for them. This is a great big subject, and a key one, as Senator Dole has pointed out.

I want to welcome my fellow New Englander, Governor Dean from Vermont. I have reviewed your testimony, and I was struck, not so much by the differences, but by the agreements, the consensus that exists on this subject.

I think we all agree on the goals. The question is how do we get there? And that is where the problems arise. And I must say that I am all for increased flexibility for the States, in connection with the AFDC program. I think the Federal role in it has become overly burdensome, and it has made it difficult for States to follow creative solutions. That is why more than half of the States are currently operating under waivers.

At the same time, I want to point out that everything in my background is for giving the States flexibility, in the belief that the States can do a good job. That is what Senator Grassley was just saying. However, I think we have got to remember that the Federal regulations are there for a reason. And the States have, in some instances, fallen down, sometimes in a scandalous fashion.

We only have to look at the child foster care program to realize where one program has gone askew in the States where, in effect, the States are running it. And it is in chaos. There has not been adequate protection from abuse for these children who are in the program.

Clearly, sometimes Congress has overreacted. There is no question about that. And we have set up a confusing web of requirements, based on our worst suspicions of the States' behavior. But that does not mean we ought to get rid of all the Federal standards, just toss them out and say that the States are wonderful, and the Governors are great people.

So I hope we can use these hearings to define better what we mean by State flexibility. Are we talking about making it easier for States to set time limits on AFDC?

So I would suggest three questions, which I would hope we would answer in these hearings. First, what are the inefficiencies and barriers to greater innovations in the current system? What is out there, what are the barriers to innovation that have been erected?

Second, how would things be done differently if we removed those barriers? All right, we identify the barriers, but what would be done differently if we removed those?

And, third, would fewer Federal requirements actually produce substantial administrative savings? In other words, would the block grant approach really produce these cash savings that we are all so anxious to achieve?

I would be interested in the comments on that.

Thank you very much, Mr. Chairman. I also want to praise the work that Senator Moynihan did on this in 1988.

Senator MOYNIHAN. And Senator Dole likewise.

Senator CHAFEE. And Senator Dole likewise. Both the Senators gave us great leadership. I remember, when we passed those reforms, we thought boy, that is it. Here we are.

The CHAIRMAN. I can remember Senator Moynihan coming to my office several times individually. And I think he came to everybody else's office.

Senator CHAFEE. He did.

The CHAIRMAN. And you know the old one about show horses and work horses? For all the publicity that any of us can engender with almost no work, the difference is that, when you work like Senator Moynihan did and go from office to office, for which there is no publicity, that is the difference in a bill passing or failing.

Senator CHAFEE. I must say that it makes it very hard to turn somebody down too. [Laughter.]

The CHAIRMAN. Senator Breaux.

**OPENING STATEMENT OF HON. JOHN BREAUX, A U.S.
SENATOR FROM LOUISIANA**

Senator BREAUX. Thank you very much, Mr. Chairman. Congratulations for having these hearings. Let me welcome Governor Dean. I have already seen him on early morning television, talking about this problem. I congratulate him for the work that he has done with the National Governors Association in trying to get together a recommendation. They have done yeoman's work on this issue, and we congratulate particularly Governor Dean and Governor Thompson for their recommendations.

We all agree on a lot. We all agree that welfare does not work very well for the people who are on it, nor does it work very well for the people who are paying for it. There is not anybody who disagrees that we need to do something.

But I am really concerned that, since the November elections, we have lost the real focus of what welfare reform should be about. We have talked about the growth in illegitimacy, we have talked about teen pregnancy, we have talked about the breakup of the family, we have talked about the increase in crime, and all those things are real issues.

But I think that the real emphasis and focus of welfare reform should be on work. The best social program that we could ever write is a good job. And, until we find a way to get people who are on welfare off of welfare and into the work force, we will never go about solving the welfare problems and all of these tangential problems that we are talking about.

The key to so many of the problems that are facing America is how to get people off of welfare and into the work force.

Senator DOLE. In the private sector.

Senator BREAUX. In the private sector. The Clinton administration, in the beginning, talked about a time deadline for welfare recipients, and then talked about increasing training and education, which have been very inefficient over the past years.

The first Republican proposal talked about just a deadline—2 years and, poof, you have a job. But there was no transition to get the people to work. The latest Republican proposal is to block grant it to the States.

I am concerned about putting the welfare problems in a box, and shipping the box to the States, and saying here is the problem.

If we have any interest in welfare, in raising the money for the programs, we should have an interest in seeing how the problem is solved. If we do not have an interest in doing that, we do not have an interest in raising the money for the program.

So I do not think you can have one without the other. If there is a legitimate Federal interest in raising the money for a welfare program, there is also a legitimate interest in how the money is spent. If there is not a legitimate interest in the program, and we want to give it all to the States, well then we should not raise the money to pay for the program through Federal taxes. I think that you cannot have one without the other.

Let me make one suggestion. My colleague, Hank Brown, on the Republican side, is working with me on it. That is to try to provide what I think is the missing link from how to get a person off welfare, and into a job.

I suggest the creation of job placement vouchers. When a person walks into the welfare office, they sign a contract with that employer, they are given a voucher for job placement services. They can take that voucher to the private sector or to State programs, or to State private sector joint venture programs, and enter into a contract with an agency that has one job to do for that welfare recipient, and that is to find them a job.

There are a number of these working in a number of areas. In New York State, America Works is one of those. Cleveland Works is another example. Goodwill Industries is doing this in Sarasota, Florida, Bob Graham's State. They enter into a contract with that welfare recipient, they test her, they see what her skills are, his skills are, whether they need more training or not. Then they go out and find that person a job. That voucher is only redeemable if they find that person a job, and if they stay in the job for a period of time.

That is a tremendous incentive for the private sector to find that welfare recipient a job in the real world, that works for that person, because they know they are not going to get paid for it unless they stay in the job for at least a period of a year, or whatever time the States, working with Federal Government, thinks is appropriate and proper.

But that is just one suggestion, it is the privatization of the job placement portion of welfare reform. I think the emphasis has to get back to work, which is ultimately the best social program of all.

Thank you.

The CHAIRMAN. Senator Graham.

OPENING STATEMENT OF HON. BOB GRAHAM, A U.S. SENATOR FROM FLORIDA

Senator GRAHAM. Thank you, Mr. Chairman. I would like to add to those who have commended you, Senator Moynihan, Senator Dole and others, who have been interested in this issue for a long time.

I would just like to make three quick comments. First, this raises fundamental questions of what should be the role of the Federal Government, and what should be role of the States.

It was interesting that, in the initial New Federalism proposal of President Reagan in the early 1980's, his policy indicated that welfare should be Federalized, should become a national responsibility, not one returned to the States. Conversely, programs like education, law enforcement and transportation ought to be the ones sent back to the States.

So, as we look at this issue of which level of government should have responsibility for welfare, I hope that we would do so in the context of what are the appropriate allocations of other Government functions.

One of the concerns President Reagan had about making this a State responsibility was the issue that, with unequal standards, you could create incentives for populations to move from one State to another in order to access the higher benefits.

And I note that one New England State Governor has recently submitted a budget to his legislature which had as its intended purpose reducing welfare benefits, in order to encourage populations to move from his State to adjoining States that had a higher benefit. That is not in the nation's interest to be trying to stimulate that kind of population movement.

The second is ignorance. We do not know a lot about this issue, in part because of restraints on the ability of States, in recent years, to experiment with new approaches. So I think we should all be somewhat reserved in the certainty with which we advance our ideas as being the ultimate solution.

And, third, meaningful welfare reform is likely to cost more money, at least in the initial period, if we are to get long-term savings. It concerns me that much of what I see coming from the House seems to be driven by the goal of achieving immediate savings.

And I think that approach is likely to result in both the immediate, and particularly the long-term, crash, burn and failure of their approaches. I believe some initial investment in programs of education, job placement, child care, and extended health benefits during the early months of employment are all critical in order to achieve the goal of getting current dependent people into an independent status.

And, Mr. Chairman, I would like to ask permission to include in the record, immediately after my remarks, an article which appeared in the Saturday, March 4, 1995 Miami Herald on a successful program in Pensacola, Florida which applied this principle of an early investment in order to receive long-term savings and benefits.

The CHAIRMAN. We will put it in the record.

[The article referred to appears in the appendix:]

The CHAIRMAN. Senator Baucus. We will conclude with Senator Nickles.

Senator BAUCUS. No statement, Mr. Chairman.

The CHAIRMAN. Senator Nickles.

OPENING STATEMENT OF HON. DON NICKLES, A U.S. SENATOR FROM OKLAHOMA

Senator NICKLES. Mr. Chairman, thank you very much. I will just make a couple of comments.

I am really excited about the opportunities for very significant welfare reform, and I think we really need it. I have asked my staff to do a little review for me, and found out that we have 336 welfare programs.

Senator Breaux mentioned that the best welfare program is a good job. And on the Federal Government level, maybe we have tried. We have 154 job training programs, 154 different Federal job training programs. Surely we can do a better job than that.

If the solution was another Federal program, I think Congress keeps trying it. I am excited about the idea of giving most of these to the States, and saying, States, we think you can do a better job.

We have 38 child welfare and child abuse program, a total of 336, including health. The unfortunate part is that we have set most of these up in the form of entitlements. We determine eligibility on the Federal level, and then we send it out to the States, and we see how much it costs.

In some cases, the costs have just exploded. Medicaid would probably be one of the best examples. Many of the States have abused the Medicaid program. In 1990, Medicaid cost the Federal Government \$41 billion. In 1994, it cost 82 billion. It doubled in that 5-year period of time. In 1998, it goes up to \$123 billion. The growth rates in Medicaid, just to give you an example of the last few years, starting in 1990, went up 19 percent, 28 percent, 29 percent, 12 percent and 8 percent.

Those are phenomenal—28, 29, 12 percent increases. We cannot continue that. A lot of States were taking advantage of the program. They were figuring out ways to finance everything but Medicaid through disproportionate share or other gimmicks.

Congress closed that to some extent. But we did not close it and repeal it retroactive, so the base increases in Medicaid are compelling.

But I am excited about the idea of saying, well, we will give the States Medicaid money, with an increase. People are going to say that we are slashing Medicaid, but most of the proposals I have heard talked about are discussing how much of an increase we will give in Medicaid, and give it to the States. And, States, you determine eligibility, and you determine how to administer the program. I think there is a lot of merit to that.

Certainly, there will be some mistakes. I do not doubt that any mistakes will be highlighted by the press. People will be coming back a year from now and say that we need a Federal program.

Earned income tax credit is another exploding program. In 1990, it cost \$4 billion. Last year it cost \$11 billion. And, in 1998, it is going to cost \$24 billion, so it will more than double again. The growth rate next year in the earned income tax credit is 55 percent. In the year that we are in right now, 1995, it is going to increase by 55 percent. Last year, it increased 22 percent, the next year 18 percent.

So you see these phenomenal rates of growth. I do not think we can continue doing that. Most of us realize that we are going to have to cap the total growth of spending to probably about 2 or 3 percent if we are going to get a balanced budget. I do not think we can do that with 336 Government welfare programs, nor the programs compounding in the 20, 40, 50 percent range.

So I think there is a lot of merit to entrusting Governors, with entrusting States, with combining this duplication of Federal programs, and giving the States the latitude and flexibility to administer these programs, both for savings on the Federal level and for better and more efficient administration of the programs on the State level as well.

So I thank you, Mr. Chairman, for having this hearing.

The CHAIRMAN. Governor Thompson, you were very very smart. You have missed all of our opening statements, and we just finished.

Often, how you view things is where you sit. You mentioned the Medicaid scam that we had, and we love to kid our conservative brother about it.

That started in New Hampshire with Judd Gregg, when he was Governor. They discovered that there was a way they could tax the hospitals, and get the money for the revenues. And we reimburse the hospitals for their costs, so it became a wash. And they were passing on the costs, almost dollar for dollar, to us. Judd does not now support that, but at the time he did.

Governors, are you ready?

Governor DEAN. We are.

The CHAIRMAN. All right. Governor Dean, go right ahead.

**STATEMENT OF HON. HOWARD DEAN, M.D., GOVERNOR OF
THE STATE OF VERMONT**

Governor DEAN. Well, Mr. Chairman, let me first of all thank you very much for having these hearings. I think that they are going to be very helpful.

I am particularly pleased at the bipartisan sentiment of the Committee. I think there is an opportunity here to take a middle path, as Senator Dole suggested, to understand, as Senators Breaux and Chafee suggested, that there is a reason for a Federal role. But there also needs to be much more flexibility, much more opportunity, for States to try to come up with some reasonable ways to change this program so that we can make it work. And I think we all agree that it does not work.

I have written testimony, which is prefiled. I am going to make a few remarks as the Chairman of the National Governors' Association, and then go into discussion. I would like to try to answer some of the questions some of the Committee Members raised, go into a discussion of the Vermont system, and then turn it over to Governor Thompson.

It is true that our points of view are different on how we might solve this problem, but I think it is also true that we both agree on what the parameters of the problem are. That is going to be very helpful, I think, in trying to narrow the differences that are going to be in this Committee as you try to craft a bill.

I think I can safely speak for all Governors in saying that we very much agree that this is a system which is broken, that needs to be fixed, and this is a rare opportunity to do that.

Let me briefly summarize the position of the Association on welfare reform. We are unable to agree whether we ought to eliminate entitlements, and go entirely to block grants or not. So what we essentially have done is set up a policy which says that, if the Con-

gress decides to go totally with block grants, there are some principles that should be adhered to. And, if the Congress decides to leave some entitlements in place, there are some principles that ought to be adhered to.

Governor Thompson, I think it is fair to say, very firmly believes that we ought to do this in block grants. I will let him discuss in detail how he thinks those ought to work, and what our policy is in those areas.

The broad set of principles that we have are as follows:

First, we do believe that we need to focus on long-term reform, and protect the interests of children. There is a real opportunity here, but it is our policy that children are a matter of national interest and national concern. And that ought to be reflected in the welfare bill that this Committee brings to the floor, and that is ultimately passed.

Second, there ought to be some broad goals. And we clearly need to get rid of the prescriptive Federal standards. I will talk about that when we get to the discussion of our own program in Vermont.

Third, we ought to guarantee funding in some way for block grants, and adjust the funding to meet changing needs. One of the big concerns that Governors have, on both sides of the aisle, is what this might do to State budgets. And I think the question Senator Chafee raised about administrative savings is one that we debated very hotly. The concern that we have is, what happens during a recession, if there is a block grant with a cap on it, and the caseload increases?

There was a substantial concern by some Democratic members on that issue, in terms of protecting State budgets. The final agreement that we had did have a mechanism to protect State budgets, both in the block grant and the individual entitlements side.

Fourth, we also agreed that the best work requirement is a private sector job. And I want to address that by talking about what we did in Vermont.

And, fifth, make the individual entitlement aid transitional, and base it on a social contract. If the Federal Government preserves the individual entitlement of needy families or children to assistance, we think that the current Aid to Families with Dependent Children should be replaced by a national program that establishes clear policy objectives and certain minimum standards, but provides States with much broader flexibility than we have now to design key program elements.

We also do believe, as an Association, that assistance in the form of cash grants to families should be available for a time limited period. And that ought to be defined by the States. During this time, activity should take place to help recipients make the transition from welfare to work.

As I said earlier, we believe the ongoing financial needs of children must be addressed in any time-limited system. And the expectations and responsibility of both the recipient and the Government should be clearly defined.

Let me briefly try to answer some of the questions that were raised by talking a little bit about what we did in Vermont.

A year ago—actually 12 or 13 months ago—I signed legislation which, at that time, was the first State in the country to have this,

which requires work. In our economy, as in the far Western economy, our recovery is not as robust as it is in other parts of the States, and there are not enough jobs.

So we require after a 2½ year period if you are a single-parent family, after a 15-month period if you are a two-parent family. We require work in the private sector but, if there is no work available, we create it. We have and are creating jobs in nursing homes, libraries, schools, nonprofit institutions.

I did this not to save money. I do not believe you can save money with welfare reform in a short term. In the long-term, you will save a great deal. I did this because I believe one of the problems with families in this country is that there are a lot of kids growing up who do not believe that you have to work to make a living. They see that because of the role model that is in front of them, because their parents are generationally trapped in welfare.

We did a survey in our State, and 75 percent of the people in our State who are on welfare use welfare appropriately. That is, there is a bad economy, they lose their job, they go onto welfare for a period of time. They get back in the job market when the economy picks up. There is no way you can get around that. That is the way welfare is supposed to be used.

I think the major concern with welfare that most of us share in this room is, what about the 15 percent of people in our State who are on the system for 8 years or longer? That is the kind of problem that we have because that leads to generation after generation believing that you can get something for nothing.

Somebody asked me this morning on the talk show that Senator Breaux mentioned. What is the biggest mistake that has been made in welfare in the last 20 years? And the biggest mistake is that we have given somebody something for nothing, and not given them the sense that there is something to be repaid, that there is a social contract here and that they have worth.

The people that are ultimately destroyed by this "something for nothing" are not the taxpayers or the Federal Government. The people that it ultimately destroys are the recipients because they have no sense that they are expected or able to contribute something.

So 2½ years and out is the maximum. If you have small children, you still have to work. Your work week is 20 hours, as opposed to 40. We believe that middle-class people are playing by these rules, and that everybody ought to play by the same set of rules, no matter what their income level is.

Our work requirements have not kicked in yet. The bill officially went into effect on July 1. What we have found already, however, is that because of the way we now approach welfare recipients, we have 22 percent more people on welfare working today than we did when I signed the bill, even though the work requirement has not gone into effect yet.

Now, when people come to the welfare office, they are told, you know there is a new law now that says you have to get a job within a certain amount of time. And they sign up for all the training programs we have putting in place all these years, which you have helped us put in place.

We have 22 percent more people working because we got rid of a number of rules under waivers, which I would encourage this Committee to make a part of whatever final bill you pass.

We got rid of the income disregard, the \$30 and one-third earnings disregard. We extended transitional Medicaid coverage for 3 years. Most of these folks, of course, are not getting jobs with benefits. They are getting jobs at the low end of the spectrum, which do not have benefits. So we do not think taking away their health insurance is probably a very good way to get them to move.

We got rid of the 100-hour rules for unemployed parents so that people can actually use welfare as an income supplement if they have to work for wages that do not allow them to support their families.

We got rid of the rules which say that unemployed parents must have been employed 6 quarters in the past 13 quarters before they can become eligible.

We excluded the value of one vehicle in determining program eligibility. If you are in a rural State, you have to do that. These people have no way to get to work. Even if we could subsidize all the public transportation in the world, you cannot get to work if there is none. So we had to find a way to make sure that not having a car was not an excuse for not getting to work.

We allowed families with earnings to accumulate some assets for their earnings, in excess of the current limits. The reason for that is that we want to encourage these folks to play by the same rules that everybody else plays by—that is that there is a reward for work and savings, just like there is for middle class families.

We are disregarding certain employment and training stipends, and we allowed child care benefits to be paid as long as they are needed, and as long as the family is financially eligible.

This ended up costing us a little bit of money—not a lot of money, but a little bit of money. We think, in the long run however, it is going to require so many folks to enter the work force, as a result, some of which will have to use public sector jobs as entry levels, because the private sector will not hire them, or cannot hire them, that this is going to save us a lot of money in the end, but initially it is going to cost us a little bit of money. Obviously, if you are disabled, and so forth, you do not have to participate.

Let me just conclude, Mr. Chairman, because I know you are anxious to hear Governor Thompson and get on with the questioning period.

In trying to lay out some of the answers to the questions that some of the Senators—particularly Senator Chafee—raised, I do not think you have to adhere to a philosophical divide, Mr. Chairman, as you have laid out early on in your opening statement. I do not think we have to have all block grants or all entitlement. And, again, I am speaking for myself. I think there may be a middle way where we can protect children, but make sure that everybody gets into the work force.

I think the payoff for the United States of America here is not money we are going to save in the budget. I think the payoff is getting rid of a system which does, as we all agree, regardless of our party, foster dependency and cause a tremendous amount of trou-

ble in families who have no role models, what we would consider the conventional American tradition of contributing what you can in return for receiving money to support your family.

And if these children will now grow up in a different kind of atmosphere where, if they only have one parent, at least that parent will be working and contributing, as they will be expected to do as they grow older.

As far as inefficiencies and barriers, I have raised some in our own discussions of what we needed from our waivers. Again, that had to do with things like the 100-hour rule. I do not pretend that our welfare program is the best one. But I do know that we have done a lot of thinking about it before we enacted it, and I think there are probably some things here that would be useful at the Federal level.

I am not sure whether administrative savings will result from block grants or not. I think there will probably be some, but probably not enough to make up for some of the discussions of the cuts that we have heard.

But, in the long run, where I come down—and this is why we have not been able to agree on our policy—is I believe children are in the national interest, and that a child from Alabama ought to be treated the same, in terms of their basic support systems, as a child from Minnesota. So I think that is why this program started out in 1935, because of the recognition of that.

There is a broad spectrum of opinion within the Democratic Governors and, I suspect, within the Republican Governors and in the NGA as a whole. So, speaking for myself, I believe there is a middle way here, where we can protect children, but where we can require adults to participate in society in a much more constructive way than we have in the system that we have constructed over the last 10 or 20 years.

And, again, let me conclude by thanking you, Mr. Chairman, for your very intense interest in this area. And, of course, thanks to Senator Moynihan for his entire career of devotion to this issue, and your great leadership, Senator, over the last several decades.

[The prepared statement of Governor Dean appears in the appendix.]

The CHAIRMAN. Thank you, Governor.
And Governor Thompson.

STATEMENT OF HON. TOMMY G. THOMPSON, GOVERNOR OF THE STATE OF WISCONSIN

Governor THOMPSON. Thank you so very much, Mr. Chairman.

First, let me just apologize to you for being late, but we were circling National Airport for about a half hour before they would allow us to land. So I apologize that I did not get a chance to hear your comments, but I have heard many of you before, and I have worked with a lot of you on welfare reform.

Let me just start out by thanking you. Welfare reform is badly needed. I remember back in 1988, when we worked with Senator Moynihan. Then mere mortal Governor Clinton and myself, and Governor Castle, met with Senator Moynihan on the Family Support Act. And that was a step in the right direction. But even that was too small a step.

I think when you listen to the Democratic and Republican Governors, you are going to find that, yes there are some differences. But, basically, all of us have come to the conclusion that the welfare system in this country needs a complete overhaul. And I want to compliment you, as Members of the Senate Finance Committee, for taking that on. And I appreciate the opportunity to appear in front of you.

I also want to thank you for giving me this opportunity to talk about Wisconsin, as well as my role as vice chairman of the National Governors' Association. Governor Dean and I do have some differences, but we have a lot more similarities, and a lot more things that we agree upon in the area of welfare reform than we disagree about.

I would like to briefly summarize the position of the Governors' Association on block grants, which is an issue that I am very keenly interested in, and then turn to my own thoughts on the issue, based on our experience with reforming the welfare system in Wisconsin.

I have been involved in welfare reform since 1987. I think we have a very good record on welfare reform, and I would like to discuss that a little bit with you before we open ourselves up for questions.

As far as block grants to the States, the Governors' Association has agreed upon two fundamental principles. First, set broad goals, and avoid rigid, overly prescriptive Federal standards. Give us the opportunity to be flexible within the national standards that you, as the Congress, decide that we should subject ourselves to.

All Governors recognize the importance the Federal role in financing income assistance to families and children. However, the continuation of the current welfare system, to me, is just plain unacceptable. Tinkering and changes at the margin will not be sufficient. Congress should create a new, simpler, and more responsive Federal role.

First, the Governors believe that any welfare reform must recognize the nation's interest in services to children, moving recipients from welfare to work, and reducing out-of-wedlock births.

We also agree that Federal welfare reform must give the States the flexibility to enact welfare reform without having to request Federal waivers. This is something that Governor Dean and I strongly agree upon, as well as all the other Governors.

All of the Governors recognize the legitimate interest of the Federal Government in setting broad program goals, in cooperation with States and territories. They also believe that States should be free from prescriptive Federal standards regarding key aspects of the welfare system.

Second, guarantee funding for any block grants and adjust funding to meet changing needs. Governors believe that any welfare block grant funding should be guaranteed at least over 5 years, at levels agreed upon among the States, Congress and the administration. Funding should be adjusted as appropriate for changes in national priorities, inflation, as well as the demand for services.

In return for broad flexibility, States would consider, and I think agree, to an initial allotment based on the average of several prior years. Federal funds could automatically be available under a

capped entitlement structure, instead of being subject to annual discretionary appropriations.

There should be no maintenance-of-effort provisions and States, hopefully, would be allowed to keep some or all of the savings, as long as the Federal allocation was spent. Unspent Federal funds would remain available to States to maximize flexibility and to encourage the creation of a rainy-day fund. To provide for significant cyclical changes in the economy and for major natural disasters, an additional amount should be set aside each year for automatic and timely distribution to States that experience a major disaster, higher-than-average unemployment, or other indicators of distress.

I wholeheartedly support block grants that will put the States in charge of welfare reform. And I offer Wisconsin as one example of a State knowing best how to tackle problems in our own back yard.

Welfare reform is about more than creating 50 different welfare programs. It is about overhauling a system that erodes initiatives and weakens families. It is about changing the responsibilities between welfare recipients and their Government. It is about putting power in the hands of people who have been considered powerless for too long.

Handling out money and expecting absolutely nothing in return, as the current system nearly does, is not public assistance; it is public apathy. Here is your check, we will see you next month.

The current welfare system has failed because there is a misappropriation of responsibilities. Government has virtually all the responsibilities, and recipients virtually have none.

There are four fundamental principles that I believe should be part of any national welfare reform. First, there have to be time-limited benefits. To break the culture of dependency, we need to establish up front that welfare is temporary assistance from day one. Welfare recipients should be expected to work for the goal of self-sufficiency, and to do it within two years.

Second, only work should pay; idleness should not be rewarded. The premises should be that everyone is truly capable of doing something.

Third, reduce illegitimacy. Welfare payments should not be increased for additional children while on welfare. In the real world, families do not receive a pay raise for additional children. It should be the same on welfare.

And, fourth, State entitlements rather than individual entitlements. This is my position; it is not the position of the National Governors' Association. States know best when it comes to solving their own problems. As long as there is a Federal statutory entitlement to welfare benefits, the Federal courts will dictate welfare reform for the foreseeable future.

As I said before, States should have the flexibility to design and manage programs that work best for their citizens. We know what works best for Wisconsin, just as Howard Dean knows what works best for Vermont.

Since 1987 in Wisconsin, we have reduced our welfare rolls by 25 percent. That is more than the rest of the nation, combined. Welfare rolls have dropped in every single county. In 50 of our 72 counties, the caseload is down by over 30 percent.

Welfare reform, as Governor Dean said, first requires an initial up-front investment. We put more money in at the beginning. But now, after we have been involved in welfare reform, we have been able to save money.

When I first came in as Governor in 1987, we sent out checks totaling \$46 million each month for AFDC recipients. This past month, it is down to \$31 million. That is a net savings each and every month of Federal and State dollars of \$16 million.

Wisconsin's success, I believe, is due in part to our opting out of the Federal welfare system. We have been able to receive 179 waivers in Wisconsin from three different administrations—Reagan, Bush and Clinton—to implement 14 different welfare reforms. I have had to come to Washington on bended knee many different times in order to get a waiver. And I think most Governors would agree that waivers are not the way to go.

The number one lesson in welfare reform in Wisconsin is clear. We have changed welfare because we demanded individual responsibility from welfare recipients. From my first day as Governor, I made it clear that we would expect more from people. We made it clear that we were moving from a system in which Government had all the responsibilities to a system of concomitant responsibilities.

Here is a recent example of why I believe shifting responsibility from Government to citizens has been a key to successful welfare reform in Wisconsin. And I believe Governor Dean has also testified to that as well. When we recently announced our time-limited welfare reform program, welfare in those affected counties dropped immediately by 9 percent. We had not even started the program. We just announced that it would start. Clearly, people respond to higher expectations.

We have also learned that the welfare bureaucracy changes when expectations are raised. In Wisconsin, we have county welfare offices competing over who can reduce welfare rolls the most. We have welfare workers who work with applicants to show them how they would be better off not receiving welfare, but actually working. And we have welfare recipients who know we will demand individual responsibility in exchange for assistance.

We have dramatically changed the entire welfare environment in Wisconsin. We have put people in charge of their own lives. As a result, Wisconsin is now positioned to eliminate welfare completely. Last year, I signed into law bipartisan legislation that will completely replace welfare in Wisconsin in the next 2 years, provided we get the permission from Congress.

We are designing a bold alternative to welfare. It will be system in which people sign up for work, not welfare.

The decisions you are going to make here in Washington in the next few months will determine whether we will be able to replace the current failed welfare system with a different system that, I believe, is going to be a better way of life for all of the recipients.

Please, and I underscore this, give States, give Governors and State legislatures the flexibility and the opportunity to truly end welfare as we know it in our society.

I want to thank you again for this opportunity to share my views, both on behalf of the National Governors' Association and

the Governor of Wisconsin. And I would also like to tell you that we have a lot more in agreement, as Democrats and Republicans, both in Congress and at the State level, to really do a job in overhauling welfare this year for the future.

[The prepared statement of Governor Thompson appears in the appendix.]

The CHAIRMAN. Governors, thank you.

I might say, our order of arrival was Senator Grassley first, and then Senators Moynihan, Packwood, Rockefeller, Dole, Chafee, Breaux, Graham, Baucus, Nickles, Pryor, Conrad, and Simpson.

Somebody asked me yesterday, or the day before, if I was always going to have the Chairman and the former Chairman speak first. I think not, as long as we do not end up being seventh and eighth on the list.

And I asked Darcell, our clerk, if Senator Grassley was here first yesterday. Is he coming early and checking in, and then leaving? She said, no, he thought the meeting started at 9:30, so he was here at 9:30. That is how he got on the list first. He will be back. He is up in the Government Affairs Committee right now, so we will go to Senator Moynihan.

Well, let me ask Governor Thompson a question then. Governor, when I was just out of law school, I clerked a year on the Oregon Supreme Court. And, whenever a decision started out something like as follows: "This court is mindful of the intelligence and the great service that the trial judge has rendered to this State." If it started out that way, you knew that the decision was in trouble.

Senator MOYNIHAN. It was bad.

The CHAIRMAN. However, in your statement, here on page 2, "Allocation of responsibilities among the levels of government, and to maximize State flexibility in areas of shared responsibility, we believe, however, that children must be protected throughout the restructuring process."

Are you suggesting that, even if we moved to block grants, this Committee should carve out or do something on children and say, "but we do not mean children"? I am not quite sure what you are saying here.

Governor THOMPSON. No. I do not mean that. I mean that you should set a national standard, and hold us accountable to that.

The CHAIRMAN. But only—

Governor THOMPSON. But give us the flexibility within that national standard to meet what you are setting out as your objective.

The CHAIRMAN. But, should the national standards be an income level? What do you mean by a national standard?

Governor THOMPSON. What I mean is that, basically, children have to stay in school, under the age of 18, get a high school education. The parents have to make sure that they get up in the morning, get them to school, get them to a day care center if they are pre-school age, that they have the responsibility to do so.

The CHAIRMAN. And you are suggesting that these standards be included even in a block grant bill, that we start writing some of these standards?

Governor THOMPSON. That, to me, is what we need to do to have a national standard for children.

The CHAIRMAN. The reason I ask this is, if you are going block grant, then do we simply say, here is your money? I realize the fear that the money may be cut. Governor Dean and I talked about this a bit. I am one of those who thinks everything, including Social Security and Medicare, should be on the table. But, so should monies that we give to the States because we give the States about \$220 billion a year.

Governor THOMPSON. I know. I have heard your speech, Senator.

The CHAIRMAN. I know. And nothing should be sacred if we are going to reduce increases. We do not even use the word cuts.

But if we are going to do block grants, there are going to be others who will say, well, in addition to children, here should be some standards. Are you singling out children for national standards, or what?

Governor THOMPSON. On page 2, I am talking as the vice chairman of the National Governors' Association, and the National Governors is a bipartisan organization. In order to get a policy, we in the National Governors' Association agreed that there should be a national standard for children.

Now, if you wanted to press further, and ask me personally, I would agree with you completely, as I have previously.

The CHAIRMAN. All right. I would like to press you further then.

Governor THOMPSON. All right. I really believe that States can do a better job. And we know ourselves, under a block grant, what we could do better for children in Wisconsin than what you can set forth here in Washington, D.C.

But I am also wearing two hats here, and I have got to make sure that I state that all the Governors agreed to a national standard for children.

The CHAIRMAN. I understand what it means. In order to get any kind of agreement out of the National Governors' Association, this National standard for children had to be agreed upon, more or less. Is that right?

Governor THOMPSON. Yes.

The CHAIRMAN. Governor Thompson says, give us a block grant in Wisconsin—

Governor THOMPSON. Yes.

The CHAIRMAN. —and we will take better care of the children than you will with any national standard you are likely to give us from Washington.

Governor THOMPSON. That is my personal position, but I am here wearing the—

The CHAIRMAN. That I understand exactly, Governor.

I want to ask Governor Dean a question, because you also mentioned children.

Governor DEAN. It was the mean old Governor Dean that would not let that policy go out the door without that in it. [Laughter.]

The CHAIRMAN. Is your assumption that a uniform national standard for children, dictated by Washington, D.C., is axiomatically better than the treatment children will receive from the varying States?

Governor DEAN. Here is how I arrived at this. This is going to be a theme as we go through this. We are going to see this again in Medicaid when we talk about block grants. And I am sure you

have heard my dulcet reasoning on school lunches and nutrition programs.

The problem is that these childrens' programs in general were started out by the Federal Government for a good reason. The school lunch and nutrition program was started out because people showed up in 1946 for their VAT physicals, and they were malnourished in the United States of America. So the Federal Government asked what are we going to do about this? And so they put in the school lunch program, which eventually became school lunch and breakfast program.

That is what I meant earlier on, when I thought that there might be a way of coming to the middle of this, and everybody getting something that they need, rather than saying, well, it has to be block grants, or it is going to have to be individual entitlement.

In my view, and the reason I was so stuck in the mud on this issue as we tried to work this through at the Governors' level, is that I do not believe any of the 50 Governors would consciously set out a welfare policy that would harm children. But I do believe that, over time, things do not always work out as we planned.

And I draw our attention back to the 1950's, where one of the biggest interventions in States by the Federal Government happened because there were certain taxpayers who were paying tax dollars and were not able to use the facilities that their tax dollars supported because of the color of their skin. Now that led to a huge Federal intervention. That was 80 years after the Civil War was over.

So, we are going to get this opportunity to fix welfare now. I hope we take it, and I hope it is a radical transformation of the system. Let me not back away from that one bit.

But, once it gets fixed, it is not going to change year after year after year. It is going to stay in its basic form for a long period of time.

The reason I believe there is a Federal interest in children that ought to be maintained, no matter how flexible you want to make things for us, is because we are going to have tremendous financial pressure put upon us. And I deeply admire your position, as you know, and have publicly said so, on putting everything on the table.

Even if that happens, we are still going to take a big hit at the State level, as we need to do because we have to get rid of this deficit problem. But there are going to be different priorities in different States. Perhaps this was meant as a joke, but I have heard at least one Governor suggest that we ought to do away with welfare and use it for economic development because, after all, the best social program is a job.

Well, that kind of talk makes me nervous. And I think there remains a Federal interest in the welfare of children. So, again, I am in between. There are Democrats over here who want to maintain the individual entitlement exactly as it is. There are Republicans over there who want to go completely to block grants. Where I am is, I think we ought to have more flexibility.

I think there is something to be said for letting 50 States run their own programs. But I think, if I were sitting in your chairs there, I would want to think about what it was in the national in-

terest in 1936 that started this program in the first place. And children are very high up on my list. I do not mind, as a Governor, making sure that there are some Federal standards for children, as long as it is not an unfunded mandate.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Let me take it from there, if I can. I said earlier that the 1935 program, Aid to Dependent Children—and, in 1939, it was made Aid to Families since the mother received the benefit—was a transitional arrangement, as were old age pensions, to wait until the Social Security system had matured and survivors had benefits, as they now do. And, indeed, 38 percent of Social Security beneficiaries are survivors or persons like that, not retired people.

The population changed. These are not West Virginia miners' widows, as Frances Perkins would say. These are unmarried mothers. They are about 40 percent never-married, and half are families that have broken up.

Now there is an entitlement, even so, to provide funds for that child under the Social Security Act, Title 4A.

Now, as I read Governor Thompson's proposal, are the Governors telling us to abolish the entitlement for children?

Governor DEAN. No, Senator. The Governors were unable to—

Senator MOYNIHAN. State entitlements, rather than individual entitlements.

Governor DEAN. The Governors were not able to agree on which approach was the better one, block grants on the one hand, individual entitlement on the other.

We were not here full time. We had a 4- or 5-day window and, if we were going to agree on anything, we could not come all the way. Perhaps we could if we sat down and tried to come to a compromise.

So what we did was bifurcate and say, if the Congress chooses to go to block grants, here is what we think we ought to do. If the Congress chooses to maintain individual entitlements, here is what we ought to do.

We do not take the position that you should go to block grants. We left that up to the Congress, simply because we were unable to agree.

Senator MOYNIHAN. So you come to us saying that you can keep the present Social Security entitlement, or you can go to block grants?

Governor DEAN. As an association, that is what we do, yes. We were not able to agree, and I think that is why Governor Thompson got into a little trouble, and I was pleased to see him extricate himself by speaking for himself. I think you are going to get more candid views if you hear from us as individuals. As an association, we are committed to allowing Congress to make the choice. If you choose this, please do it this way. If you choose that, do it the other way. That is simply what we could agree upon in the allotted time.

Senator MOYNIHAN. Sure. I do not know about your clarity, but at least it is candor.

Governor THOMPSON. Senator Moynihan, basically, as Governor Dean has indicated, we came together. There are a good share of Governors who believe it should be block granted, and a lot of Gov-

ernors who believe that individual entitlements should be maintained.

We said, if Congress, in their wisdom, goes to a block grant, these are the things that should be in it. And, if it is an individual entitlement, these are the things that should be in it.

Senator MOYNIHAN. Let me add just a bit more complexity.

In the matter of legislation in the 1930's, the level of AFDC payments was left to the States. Even though it was a Federal entitlement, the actual level varies enormously. I think in 1987, in Wisconsin, the AFDC grant was capped, and has remained at a fixed level such that, in real terms, it has dropped by 35 percent.

Governor THOMPSON. That is correct. But we are still the eighth highest in the country, even after that cut.

Senator MOYNIHAN. That is true. The States do have that option, as of this point.

Governor THOMPSON. That is correct.

Senator MOYNIHAN. With the condition that some provision be made for that dependent child.

I would just say that I hope you all know what you are doing on the Republican side of the Governors' Conference.

If you settle for block grants, the only way it will go is down. If anybody here wants to say otherwise, please do.

Governor THOMPSON. I think we have thought it through for a long time, and I feel that I can do a better job with a block grant in setting up a welfare program for Wisconsin than you can with your rules and regulations, and having an individual entitlement.

And, even though we did cut the welfare by 6 percent, we are still 45 to 50 percent higher than the State of Illinois.

Senator MOYNIHAN. That pattern is one we have thought about.

Governor THOMPSON. That is the pattern across the country.

Senator MOYNIHAN. But that is a pattern, letting States makes the decisions.

Governor THOMPSON. That is correct. But it also means that, when we want to change that, and we have to do something, we are under maintenance-of-efforts, and we cannot do that. We cannot cash out food stamps. We have to come to Washington on bended knee, Senator, in order to get permission to make changes.

Senator MOYNIHAN. The Family Support Act was designed to encourage the kind of things you have done.

Governor THOMPSON. That is correct.

Senator MOYNIHAN. And you helped design it.

Could I just make a point here, Mr. Chairman.

Governor THOMPSON. And I agreed with you on that.

Senator MOYNIHAN. I do not want to run over, Mr. Chairman, but there is a point where you get a qualitative change in the nature of a problem.

Senator Dole mentioned the—

Governor THOMPSON. Not too fast with that. Let us try that again.

Senator MOYNIHAN. All right. To give you an example, 15 of us went down to Jack Danforth's dinner in St. Louis, where he is making a career of working with children in St. Louis. And Senator Dole remarked that I had mentioned in my remarks that the percent of births out of wedlock in St. Louis is now 69 percent.

In 1950, it was 6.7 percent, 1960, 12.9 percent, 1970, 28.8 percent, 1980, 50 percent, and it is now 69 percent.

A problem which involves 6 percent of the children born that year is a different one from that which involves 70 percent of the children. That is where a quantitative change leads to a qualitative change.

The resources that are required to look after 70 percent of the children are very much greater and different from those where you have a problem on the margin.

And, if I could say to Governor Dean, there are 567,000 living in Vermont. In New York City, there are 800,000 on AFDC. It is a quantitative change. Your 29,000 children and mothers are such that Vermont has a capacity to deal with this number. If you had 300,000, it would be a very different thing.

Governor DEAN. May I respond to that?

Senator MOYNIHAN. Yes, sir. I believe I am out of time.

Governor DEAN. We have had these hearings on both sides now. We had our hearing in the other body a month or so ago. And this notion was brought up by one of the Congressmen who represents central Harlem, as you are aware.

I do not want to speak for him in any way and, as you well know, I would be a fool if I tried to. But it was my impression that the notion of welfare reform with time-limited benefits, and requirements of work, in his opinion, would work if there were jobs. His objection was that there are not any jobs.

So, I would submit that our experience in Vermont is an experience that might very well work in a place like central Harlem, where there are no jobs because it is the work we are looking for, the work experience, and changing culture in that welfare-dependent family that we are looking for.

Therefore, a public sector job, with this kind of standard would, in my view, be better than no job at all, or than the homeless shelter, whatever the alternatives are.

I feel very strongly that work is the most important thing that we need to put in this welfare reform package—work requirements and some sort of time-limited benefits.

Now, in our case, dealing with the unmarried teenagers, and so forth, we require them to live in a supervised setting. We do not remove cash assistance, although I am not opposed to removing cash assistance, as long as you do not remove the other kinds of assistance that go with it, to make sure that the child of the child is well taken care of.

We require them to live either with parents or, if that is not feasible because it is an abusive household, we have institutions where they can go, or foster situations.

I also am not opposed to what they have done in New Jersey, which is to limit the grants and not increase them every time you have a child. Now I am speaking again for myself, I believe that is a good idea because half the battle here is to make sure that welfare-eligible people are playing by the same rules as middle-class people. They do not get a raise, as Governor Thompson said, when they have a child. So let us make those rules consistent.

I share Governor Thompson's dilemma. Depending on how you rank it, we are anywhere between third and eighth in our welfare

benefits in Vermont. We have cut those benefits two or three times because of financial pressures, and we are very close to our 1988 limit.

I think there is a problem that I wish this Committee would address, in terms of the difference in benefits. We have not addressed this in the Governors' Association. I know Governor Thompson's State and my State are thought by some of our taxpayers to be welfare magnets and, to a certain extent, that may be true. People come in from other States nearby, who have lower benefits, and figure that they will get a better deal if they move to Vermont or Wisconsin.

I think that is a problem. We do not have policy on that, but I think there ought to be some thought put into that.

The CHAIRMAN. Senator Bradley wants to say something about this.

Senator BRADLEY. I will say this very quickly because New Jersey is frequently referenced as the State where we are cutting benefits off for the additional child. That is true. That is part of it. You lose \$760 a year. The other part is to allow you to get more if you work. And, if you get married, you are allowed to get even more. And the benefits are about \$16,000. So, yes, you can lose \$760 but, with the other things, you can gain \$16,000, and still be on welfare.

So this is not a budget saver here.

Governor DEAN. Right.

Senator BRADLEY. This is going to cost money.

Governor DEAN. But it is very good for the family.

The CHAIRMAN. Senator Chafee, and then Senator Rockefeller.

Senator CHAFEE. Thank you. Governors, if you please, in the answers to me, set aside your Governors' Association hats and wear only your hats as Governors of Vermont and Wisconsin. I would find that more helpful to me, as far as I am concerned.

Governor THOMPSON. Fine.

Senator CHAFEE. Governor Thompson, I am not quite sure what you mean when you talk about "have standards, but give us flexibility." Are standards not the antithesis of flexibility?

Governor THOMPSON. Absolutely. But, I also realize that I do not think we are going to get a welfare reform package through Congress without some kind of standards. I have been around—

Senator CHAFEE. No. But I am not interested in what you think will pass.

Governor THOMPSON. All right.

Senator CHAFEE. If you could get a block grant, if you had your druthers—

Governor THOMPSON. If I had my druthers, I would take a block grant, and say thank you.

Senator CHAFEE. And I have heard you speak on this before, and I am not sure if I understand it completely. You were asking, as I get it, that we provide you in some base year, over the series of the average base year, with X dollars—X dollars that Wisconsin received under AFDC, say.

What you are asking for, as I understand it, is that we give you X dollars. And, furthermore, we have no requirement of maintenance of effort by you. In other words, Wisconsin is paying a quar-

ter of X, or whatever it is, but substantial sums of your own money into this program.

Governor THOMPSON. That is correct.

Senator CHAFEE. So you are asking that we give you as much as we have given you in the past. Are you giving us any discount? In other words, are you saying X minus 20 percent, or anything? Or do you just want the X dollars?

Governor THOMPSON. I would rather have just the X dollars.

Senator CHAFEE. All right. I am not trying to put you on the spot.

Governor THOMPSON. No, no. Let me respond to it.

I differ with some Governors in this regard. And I agree with—

Senator CHAFEE. And you run a big program with great success.

Governor THOMPSON. I run a big program, and I have had success.

Senator CHAFEE. So I am really interested.

Governor THOMPSON. I am very happy to be able to be frozen at the exact amount we are getting right now.

Senator CHAFEE. Frozen for how many years?

Governor THOMPSON. Five.

Senator CHAFEE. Governor Dean was talking, but I thought you also said a little more when times get bad, a little less when—

Governor THOMPSON. We talked, as Governors, to have a rainy-day fund.

Senator CHAFEE. Well, let me just talk to you solely as Governor Thompson of Wisconsin.

Governor THOMPSON. All right.

Senator CHAFEE. If I have the complete flexibility and you said, Governor Thompson, we will give you complete flexibility, because you have run a good program, and you have reduced your welfare caseload. We will freeze your allotment for 5 years, you will not get any more. Will you buy it?

Governor THOMPSON. I would say yes.

Senator CHAFEE. And, at the same time, you would like flexibility. We cannot say that you have to look after children of a woman 18 or younger.

Governor THOMPSON. You can but, if you are going to say, would you rather have complete flexibility, I would say yes, I would like complete flexibility.

I am confident that I would set up a much better program in Wisconsin, with that flexibility.

Senator CHAFEE. Before you came, I was pointing out to Governor Dean that, obviously, from my background, I have this tremendous tilt toward Governors.

Governor THOMPSON. I know that.

Senator CHAFEE. But, at the same time, there are some programs that are being run by the Governors, or by the States, that are miserable.

I suppose I could not come up with a whole list of them, but I think the foster care thing is generally regarded as not very well-run across the nation. I do not know how it is working in your State. Would you agree on that?

Governor THOMPSON. I would agree on that.

Senator CHAFEE. And, indeed, some Governors—

Governor THOMPSON. Would you agree, at the same time, that AFDC, as run by the Federal Government, is not the best run operation as well?

Senator CHAFEE. Yes. I do not think it is. I think the flaws of AFDC are not—as I understand it, and you can contradict me—in the welfare of the child, as far as getting three square meals a day and living in some kind of a household, but it is the lack of incentive for the families.

I think you used a very good expression, that it saps the family and destroys the family. I agree with all that.

But I think it is asking a lot of us to give you and Vermont and Rhode Island and Mississippi, and every other State, X dollars. This is what you had before. We give it to you, we do not require any maintenance of effort, and we do not require you to do anything, just take care of poor people. That is pressing us pretty far, I think.

Governor THOMPSON. You asked me—

Senator CHAFEE. What you would like.

Governor THOMPSON. —what I would like, and I said that. But I also said, Senator, that there should be, and could be, some standards, and hold us responsible. That is sort of the middle ground. But you asked me if would—

Senator CHAFEE. Sure.

Governor THOMPSON. And I am confident, knowing my abilities, and what we have done in Wisconsin, that we could do a better job without it.

But I also recognize your position. You just cannot give us a blank check. Therefore, I can certainly support some broad general standards on taking care of children, making sure that the grants are spent for poor people, and also for making sure that they get to work and have a work requirement.

I can live with that. Set some broad standards, and hold us accountable, so that you can feel at ease that you are giving us some more flexibility, but still have some sort of supervisory role to make sure that we are complying.

Senator CHAFEE. It is so fascinating that no one wants me to stop. [Laughter.]

I would just briefly ask another question. I am not sure how this would work. If we froze at X dollars for 5 years, and we do not require maintenance of effort, or let us say we did require maintenance of effort, I can see the problems there. You do a good job, and you cut your caseload in half. So, obviously, you are going to have some money left over. So, in that case, it is perfectly all right to spend it on schools or roads, or something else. You have done what we want you to do.

Governor THOMPSON. Can I respond?

Senator CHAFEE. Yes.

Governor THOMPSON. We have done that in Wisconsin. We have an agreement with the Federal Government right now that we can draw down a portion of the money we save, if we match it from the State dollars. I am talking strictly now from my own State of Wisconsin, we have cut our caseload by 25 percent, we are saving the taxpayers \$16 million per month.

Some of those Federal dollars are put in a pot that we draw down, and match with State dollars, to try new ideas in welfare reform, in job training, in job ride and getting more people to work, and setting up training to do that. We are using that extra money in order to accomplish an overall better good for the recipients.

So we are saving you money that you will be able to use for your deficit reduction, but we are still using some of those savings, because of our reduced caseload, to try some innovative things to make things better.

Senator CHAFEE. Thank you, Governor.

The CHAIRMAN. I wonder, with the indulgence of the Committee, we have 11 people here, could we go into executive session for just a few seconds to consider the nominations of Maurice Foley and Juan Vasquez for the Tax Court?

[Whereupon, the Committee recessed at 11:25 a.m., to reconvene at 11:26 a.m.]

The CHAIRMAN. Senator Rockefeller. Then Senator Grassley.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

I would say to both Governors, I am very jealous of your situation. I was Governor of West Virginia for 8 years. I do not think we have had the unemployment rates that your States do, anytime in this century. You both have 4.4 percent unemployment rates. Your average income in Vermont is \$33,000. Your average income in Wisconsin is \$32,000. Ours is \$20,000.

When I consider the whole question of block grants, and what happens during recessions, I have to think back to 1980, when we went from a period in 1979, when we had more people working in West Virginia than at any time in the history of the State, to 1982 and parts of 1983 where our unemployment rate went up to 21 percent because of the recession.

Now the result of that were the thousands and thousands of people who had to go on AFDC because the unemployment lines were just endless all over the State, particularly in the Southern part.

And my question to both of you is, there are some other West Virginians around, and what happens to poor children in the next recession if we take a block grant concept?

We had no money. I had no money. In fact, I had to fire 7,000 highway workers, not induce them to retire, but lay them off. And we actually had less money coming in than we had in the previous fiscal year, in absolute numerical terms. What do I do as Governor with a block grant for poor children?

Governor DEAN. Let me address that briefly, Senator. In fact, you have cited some statistics about our State, but the economy in Governor Thompson's State is a lot stronger than it is in the Northeast right now. His economy is growing at, I think, 6 or 7 percent. Ours is growing at about 2 percent.

And, during the 1980's, it was the opposite. The Northeast was growing and the Midwest was having difficult times.

I think the issue that you raise is exactly the issue that a number of Governors were concerned about in ending individual entitlements. Individual entitlements allow the Federal Government essentially to countercyclically spend money in areas of the country that are very badly hurt by recession.

My position is more or less a middle-of-the-road position, that if we are going to have block grants, first we have to protect children.

I think, perhaps, the way to do that is to make sure there is an entitlement for children, but time-limit the benefit for adults, or something of that sort.

But there has to be some kind of a countercyclical fund for just that kind of eventuality. And, if there are going to be block grants, I would hope they would at least maintain the entitlement for children, so they would be spared whatever problems would come from a very severe recession like that.

Second, we have recommended as an association some sort of a rainy-day fund, where there is a chunk of money that can be drawn down as we have in the unemployment trust funds in our States. This is allowed to accumulate over good economic times, and can be drawn down in bad economic times.

So, if you are going to get rid of the individual entitlement, which is essentially an entitlement by the individual on the Treasury of the United States during a recession, it needs to be replaced by something. Even in our economy, which is better than the West Virginia economy, this recession was the most severe recession since the Depression for our State. We had not quite double-digit unemployment, but it was very very severe. People were on welfare that had never been on welfare before.

If we had been in a block-grant level funded situation there, I think people would have gone hungry in our State. We had raised taxes hugely by that time in order to make up what we could, in terms of the tremendous pressure on the State.

There is the cry nowadays that Government ought to be run by business, damn it. And if somebody cannot run it as a business, they ought to get out of Government, and get somebody in there that can.

But they forget what the central role of Government is. In bad times, business makes smart business decisions, they cut back, maybe they lay some people off. And demand goes down for their products.

In bad times, our revenue stream goes down, because taxes are not collected on people who are not making any money. But demand for our product skyrockets, which is support for people who cannot take care of themselves.

The individual entitlement preserves the countercyclical nature, and allows the Federal Government to come in and help. I understand, in this time of terrible budget problems, that is something the Federal Government is going to question now.

But, I think, when we make these decisions, and we understand we have to have cuts in every program, we have to think about the people these programs are designed to help, and make these cuts in as humane a way as possible.

Again, that is why the language about children is in our statement.

Senator ROCKEFELLER. Governor Thompson, in asking you that question, between 1982 and 1983, the increase in the number of people who went onto AFDC went up by 12 percent 1 year. These are people who had been working. What would I do?

Governor THOMPSON. Well, Senator, we have recognized that problem. As Governor Dean has indicated, we decided on a bipartisan basis, that there should be a rainy day fund. If you go the block grant route, you would freeze the amount of money. But some of that savings, if it was \$5 billion, and the estimated inflation was going to be \$6 billion, you would take half of that extra \$1 billion that was not given back to the States and put it into a rainy day fund for States like West Virginia, States like Wisconsin or Texas, or Florida, that had high unemployment or a natural disaster, whatever the case may be. There would be a place for a rainy day fund to take care of that.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

The CHAIRMAN. To borrow against, or just to give to you?

Governor THOMPSON. That would depend.

In your wisdom, I would presume that Governors, if you asked them, would say give it to us. [Laughter.]

As a taxpayer, I would say maybe a loan would be something we would consider.

Senator MOYNIHAN. Unemployment compensation.

The CHAIRMAN. That is exactly what I was thinking about.

Governor THOMPSON. Yes. Unemployment compensation is a fine example of that.

The CHAIRMAN. So, every now and then, when things go really bad, the Governors come and want us to forgive the payback, as I recall, from time to time.

Governor DEAN. We do that from time to time. Of course, the mayors usually come to us first. [Laughter.]

The CHAIRMAN. That is true.

Senator Grassley. And then Senator Breaux.

Senator GRASSLEY. Governor Thompson, before you arrived, Governor Dean heard me tell my colleagues that I have been impressed by the ingenuity that seems to come out of State government.

You seem to be willing to take more bold action in the States than what we have done in a couple of attempts here in the past.

As an example of this, I have been impressed by New Jersey Assemblyman Bryant, an African-American, whose bill passed the Legislature there. He said at one of our meetings that one of the things we have to do if we are going to reform welfare is strengthen the family. He said that we have to do away with, and these are his words, "the disincentive to the formation of the nuclear family." It seems that he sees some aspects of welfare being a part of that.

There are really a lot of negative consequences to out-of-wedlock births, on the child, on the family, on society as a whole. All of these are very dramatic, in the sense that so many social and pathological problems can be traced back to that sort of a situation.

For us to consider reforming welfare, I think we have to deal with this issue of out-of-wedlock births. How do you address the issue in your States? Do you believe the States can better target the at-risk groups than can a Federally-run program? Either one of you, or both of you.

Governor DEAN. First of all, on a theoretical level, because we do not have experience, I like Wayne Bryant's notion that passed, which Senator Bradley was talking about earlier. I think that is

one way to deal with discouraging teenage pregnancies, and so forth.

In Vermont, we require teenagers to live in supervised settings. You know, I do not think there is any good research that shows that teenagers decide to become pregnant because they know they can get free room and board. I think it is probably a more difficult decision than that.

We, frankly, have found that education is the best tool in dealing with teenage pregnancy in our State. I would not recommend that to be the only avenue we take, but one thing we do know about teenage pregnancy is that, if you are an unwed mother at a young age, you are likely going to condemn yourself to a life on welfare, if that is the lifestyle choice that you make.

Getting that information out in positive ways has been very helpful.

I hesitate to say this, and my staff will clutch themselves in horror, because they have heard me say many very controversial and foolish things in the wrong places before, but I frankly have a great deal of admiration for Henry Foster. Despite his controversial abortion performance, or whatever, the program that he runs in the inner city in Tennessee has done an incredible amount to keep down adolescent pregnancy by teaching kids that these are dead end kinds of decisions.

So I think, in the long run, some of the things that have been talked about are good ideas, in terms of requiring kids who have kids to live in supervised settings, the kind of things they have done in New Jersey.

But I think education is going to be an incredibly important piece of this. And we are going to have to totally revolutionize the way we try to influence the choices that teenagers make about their sexuality.

Governor THOMPSON. Thank you, Senator.

There are several things that I think we as a society have to do, and especially States have to do.

First, you have to take away the disincentives for getting married. Under the AFDC programs that now exist, there is a tremendous disincentive for young people to get married if they do not have any war credits. It really is discriminatory.

Second, I do not think you should pay additional money for extra children. I think there should be a cap.

Third, I think we should require children who are having children, both the father and the mother, to take parenting courses because we have a society where people really do not know how to take care of children. And we should require that.

Fourth, we should take away some of the other disincentives, or requiring mothers to stay in homes with their parents or in supervised homes, or in foster homes.

All of these things, I think, would lend themselves to a more credible situation. And, hopefully, this would have something to do with reducing illegitimate births.

Senator GRASSLEY. With regard to moving people from welfare to work, I heard one of your colleagues, Governor Carlson, say that we should have an attitude towards work that, "No job is so demeaning that it is not worthy or respectable."

Governor Dean, labor market studies show consistently that the longer an individual is out of work, the harder it is for them to find employment.

With this in mind, why does your State's welfare restructuring project provide for 30 months out of the labor market before requiring able-bodied recipients to work? Why not require immediate employment, even if it is not for anything more than earning welfare benefits?

Governor DEAN. The answer to the first question is that my Legislature is a lot more liberal than I am, so that is what I could get.

Senator GRASSLEY. All right.

Governor DEAN. Massachusetts has just gotten waivers to do something which I think is extremely interesting. They require work after a 60-day period and, like Vermont, they create jobs if you cannot fit into one.

My reaction is that this is a great step in the right direction. I suspect the right amount of time is somewhere in between the 30 months and the 60 days.

The population we are talking about are people who, by and large, have never been in the work force. It is not just job training that is the problem. It is simple things like personal hygiene, showing up to work on time, being able to relate to authority in a positive way.

These folks grew up in families never learning these basic skills because, often, they have been on generational public assistance.

So there is going to be some time necessary for those folks to go through job training and basic skills. Sixty days is probably too short; 2½ years, I think, is too long. I do not pretend to know what the right amount of time is. There are a lot of different programs around the States, and this is an area where I think there could be ample State flexibility, if you all would grant us that.

There might be some time limits, and some work requirements but maybe, on a State-by-State basis, we ought to work out what we think those requirements ought to be.

Senator GRASSLEY. Mr. Chairman, I am done.

The CHAIRMAN. Senator Breaux. Then Senator Graham.

Senator BREAU. Thank you, Mr. Chairman.

I would also like to welcome Governor Thompson and Governor Dean, and congratulate you both for the fine work that you all have done. We were at the President's welfare policy conference. And you are both making a major contribution to this whole question of how we go about solving welfare.

Everybody agrees that it is broken, and needs to be fixed. The question is how do we fix it?

I want to explore two points. Number one, as I said in my opening comments, if a domestic Federal program is going to become truly a total State function, why maintain any Federal funding of it?

And, if it is not going to be a total State function, why should not the Federal Government have a say so over how the money that we have to raise is going to be spent?

I know that, in the Republican proposals in the House, they have eliminated the entitlement status of many of the programs. And

they have also turned many of the programs into a block grant to the States.

They have also done something else. They have reduced the Federal funding by \$35 billion over 5 years.

So, in wrestling with this problem, if it is going to be a State program folks, it is going to be a State program. You are going to have to raise the money for it. Because we are going to cut it back by \$35 billion over 5 years.

My question then to you all is, how do you come down on this? Can we reduce this by \$35 billion, and just say, here, it is your problem?

Governor DEAN. In my view, in the short term, the answer is no. I think both Governor Thompson and I have found, as we have moved our people into work, you require an up-front investment in things like child care, extended Medicaid health insurance, transportation in the rural areas of the State where public transportation does not exist, job training.

I believe that, even in our relatively meager growth in the Northeast, we are going to see some savings over a 4- or 5-year period because you are going to have people working, if not paying taxes, at least not drawing down on them as much.

In fact, even over a short period time, we have not seen our welfare decrease because our economy is not in great shape, but we have seen our expenditure per recipient decrease over the 8 months the program has been in place, even though there is no work requirement. This is because the number of people working has increased so dramatically that they are now using, in that population, welfare as a supplement, rather than as a way of life. So work is going on, which is my principal goal.

I think your comments are right on. I am sure that Governor Thompson will disagree, and he has every right to do so. I believe that welfare should remain a Federal-State partnership.

I think we both agree that there ought to be a lot more flexibility. But I do think there should be some national standards. You all have a duty and an obligation to decide what is in the best interests of the nation, as a nation.

If you decide that taking care of welfare is not in the national interest, then it should be put back to the States in its entirety, and we ought to pay for it. And, if we do not want to have the program, we should not.

I am hoping to convince you that, at least for children, there is a national interest in making sure that the child from Alabama has the same advantages as the child from Wisconsin or Minnesota.

If you decide that this is in the national interest, then I think we need to continue that Federal-State partnership, with support for children, but much more flexibility so that Governor Thompson can run his program without having to come for a waiver, and I can as well.

Senator BREAUX. Governor Thompson?

Governor THOMPSON. Thank you, Senator.

There are three inherent questions I think you asked. The first one is why the Federal Government should contribute anything, if this is going to be a general block grant?

One of the reasons we are here is because, for 60 years, you have dictated to us, and told us how to set up the program, set up rules and regulations that have got us into a position where we have a Federal AFDC program that requires some Federal participation.

If the Federal Government had never taken it over, and set up the rules and regulations, I am sure the States would have said yes. But right now, we are at this plateau. So, for the foreseeable future, I think there has to be Federal participation.

Secondly, I differ with a lot of Governors, and a lot of people on Capitol Hill, because I have been involved in welfare reform since 1987.

In order to change any system—and to go from a dependent system of welfare assistance, in which you just send a check month after month, and not require anything—to a work or training system, and more day care, it is more expensive. There is an investment up front.

For the foreseeable future, States that are going to go into welfare reform, like we have in Wisconsin, and like Howard Dean is now starting in Vermont, there is an investment.

We made more investments, and that is the reason I reduced it by 6 percent. I took that savings, Senator Moynihan, and put it into day care, put it into job training, expanded day care by over 300 percent in Wisconsin for individuals who are on AFDC.

So there was an increased amount of money. But now, after 8 years, what have we been able to find? We have been able to find that that up-front investment was a very good investment. We now are saving the taxpayers \$16 million each and every month because our welfare caseload is down, and we are using that savings at the State level, and part of the Federal savings, for more day care, more job training, and so on.

The third thing is, I do not have any real problems with general standards, Senator Breau, if they give us the flexibility and the opportunity to meet those standards. You set them, but make them broad enough so we do not have to come to Washington on bended knee to get a waiver to do something.

Every time I come to Washington to get a waiver, I have a plan. And the bureaucrats say, we will give you half. In order to even get the application in, we have already compromised at the State level. Then we come to Washington, and we get half. All I am saying is, give us the flexibility to do it.

And the \$35 billion that you are saving, it is my understanding that it is not just the savings out of AFDC, it is the whole gamut. It is food stamps, all the block grants, which is not as drastic as a \$35 billion cut would be in AFDC.

The CHAIRMAN. Senator Graham. And then Senator Pryor.

Senator GRAHAM. Thank you, Mr. Chairman.

Governor Thompson, before you arrived, I had made some comments based on my experience as Governor in the early 1980's, during the initial part of President Reagan's administration. Under the concept of New Federalism, there were a couple of principles of relations between the Federal Government and the States that developed.

One was the principle that there should be a single level of Government, which should have the total or primary responsibility for

domestic programs, so that there was not the absence of accountability and efficiency that so often follow when multiple levels of government are involved in the same program.

Second, as a principle of allocation, that the Federal Government should be responsible for programs that basically related to income maintenance. And the reasons was because, if you had differential standards, you would have inducement of populations to move from one community to the other, flowing up to the highest standards. And President Reagan suggested that programs like Medicare and welfare ought to be nationalized programs.

On the other hand, place-bound programs, such as highways, education, law enforcement, ought to be predominately, if not totally, the responsibility of States.

Could you comment on those two principles of Reagan New Federalism? Are they valid today? In what degree would you support or alter them?

Governor THOMPSON. Well, Senator Graham, first I am really appreciative to have so many former Governors on this Finance Committee, who recognize the problems we are having at the State level.

I agree very emphatically with your first supposition. And that is that there should be one unit of government in charge of the program, in order to get the maximum amount of efficiency, an set up the programs best. I agree with that.

I agree with you partially on the second part, depending upon what you are willing to take, and what you are willing to give back. It is usually a matter of dollars and cents, much more so than the programs.

I think that Senator Kassebaum's program, the first one, where she said she would give us all the AFDC programs at the State level, and the Federal Government would take over Medicaid. I would jump at that chance. I would say thank you.

And I think that Senator Kassebaum found that it would be too expensive at the Federal level. And, therefore, she backed away from it.

But I think there is a real opportunity here, Senator Graham, to be able to make some rational decisions as to who should be responsible for what programs in those individual States.

If you decide that the States should take over AFDC, and the Federal Government takes over something else, I think we could work that out. And I think we would be better off in the end.

I agree with you. And I agree with those basic premises that you have set out.

Senator BREAUX. What about this concern about population movements?

Governor THOMPSON. It is happening right now, under the existing system. I can tell you that Wisconsin has been classified as one of those welfare magnet States. And we recognize that.

We started a program called "Two-Tier" in Wisconsin. We got a waiver to do that, to track exactly what you are talking about, in which we will pay for the first 6 months individuals who come from other States the same amount of AFDC benefits they would receive in their home States. Once they have stayed 6 months in our particular State, then we go to the Wisconsin level.

That program has been in operation about 8 months now, and we have got some fairly good data on that, which I would like to share with you.

Governor DEAN. Let me respond to that notion. I think it is an attractive notion, as well. The problems is when you get to the details.

I would very much oppose Senator Kassebaum's original SWAP proposal, because the last thing I want to see, as a former physician, is a big bureaucracy controlling all the medical care, or 40 percent of the medical care, which is Medicaid and Medicare, out of the Federal Government. I mean, I have nightmares about that.

I can assure you that dealing with Medicare has not been a terribly enjoyable experience as a career as a practicing physician. So, I happen to like the fact that Medicaid is run at the State level. I used to be able to call somebody in the next town. Even if I did not get the right answer, or the answer I wanted to hear, at least it was an answer, which I never was able to get out of the folks who ran Medicare.

In principle, the SWAP idea is an interesting idea, and it is one that I am attracted to. Again, where that idea founders is on what is the national interest?

I talked to Senator Kassebaum at great length about this. Her second proposal, which was to take the chronic care part of Medicaid, and give us the acute care, was very attractive to me. This would allow me to do some things in health care reform in our State that I cannot do now.

The problem is that we would take welfare and, again, where is the minimum national standard for children? Does the nation have an interest in making sure that the child from California is treated the same as the child from Maine? Or is that a local decision? I think there is a national element there.

If you take transportation, which is another area that could be turned back to the States, well, a long time ago, the Congress decided that having a national transportation network, the interstate system, was a national matter. So there was a Highway Trust Fund set up, and so forth.

So I think the idea is a good one. The problem is, when you get down to the details, there is going to be an awful lot of difficulty trying to sort out which should, in fact, go back to the States, and what should, in fact, be Federal responsibilities.

Senator GRAHAM. Thank you.

The CHAIRMAN. Senator Pryor. And then Senator Conrad.

Senator PRYOR. Thank you, Mr. Chairman.

I join my colleague in thanking our two distinguished guests, these two fine Governors. Thank you for sharing your thoughts and experiences in your respective States with us.

We held a hearing last year in the Governmental Affairs Committee, in the area of child support enforcement provisions, and where we were in that whole discussion.

The first thing we found was that there are about \$35 to \$40 billion out there that remain unpaid to the children, some 23 million children, I think.

Now, Governor Thompson, I want to applaud you. I hear that you have done a remarkable job in your State in establishing the

paternity issues. I think in 96 or 97 percent of the cases, you have done this.

Governor THOMPSON. I wish it was that high. It is not quite that high, but we are number one in the country.

Senator PRYOR. Well, the average, I believe, is about 46 percent. Also, the figure that I remember from that hearing is that about 3 percent of the people in America are behind on their automobile payments, and about 53 percent are behind on their child support payments.

Governor THOMPSON. That is true.

Senator PRYOR. And this is an area that I am vitally concerned with because, when we hear about the welfare mothers, I think there is a whole population of welfare fathers out there that we have to look at, and find the mechanism, and find the way to bring them to accept responsibility.

Would you share with us some of the ways that you have established this very high percentage of paternity cases?

Governor THOMPSON. Sir, I am really excited about this. Thank you for raising it. I think this is a national scandal in our country. And, if there is one place that the Federal Government could do a job so much better than the States, it is in child support collection.

I have no tolerance whatsoever for somebody bringing a child into this world, and walking away from that responsibility. And I think it is absolutely impossible to defend. The average collections in this country are 18 percent. We in Vermont and Wisconsin, are way up in the 30's.

I mean that is deplorable, and I am not satisfied with saying that we are a leader in collecting only 35 percent of the delinquent child support. But there is \$34 to \$40 billion out there that should be collected.

And I do not think a doctor should be able to practice medicine, or an attorney practice law, or an individual be able to sell insurance if they are behind in their child support. There should be national way for the Federal Government to use the IRS to make sure that everybody pays their child support.

We should also, I think, require States to pass the National Uniform Support Act. I am not absolutely certain Senator Moynihan, but I believe there are about 25 States that have not passed that yet. And I think that is bad.

I think you have to make sure that individual mothers, when they are in the hospital and have a child, that before they sign up for AFDC, make sure they point out who the father is. And make sure, as a requirement, before they get benefits, that they say who the father is.

I think that would go further than anything else I have said here this morning to help us move along the way to help poor people, and especially children, in our society.

Senator PRYOR. Good. Thank you, Governor Thompson.

Governor Dean, do you have a comment?

Governor DEAN. Yes. Just let me very strongly support what Tommy Thompson just said.

That is important not just for financial reasons. But, it we are talking about single parents, or out-of-wedlock births, the quickest

way to address that is the issue of male responsibility which, in our society, has been a non-issue for many years.

I think there is a major Federal role to be played here. We in Vermont and Wisconsin are the top States in the country, in terms of collection. We still are not nearly where we ought to be. And, frankly, a lot of the problem is that these folks go out of State, and we have no recourse. The legal time and resources it takes to collect child support payments from somebody who is out of State are immense, and we just cannot do it at the State level.

So I would very much encourage doing it, not just for the financial implications, but for the message that fathering is as important as mothering, and brings on the same responsibilities.

Senator PRYOR. Thank you very much, Governor Dean.

One final question. Arkansas, I think last year, or perhaps the year before, received a waiver to try a family cap, where the AFDC payments will not increase if the family has more children while on welfare.

I think this was only being applied in certain counties in the State of Arkansas. But, what is happening over the country with regard to these waivers? Are they being sought?

Governor DEAN. There is a lot of experimentation about that. An they are being sought through waivers. I think one of the things Governor Thompson and I agree on is that we ought to have more flexibility to do those things without having to get waivers.

There are various ways you can do that. New Jersey has their way. Arkansas has theirs. I think that there will be strings, as Senator Chafee just said. And some of the strings that I think are worthwhile putting into this bill, in addition to the minimum standard for children, are things like requiring us to have paternity identification.

I believe, not only should it be documented, but if there is no voluntary consent as to who the father is, I think it is perfectly acceptable, for public support payments, to have blood tests to confirm that.

I am absolutely adamant that there are some things that need to be done by the States in order to achieve our goals. And I think the Federal Government does have a role to play.

Governor THOMPSON. Senator, if I just could quickly respond?

Senator PRYOR. Yes.

Governor THOMPSON. I think that is the essence of what block grants are all about. There are 50 States out there that really want to do something. Give us the flexibility to be able to accomplish it.

Senator PRYOR. Thank you.

The CHAIRMAN. Senator Moynihan had a comment.

Senator MOYNIHAN. Could I just note that we put the requirement of paternity identification in the Family Support Act. And States are required to do this, under penalties for not reaching a certain level. It is a beginning; it was not far enough.

I appreciate your questions, and Governor Thompson's and Governor Dean's answers.

The CHAIRMAN. Senator Conrad. And then Senator Moseley-Braun.

Senator CONRAD. Thank you, Mr. Chairman.

I too want to welcome our witnesses here this morning, and thank you for putting a lot of time and energy into something that has to be addressed in the national interest.

First, I want to echo the remarks that were made by both Governors with respect to the identification of paternity.

I remember going to a welfare office in North Dakota where they were coordinating the collection of payments. And I was absolutely shocked, even in a State like ours, which probably has higher levels of personal responsibility than many States, to see the numbers of people who are really dead beat dads, who are ducking out of town on their responsibility.

And none of us should be party to a system that permits that.

The second observation I want to make is that I did a paper in college, examining the welfare system, and identifying the disincentives to work that are in the system. That is a mindless system.

They have a welfare system that encourages people to be on welfare, rather than work.

The third observation I want to make is that my wife was visiting an ill relative. A woman was there who was taking care of the relative. She was talking about her daughter, 15 years old, and the daughter had told her that she was going to have a child. My wife was probing with the mother, why would a 15-year-old child think it is appropriate to have a child?

There were some interesting things that came out of that. First, the young woman said that, in her age group, young men were ridiculed if they did not have a child. It was a kind of proof of manhood that you have a child. And the young woman sought a child as a signal of independence. She was going to have a child, and go and live separately, and raise that child to have somebody that cared about her.

I think Senator Moynihan has done a great public service by pointing out this problem long before anybody else was thinking about it. And I am interested to know from the two of you, what can be done to break that cycle? You are down there in the trenches, dealing with these problems. What can we do to break this cycle of children having children?

Governor DEAN. In our State, we require those children to live in a supervised setting. They cannot set up their own household. We will not pay for it.

Senator CONRAD. But how do we prevent the child from having a child in the first place? That is after the horse is out of the barn.

Governor DEAN. Well, I think the paternity piece is important there. These children have fathers too. Interestingly enough, there has been some recent literature that shows that it is not necessarily their male peers that are fathers.

Often, pregnancy is a result of predatory sexual behavior by older males on younger children, particularly those children who are under the age of 16 who become pregnant.

But I think the issue is that we can fiddle with the welfare system, and we ought to, by requiring things like supervised setting, so the independence issue goes away.

I personally do not have a problem with not paying cash assistance to teenage mothers. I do think they need the other kinds of

assistance so that their children do not bear the brunt of their bad decision.

But, again, I will give the same answer as I gave to Senator Grassley, which is that education is very very important.

In our State, we find that the counties with the highest illegitimacy rates are the counties with the greatest opposition to sex education in the schools. The more education we do, the lower the out-of-wedlock birth rate for teenagers is.

And we have actually brought down the rate in poor counties with high illegitimacy rates, simply by putting appropriate education programs in the schools.

Frankly, I do not think you are going to get kids to change their sexual behavior without having a frank and open discussion about what their choices are, and what is down the line for them if they make the decision.

In our State, if you have a child out of wedlock below the age of 18, the chances are statistically 85 percent that you are going to be on welfare for the rest of your life.

I think, if kids can be made to understand that, they may begin to make different choices about sexuality. In the end, it is going to be their choice, whether it is a good choice or a bad choice. I think it is our role to try to help them make a good choice.

So there are some things this Committee can do. But a lot of what really has to be done is in the homes and in the classrooms.

Governor THOMPSON. Senator, if I knew the answer to your question, I would not be here.

There is no simple solution. There is no silver bullet out there. You have to have a whole plethora of ways to deal with it.

You have to do something with peer pressure. You have to set up courses and programs in the community to talk to children. Education is vitally important.

You should require the young man that is responsible for the child to take parenting courses, so that he is responsible for taking care of that child. If they have to learn to change diapers and feed the child, maybe they will not be so interested in having another child.

You should take away some of the disincentives toward work. There is nothing wrong with saying that you are not going to get extra money for extra children, so there is not an incentive to have other children.

And you should also do away with the disincentive, as far as marriage is concerned, under the AFDC law. It especially discriminates against minorities who have no wage earnings, any quarters. Therefore, if they get married to the mother of their child, all three of them are kicked off of welfare. That does not make any sense to me.

And you should allow for requiring young men to have to work, and pay for some child support, even if it is only after school. Require that individual, instead of going out for football, to get a job and pay some child support. That would go a long way towards discouraging and dissuading individuals. But there is no simple answer.

I thank the Chair.

The CHAIRMAN. Senator Moseley-Braun.

Senator MOSELEY-BRAUN. Thank you very much. And I thank the Governors for a terrific hearing this morning.

I want to pursue with you some of the specific questions with regard to your testimony.

Right now there is a national conference going on dealing with poverty, among other issues. And they are looking at the effect of poverty on world economies, and where we are going in the future.

Welfare, as we know it in this country, is just a response to poverty and, frankly, not a very good one. We have not done very well by the children, for example, in this country.

It is my understanding that about 23 percent children are in poverty in this country. And this is among the highest of the industrialized nations. That says that we are not doing very well in dealing with the problem of poverty, and I think welfare has been an inadequate response.

I think everybody agrees that we need to fix this. Even people on welfare will tell you that the system is broken; it is not working for them.

So I think that, if we take a look at this in terms of the larger ramifications and what it means in terms of dealing with issues of poverty. I am just delighted to hear both of you talk about the issue of fathering. Fathering is as important as mothering.

I think that it is so important that we not make this a war on women who are poor but, rather, look at the implications of this system in terms of helping to move people from poverty into self-sufficiency.

Just this last year, when I got here, there was legislation passed calling for the interstate enforcement of child support orders. So I am familiar with the issue you raise and how difficult it is for the States to enforce child support across their borders.

What I want to talk about for a moment is initiatives that focus in on the dads, as well as the mothers. And to you, Governor, I would like to know, with regard to your Work Not Welfare program, does it include the fathers?

Governor THOMPSON. Yes.

Senator MOSELEY-BRAUN. It does include fathers presently so you deal with both, whether there is a marital situation or not, both the dads and the moms?

Governor THOMPSON. Yes.

I have another program, Children First, that really deals with fathers, which is in the counties where we have the Work Not Welfare.

Senator MOSELEY-BRAUN. That is good to hear. I am concerned though. One of the things that I have noticed about the Work Not Welfare program, it exists in two counties. You have, what, 71 counties in your State? And you have it in two counties, and those are counties with low unemployment, that are not high risk for poverty, not high risk for welfare counties.

The question I have for you is, what would it take to phase in a program like this in the higher unemployment, higher welfare population areas of your State?

Governor Thompson. I am so happy you asked me that question, because it goes back to the waivers of the Federal Government. I wanted to go across into a lot more counties, but the Federal Gov-

ernment said you could only have two counties, and you have to limit it to 1,000 cases. It was not my choice.

So the reason we put in the two counties, we put it out and asked what counties want to do this? Fifteen counties actually applied. I would not put it into counties that did not want it. It would be an unfunded mandate from me to them. So I put it in the counties that really applied for it, and set up a program.

We also passed a law—and I am sure that you know about this, coming from Illinois—to end welfare in Wisconsin, as of January 1, 1999. We have set it completely into a jobs program. And, this year, we are going to transform the Work Not Welfare into a whole Statewide system, into all the counties.

But you were not here when I also told the Committee that all the counties in the State of Wisconsin, including Milwaukee County, have had a reduction in the AFDC recipient caseload in the last 8 years.

Senator MOSELEY-BRAUN. How much more, per recipient, do the Work Not Welfare counties spend? You mentioned it in terms of a jobs program, an employment program. Certainly these support systems that Governor Dean was talking about will require additional costs.

Governor THOMPSON. I do not know if you were here when I said this—

Senator MOSELEY-BRAUN. No, I do not think so.

Governor THOMPSON. But every time you change a system, you are going to have an up-front investment, more transportation, more job training, more day care. And those individuals who have not been in welfare reform, and think that you can just change the system from one based upon dependency, where you receive a check once a month, to one in which you require people to go to work, are going to be sadly mistaken when they start the program. Because there is an up-front investment.

You can save money on the back end, but the up-front capital investment is more.

Senator MOSELEY-BRAUN. What was that?

Governor THOMPSON. I cannot give you the exact amounts, but we have given those counties block grants from the State of Wisconsin to set up the programs.

Senator MOSELEY-BRAUN. I think it would be important for us to have a sense of what was the additional up-front investment that would be required to make this transition.

Governor THOMPSON. Absolutely.

Senator MOSELEY-BRAUN. With regard to that, and the cost of the change, the House bill has a \$35 billion cut over 5 years, and no maintenance of effort required. This is essentially a \$35 billion reduction in Federal spending in this area.

That can mean one of two things, either cuts to children and cuts to the people, or an increase in the State costs.

Governor THOMPSON. Yes.

Senator MOSELEY-BRAUN. Did the Governors look at this as a kind of back door, unfunded mandate?

You are going to be required, if we are not going to have children in the streets, and folks absolutely destitute, homeless and hopeless, somebody is going to have to pick up the cost.

Are the States looking at what additional costs will be incurred from this \$35 billion reduction, since there is no maintenance of effort? Assuming there is a maintenance of effort, but since the House bill does not require it, you are not looking to cut back further, are you?

Governor THOMPSON. The \$35 billion is across all of the block grants. It is not just AFDC. It is child nutrition, food stamps, and everything over 5 years.

But it also is not a cutback. It is that the increase in the amount would not be as much.

And, Senator, there is a disagreement among the Governors. I think, if we have the complete flexibility to set up a program based upon some general standards, some general Federal standards, we can do it in Wisconsin and, I assure you, we will not let people go hungry.

Senator MOSELEY-BRAUN. Governor Dean?

Governor DEAN. That is an area of disagreement among Governors. I am very nervous about the idea that we are going to maintain the same degree of benefits, given substantial cuts.

I can tell you that, in our State, we would be faced with some very difficult choices. I do not want to raise taxes in my State. We are a fairly high tax State as it is. Nonetheless, if this block grant were to pass, we would have some significant problems, again, on the coasts, as it is in the middle of the country. And we do not have the kind of growth.

In the 1980's, our welfare population dropped dramatically because we had tremendous growth. It has not dropped in the 1990's, I can assure you. Even though our unemployment rate is down, the quality of jobs that people are returning to is not what it was in the 1980's.

So my view is, if there are going to be benefit cuts as a result of this, we can probably stand some of those in Vermont, because our benefits are pretty high.

But I just want to make sure that when this thing gets structured, and finally leaves this Committee, and leaves this Congress for the President's signature, that the scenario that you just outlined does not happen. And, if there are going to be benefit cuts, that those happen to adults, and not to children.

The CHAIRMAN. Senator D'Amato.

Senator D'AMATO. Well thank you, Mr. Chairman.

First, let me say that one of my colleagues, the senior Senator from New York, touched on an incredible problem that we have, and that the whole nation faces, with regard to the continuing rise in out-of-wedlock births, and the disastrous impact that we are suffering as a result.

I do not know if anyone has an answer, but it is perplexing. It has to be troubling. I believe we do not think about it or focus in on it because there is no easy answer.

But all of our efforts at reform, unless we deal with this problem, will achieve very little in the long run, considering the manner in which this problem is increasing, and not diminishing.

I think it is interesting when Senator Conrad points out that, even in his State, he sees the same kind of situation. This is a

State where he says the citizenry is known for their rugged independence, and so forth. And yet, in personal responsibility—

Senator MOYNIHAN. Maybe it is the weather.

Senator D'AMATO. Maybe it is. But, having said that, Governor Thompson and Senator Dean, let me add my voice to those of my colleagues in thanking you for being here.

It seems that the Governors keep getting younger looking, the longer I stay here. I was amazed. I did not think this was a Governor. I saw Dr. Dean—this is a doctor and a Governor. Governor Thompson is getting to be an old guy over here.

Let me ask you, our Governor in New York is making application to HHS so that he can bring in a number of programs, and ask for greater flexibility in terms of workfare programs and other programs dealing with welfare.

He says that, notwithstanding that similar applications have been granted—one I believe in Rhode Island, the same thing that he will be asking for—that this process will be an inordinately lengthy one. It will take maybe up to 8 months. Will you share with us whether that is correct, and what we can do?

Does it not seem to you that this is one of the areas where we can kind of liberate the States into getting more involved in innovation and stop this horrible process of delay, delay, delay, which stops the innovation and the progress that you have made in your States?

Governor DEAN. That is exactly what we were asking for, Senator. There are a variety of ways to do it.

One is to say that, if one State gets a waiver, it is good for all 50 States. I think that is a good idea, but a better idea is just to broaden our ability to make these kinds of changes so much that we do not have to come for waivers at all.

Now there is a difference of opinion about whether you have to have block grants to do that or not. But, no matter what you do, I think all Governors are agreed that the national guidelines have got to be flexible enough so that there are lots of different ways of getting to those national standards that Tommy was talking about earlier.

We need to get to those, but what we do not need is having to fill out 75 forms, 800 successive times, to convince you all that we have gotten there.

We talk in our policy about audits to make sure we have spent the money properly, and things of that sort. But, no matter what comes out of here, whether we abandon the individual entitlements to block grants, or whether we keep the individual entitlement, or some combination thereof, I think the reason Governor Thompson and I are here is to speak for people like Governor Batackie, and ask you all to set up a system that people like George Batackie can fix his welfare system in the way he sees fit, given some broad general guidelines.

Governor THOMPSON. Senator, you have struck a very responsive chord in all Governors.

You will find that all 50 Governors would agree with your statement completely, that there has to be a better way.

In fact, when we had the reform meeting down with President Clinton several weeks ago, President Clinton also agreed that the waiver system has got to go.

I have been very fortunate. I have received 179 waivers under three administrations, Reagan, Bush and Clinton, since I have been Governor.

And I will tell you what happens. First, our departments—and I am sure the same thing is happening in New York—start negotiating with HHS out here in Washington. So, immediately, you reduce your expectations, you reduce your plan.

Once you submit the application, then you have to come out and negotiate with further bureaucrats on how far in the control groups, and how extensive it is.

So, you have already reduced it, maybe by half. Then, once you get through the first set of negotiations, you are down another 20 or 25 percent. Then it goes through OMB, to make sure that it is revenue-neutral.

Senator Moseley-Braun asked me the same thing, why I did not go into more counties. Well, I started out with 72 counties, and I ended up at the end with two counties.

So that is what the waiver process is all about. There has to be a better way. I think a better way is to eliminate it, and allow States to have the flexibility to set up individual pilot programs.

Senator D'AMATO. I thank the Chairman. I thank the Governors.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. I indeed thank the Governors, and congratulate Dr. Dean on his memorably energetic tenure, and congratulate Governor Thompson on being Chairman-elect, as I believe is the case.

Just one detail, and I think my colleague pointed to this, the waiver and resistance in Washington.

There is a culture in HHS, which goes back to the Childrens' Bureau, that assumes the Governors do not mean any good. And there was a time when there was some truth to that. But, in the fourth generation, it still hangs on.

It took us 15 years, but last year we did finally get a statute that will create an annual welfare report, modeled on the Economic Report of the President.

If you look at those economic reports from 1948, 1950, we could not measure unemployment until 1948. That was the first time we had an annual unemployment rate. But today they are pretty powerful pieces of analysis in the data base. You could not get that for 15 years.

I will be very frank—not too frank—there was a committee on the other side of the Hill that has the jurisdiction over this. As long as its staff was there, nobody was going to find out anything about welfare. [Laughter.]

And then, the present administration came and hired them all, and we got the bill through.

Governor THOMPSON. So now they are all on your waivers.

Senator MOYNIHAN. Now, mind you, they are going to have to turn out the report. We will hear this from their advisory board, which they still have not appointed.

I think you have been very open in saying what we do not know. And, when we seek waivers, it is to try to find something out.

And you are very much to be congratulated. I want to thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Thank you once again. I will not belabor the point. I think it was important in talking about waivers that the President, when he spoke to the National Association of Counties yesterday, once again said that States should be able to experiment with welfare reform initiatives, without the burden of getting a Federal waiver.

As they signed their 25th such waiver for the State of Ohio, I think the President really does feel that coming to Washington, trying to get a waiver to try to do something that fits your State, is not something that is really needed in the long run.

Governor Thompson, let me throw out a hypothesis, and let you shoot it down if you think it is incorrect. It really deals with your State of Wisconsin, and the progress that has been made in your State.

Our premise is that the best social program is a good job.

Governor THOMPSON. Absolutely.

Senator BREAUX. And all the things we are writing, if we do not have good jobs, we will never get people off welfare. And, if we do, we will.

In looking at the figures from your State of Wisconsin, the AFDC caseload has declined dramatically. It has gone from 97,000 cases in 1987 to about 80,000 in 1993.

Governor THOMPSON. About 74,000.

Senator BREAUX. Well, the figure I had here is 79,989.

But the decrease from 1987 is a huge decrease, 16.8 percent decrease, while AFDC nationally has been doing just the opposite. It has gone up almost 32 percent in the same period.

So Wisconsin shows a dramatic decline in AFDC cases of 16 percent, while the national average is going up over 31 percent.

Now Wisconsin, I think, has 5 waivers from Federal law for demonstration projects, according to the figures I have. Is that not correct?

Governor THOMPSON. That is not correct. We have 179 waivers, over the three administrations, for 14 pilot programs.

Senator BREAUX. And when did they start?

Governor THOMPSON. I got my first waiver under President Reagan, in the latter part of 1987, or the first part of 1988.

Senator BREAUX. The Parental and Family Responsibility program, the two-tier benefit demonstration project, and the Work Not Welfare project, and the benefit cap demonstration project. Are those the most recent ones?

Governor THOMPSON. Yes, the Work Not Welfare is the most recent one. I got that under President Clinton.

Senator BREAUX. The question I want to pursue is that, during the period that your caseload went down so dramatically, Wisconsin's unemployment—because we had a great Governor, a great team, you put in good programs—dropped significantly. And your child birthrate was at about the national average.

I know Florida's has gone way up, and unemployment was going up because of circumstances, as my State has, but your unemployment was going down dramatically, and your birthrate for children was about the national average.

Some would make the argument that all these demonstration programs did not make a lot to do about anything, that the real critical factor was your major improvement in your unemployment rate, and people got jobs. And all these programs are wonderful. But, until you focus on work, all these wonderful programs ain't going to amount to a hill of beans.

Governor THOMPSON. Senator, you are partially correct. And the critics are partially correct. You cannot have a great recovery without good jobs, and without good employment.

We have done that in Wisconsin. But it is not the whole story. We have been able to have a mind change. Social workers, welfare administrators in the State are trying new programs; more social workers now are inclined to find different ways. They are trying to find better ways to get people into the job market, because they know it is a better way of life.

And even the last program I started, Work Not Welfare, before it even got started—and I believe Governor Dean also mentioned this—before the work programs have kicked in in Vermont, there are more people on AFDC that are working now. And there are more people on the Work Not Welfare program in Wisconsin. It went down by 9 percent in the counties where we were going to start it, before the program was even started.

So, there is a mind change that says, you know, there are some responsibilities that have a beneficial balance of getting people to work.

The same way with child support. You are hired, and start collecting that child support, other people say, well, they are going to come after me. I had better start paying. The same thing on determining paternity.

So you need good jobs. You need a strong economy, there is no question about it. But these other programs do help. They help a great deal.

Finally, in conclusion, to really knock down your supposition, we are down 25 to 26 percent now in Wisconsin. Our latest figure is a 26 percent reduction in the caseload in Wisconsin. But our economy is only the tenth best. Out of the first nine, that have a stronger economy, some of their AFDC caseloads went up to 35 percent higher.

Senator BREAUX. While their unemployment was going down?

Governor THOMPSON. Well, their unemployment has gone down faster than Wisconsin. So I tend to argue with you that there is more to it than just the economy.

Senator BREAUX. Thank you.

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

I expressed my appreciation for the very excellent presentations and responses of Governor Dean and Governor Thompson. And I hope we will be continuing this dialogue.

You both mentioned the number of experimental programs that are underway in your and other States. I would be interested in

what we have learned through these programs, and let me mention three specific areas.

Has there been an actual decline in the rate of illegitimacy in those counties which have experimented with these types of initiatives, as distinct from comparable counties that did not?

What have you found to be the availability of work for those persons who have come through the training programs, and are prepared to accept jobs? Are there jobs there? To what degree have you had to rely on community service, or public jobs?

And what has been the effect on children in issues like their health indicators, their school performance, other signs of improvement in the lives of children?

Governor DEAN. Thank you, Senator.

It is early in our demonstration project to have those kinds of numbers. I can give you a little bit of that information. In terms of teenage pregnancy rate, we are not doing it on a county-by-county basis. We did the whole State at once. We put our whole case-load of 29,000 people into the program. So we are not going to have that kind of data. Our teenage pregnancy rate has declined this year. I do not think it is because of welfare reform. I think it is because of a very intense effort in sex education courses, and things of that sort.

Secondly, we have had for a long time a voluntary program called Reach Up, which is a program that I think we got waivers for under the Reagan administration. It makes job training programs available to people who are motivated and want to get off welfare, on a voluntary basis. That, obviously, continues.

The change that we have seen is in the new entrants into the welfare system. You find that a far higher percentage of these people are working in the private sector. Our job requirement has not yet kicked in. The program has been in effect for 8 or 9 months, and the requirement is 2½ years, or 15 months for unemployed parents.

We are anticipating that, because of our economy, we will require community service jobs. Therefore, we are creating them. We went out last year and surveyed a whole bunch of nonprofit schools, nursing homes, and so forth, to see if they would be interested in having somebody who is willing to work in exchange for their grant, or unwilling to work, but who, nevertheless, is going to work because that is what is required in our program.

And we believe that community service jobs will be required for those who are less motivated, or for those who, because of the state of the economy, are not able to find jobs in their chosen field.

That is about the best data that I can give you.

This goes back to the question Senator Breaux asked about the cutting of the block grants. In terms of the children, I am very concerned about that. We have a very high level of child care, not just for people on welfare, but principally for working families, who would not be able to work if it were not for our child care grants.

Most of that money is Federal money—not all of it, but a good bit of it. If the child care block grant is cut substantially, welfare reform cannot succeed. Because, in order to get people out of their houses and into the work force, somebody has to take care of those children. Right now, we are able to do that. It has cost us about

a million dollars to put 29,000 people into this program on an ongoing basis, not a great deal of money. We think we will save much more than that after this program is in effect.

But I am very concerned about the potential of having our welfare program founder because we are not getting enough money to make sure that we are able to keep our end of the bargain, in terms of child care, to these families.

Governor THOMPSON. Senator, the three things that you asked. The first one on teenage pregnancy, I am not happy. We have not made the progress that I would like.

The second one is on work. We in Wisconsin set up a workfare program before the Family Support Act. And, after the Family Support Act was passed, you passed a Federal law called Jobs. We were the first State because we already had the machinery in place to take advantage of the JOBS Program. And we were the first State to draw down all the Federal dollars, and we have consistently drawn down all the Federal dollars under the JOBS Program.

And we have a very comprehensive JOBS Program in every county in the State and every Native American reservation in the State. And it is working out extremely well. It is one of the best programs for moving people out of welfare.

That is one of the real reasons to further answer Senator Breux about being able to move people from welfare, and we have had consistent success. We have several thousand, about 45,000, in the program last year. And I think that is one of the best examples of that in the country.

Senator GRAHAM. Could I ask a question?

Governor THOMPSON. Sure.

Senator GRAHAM. My time is about to run out, but I would like to ask a question just for purposes of planting an idea for subsequent thought.

We have talked a lot about the nature of the relationship between the Federal Government and the States, and the nature of the regulatory scheme.

There are a number of ways to regulate. One is by process. Another is by performance. I am a strong believer in the performance regulation.

Governor THOMPSON. So are we.

Senator GRAHAM. If we were to set up a system of block grants, and the Federal Government states a set of performance objectives that it expected the States to reach, as opposed to process objectives, I would be interested in your thoughts, subsequent to this meeting, as to what should be in that contract of performance objectives, and what would be your recommendation as to how those performance objectives should be monitored. What would be the standards that would indicate achievement of those performance objectives?

Senator MOYNIHAN. Thank you. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

First, I think these Governors have been very patient, and extremely helpful. They are right on the firing line. And I would ask them to respond as Governors, rather than as chairman and vice chairman of the Governors' Association.

What do you do with a situation where you are continuing payments to somebody who is off welfare, and in a very low paying job, and I think you do that, do you not, Governor Dean?

You might have that person side by side with somebody who has never been on welfare, who is the working poor, but not getting the supplement.

Governor DEAN. That is a tough problem.

Senator CHAFEE. That must be a fairness problem, and I do not expect it probably goes as far as the fellow who have never been on welfare saying, well, the way to gain this system is to get on welfare. I will get on welfare for a while, and then come back and go to work at this minimum wage, and I will be better off.

I would think it would particularly come up in continuing the Medicaid payments coverage after the person goes to work, and the person next to them in the jewelry shop does not have any health care coverage.

Governor DEAN. I am glad you brought that up. We have just submitted our waivers to expand Medicaid in our State to about a quarter of the uninsured people who are in exactly that category. They are working for a living, working for companies that do not pay benefits.

In the waiver we have asked to approve, it is not an entitlement so, if a State runs out of its share of the money, we do not have to put more people in.

But, obviously, I was a big supporter last year of universal health care. I know, Senator, you worked extremely hard on that issue. That is one of the reasons that I was very supportive of what you were doing last year, as that unfortunate effort came to a close.

But I think we need to solve the problem of universal health care reform in order to get equity into the system. However, that should not be an excuse for doing nothing.

Senator CHAFEE. No. But my question is that you get objections, repercussions for saying, hey, I have played the system right. I have never gone on welfare, and the fellow next to me in the shop is better off than I am.

Governor DEAN. Well, my reaction is twofold. First of all, that happens all the time, in every program you can think of in the Federal Government, or the State government. We do that to people routinely.

Senator CHAFEE. I do not know the solution. I think it makes sense to continue the payments. Otherwise, they will never get off welfare. There is no incentive to get off welfare.

Governor DEAN. The other piece I would say is that, again, we are only aiming at the kids here. I happen to believe that we ought to have some form of universal health insurance. But, leaving that aside, what we have done in our State is that we insure all kids up to the age of 18 on Medicaid at 220 percent of poverty, or below. That is \$33,400.

They are entitled to health insurance through the Medicaid program. Period. And so anybody moving off welfare, up to what really amounts to a middle-class living standard, is entitled to have their children taken care of.

Frankly, I went back to the President after last year's debacle that at least he ought to come back with something like that. It

is cheap as dirt to insure those kids. The sick ones are already insured by the Federal Government through Medicaid. You might as well insure the healthy ones. At least, that way, the kids are taken care of, not just for the person who is coming off welfare, but also for the worker who has been working on the line for 10 years with no benefits.

Senator CHAFEE. How about you, Governor Thompson? Do you see a backlash, a conflict?

Governor THOMPSON. Absolutely. It is a big problem. But you still have to be able to continue the Medicaid payments, especially for the mothers who are just starting a minimum-wage job of \$5 or \$6 an hour, you have got to be able to do that.

I think we got the first waiver before the Family Support Act allowed it, but we got a waiver to extend Medicaid while they were off welfare for, I think, 24 months. And I think we were the first State to do that. And then I think you incorporated it in the Family Support Act, where all States now are able to do that.

Senator MOYNIHAN. We have your waiver.

Governor THOMPSON. Thank you. It is badly needed. It is important.

Senator Chafee, I really think if we could have more flexibility—and this is a whole different subject, on medical assistance—so that we could get, as Howard Dean is doing in Vermont, for more Governors to be able to use the medical assist dollars for the working poor, it would be such a tremendous step forward. Because medical assistance, I know in Wisconsin, is really a Cadillac program, and the working poor cannot afford that kind of coverage.

Senator CHAFEE. That is interesting. You see, Governor Dean indicates that it is really not that expensive.

Governor DEAN. For children, it is not expensive.

Senator CHAFEE. For children—

Governor DEAN. But for workers it is.

Senator CHAFEE. For workers—

Let me ask you a final question, which is brief. You have to wrestle as you put through these forms, with your own bureaucracy.

Governor DEAN. Absolutely.

Senator CHAFEE. I am talking about the State bureaucracy.

Governor DEAN. That is true.

Senator CHAFEE. And one of the problems is, being a social worker has its problems. It is not very well paid. They are carrying tremendous caseloads. It is not an exhilarating job. And how do you do it? Do you pay your social workers pretty well to do this, if they are going to be out there in these homes supervising?

What are your bureaucracy problems in your own States? I will start with Governor Thompson.

Governor THOMPSON. Well, Senator Chafee, I tend to disagree with you. I think it is an exhilarating job. The reason that we have been successful in Wisconsin has not been because of Governor Tommy Thompson, it has been because of the social workers out there on the firing line.

And I think there has been a whole mind change in Wisconsin with social workers, who now are trying to find ways to help people get into the work force, much more so than just getting them signed up for welfare.

They are sitting down and counseling them. They are doing an in-depth study of their background, their education, and everything like that. And it has been the most helpful thing that we have got going for us, moving people out of welfare under the Jobs program into the job market.

Governor DEAN. Let me just echo that. When we did our welfare reform program, one of the things we did was have focus groups of social workers. This did not come from me, and it did not come from my agency personnel. They did a tremendous amount of work to test the ideas.

We went down and talked to people in the front lines. We talked to welfare recipients, and we talked to the social workers about their working with them. Believe me, those social workers are in these homes. They know a whole lot more about it than I do, more than my secretaries and commissioners do.

I would agree with Governor Thompson. I think social workers are perhaps underpaid, and they have high caseloads. But they are in the business in order to move these folks off welfare, better their lives, and better the lives of their kids. And they were a great resource for us, not just in implementing the program, which is designed based on what they told us were the flaw in the system, as they saw it.

Senator CHAFEE. Mr. Chairman, I just want to say I think these Governors have been terrific. I am very happy that we started this hearing.

Senator MOYNIHAN. Well, we have three Governors on the Committee here. [Laughter.]

Governor Pryor?

Senator PRYOR. Yes. The hour is late, I must say to my colleagues, and I will just be extremely brief.

As we move through this welfare reform issue, perhaps trying to institute some pilot programs that would be patterned after the old WPA/CCC system.

Now, by the way, my father in law is just about to reach his 80th birthday and he says he was a "CCC boy". And he is more proud of that phase of his life, back in the 1930's, than in any other particular aspect of his life on this earth. It gives him great pride to go and point to those projects in the Ozark mountains that he had a part in constructing, some of the nature trails and things of that kind.

I will ask my two friends, the Governors, have you ever applied for a waiver in order to attempt something like this in the States? Or have you had the funding to do that, if you got the waiver granted? Have you tried this?

Governor DEAN. In our State, it is part of the waiver, in the sense that it is not really a CCC. But, as part of our waiver, we are putting up money to create jobs in nursing homes, schools, libraries, and so forth, somewhat like the CCC. I do not think we have any outdoor jobs, although I am not positive about that, where welfare recipients, if they are not able to find a job on their own in the private sector, will be required to work in exchange for their grant.

So the answer is yes.

I think that is where we went wrong, when we got away from the CCC/WPA type projects, and started giving out checks for nothing. That is where we made our fatal mistake in the welfare system. Had we left it the way it was, that we were just helping people get jobs and, if necessary, creating jobs, I think we would be a whole lot better off. And I think we would have avoided a lot of the family problems we have developed over the last half century.

Governor THOMPSON. Governor, Senator Pryor, we have set up a State program—no Federal dollars, no Federal waiver—called a Conservation Corps.

The young people come in for 1 to 2 years at a time, and we pay them, they go out and build buildings, they help in conservation programs, they plant trees. And, especially when we have floods or tornadoes, they go into the counties and clean up the debris left by a tornado.

We had a severe floods, as you know, a couple of years ago. The Conservation Corps was on the front lines, putting the sandbags up on the dikes, rebuilding the buildings, and helping people clean out their houses. It is an excellent program, and I would hope that it could become a model for the country.

Senator PRYOR. Good.

Governor THOMPSON. And certainly, if you want to volunteer some Federal dollars, we would love to expand it even further, but we are doing it solely with State dollars.

Senator PRYOR. I know we will want to look at your program there, Governor.

Thank you.

Senator MOYNIHAN. Governor Graham.

Senator GRAHAM. Thank you, Mr. Chairman. No questions.

Senator MOYNIHAN. Again, we are very much in your debt.

I would like to say for the record that we would like to address the matter of block grants, at your convenience.

We are hugely in your debt, the nation is, and the children most particularly, for all you have done.

We thank you Governors. And we will call this meeting closed.

[The prepared statements of Senators Grassley and Rockefeller appear in the appendix.]

[Whereupon, the Committee adjourned at 12:59 p.m.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF HON. HOWARD DEAN, M.D.

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THE COMMITTEE THIS MORNING AS CHAIR OF THE NATIONAL GOVERNORS' ASSOCIATION AND ON BEHALF OF THE STATE OF VERMONT.

I WOULD LIKE TO FIRST BRIEFLY SUMMARIZE THE POSITION OF THE GOVERNORS' ASSOCIATION ON WELFARE REFORM AND THEN TURN TO MY OWN THOUGHTS ON THE ISSUE BASED ON OUR EXPERIENCE WITH REFORMING THE WELFARE SYSTEM IN VERMONT.

YOUR COMMITTEE WILL SOON BE FACED WITH AN IMPORTANT THRESHOLD DECISION ON WELFARE REFORM: WHETHER TO TAKE THE BLOCK GRANT APPROACH CURRENTLY BEING DEBATED IN THE HOUSE, OR WHETHER TO CONTINUE INDIVIDUAL ENTITLEMENTS. AS YOU MAY KNOW, THE GOVERNORS MET TOGETHER AT THE END OF JANUARY AND DISCUSSED THIS CORE ISSUE AT LENGTH. AT THAT TIME WE DID NOT REACH A CONSENSUS ON WHETHER CASH AND OTHER WELFARE ASSISTANCE SHOULD REMAIN AS ENTITLEMENTS OR WHETHER SUCH PROGRAMS SHOULD BE CONVERTED TO STATE ENTITLEMENT BLOCK GRANTS. WE DID, HOWEVER, REACH AGREEMENT ON A NUMBER OF PRINCIPLES TO GUIDE CONGRESS AS IT MOVES FORWARD ON WELFARE REFORM, REGARDLESS OF WHETHER IT CHOOSES TO ENACT BLOCK GRANTS OR TO CREATE A NEW SYSTEM THAT PRESERVES THE INDIVIDUAL ENTITLEMENT TO AID. THESE PRINCIPLES ARE AS FOLLOWS:

- **FOCUS ON LONG-TERM REFORM AND PROTECT THE INTERESTS OF CHILDREN**

THE GOVERNORS BELIEVE CONGRESS HAS AT THIS MOMENT AN ENORMOUS OPPORTUNITY TO RESTRUCTURE THE FEDERAL-STATE RELATIONSHIP. THE GOVERNORS URGE CONGRESS TO TAKE ADVANTAGE OF THIS OPPORTUNITY BOTH TO EXAMINE THE ALLOCATION OF RESPONSIBILITIES AMONG THE LEVELS OF GOVERNMENT AND TO MAXIMIZE STATE FLEXIBILITY IN AREAS OF SHARED RESPONSIBILITY. WE BELIEVE, HOWEVER, THAT CHILDREN MUST BE PROTECTED

THROUGHOUT THE RESTRUCTURING PROCESS. IN ADDITION, ALTHOUGH FEDERAL BUDGET CUTS ARE NEEDED, THE GOVERNORS ARE CONCERNED ABOUT THE CUMULATIVE IMPACT ON THE STATES OF FEDERAL BUDGETARY DECISIONS. THE GOVERNORS VIEW ANY BLOCK GRANT PROPOSAL AS AN OPPORTUNITY FOR CONGRESS AND THE PRESIDENT TO PROVIDE NEEDED FLEXIBILITY FOR STATES, NOT AS A PRIMARY MEANS TO REDUCE THE FEDERAL BUDGET DEFICIT.

- **SET BROAD GOALS AND AVOID RIGID, OVERLY PRESCRIPTIVE FEDERAL STANDARDS**

ALL GOVERNORS RECOGNIZE THE IMPORTANCE OF A FEDERAL ROLE IN FINANCING INCOME ASSISTANCE TO FAMILIES AND CHILDREN. HOWEVER, THE CONTINUATION OF THE CURRENT WELFARE SYSTEM IS UNACCEPTABLE. TINKERING AND CHANGES AT THE MARGIN WILL NOT BE SUFFICIENT. CONGRESS SHOULD CREATE A NEW, SIMPLER, AND MORE RESPONSIVE FEDERAL ROLE.

THE GOVERNORS BELIEVE THAT ANY WELFARE REFORM, WHETHER BLOCK GRANTS OR INDIVIDUAL ENTITLEMENT PROGRAMS, MUST RECOGNIZE THE NATION'S INTEREST IN:

- SERVICES TO CHILDREN;
- MOVING RECIPIENTS FROM WELFARE TO WORK; AND
- REDUCING OUT-OF-WEDLOCK BIRTHS.

WE ALSO AGREE THAT IN EITHER A BLOCK GRANT SYSTEM OR AN INDIVIDUAL ENTITLEMENT SYSTEM, STATES SHOULD HAVE THE FLEXIBILITY TO ENACT WELFARE REFORMS WITHOUT HAVING TO REQUEST FEDERAL WAIVERS. ALTHOUGH THE GOVERNORS RECOGNIZE THE LEGITIMATE INTEREST OF THE FEDERAL GOVERNMENT IN SETTING BROAD PROGRAM GOALS IN COOPERATION WITH STATES AND TERRITORIES, THEY ALSO BELIEVE THAT STATES SHOULD BE FREE FROM PRESCRIPTIVE FEDERAL STANDARDS REGARDING KEY ASPECTS OF THE WELFARE SYSTEM.

- **GUARANTEE FUNDING FOR ANY BLOCK GRANTS AND ADJUST FUNDING TO MEET CHANGING NEEDS**

GOVERNORS BELIEVE THAT ANY WELFARE BLOCK GRANT FUNDING SHOULD BE GUARANTEED OVER FIVE YEARS AT LEVELS AGREED TO AMONG THE STATES, CONGRESS, AND THE ADMINISTRATION. FUNDING SHOULD BE ADJUSTED AS APPROPRIATE FOR CHANGES IN NATIONAL PRIORITIES, INFLATION, AND DEMAND FOR SERVICES. IN RETURN FOR BROAD FLEXIBILITY, STATES WOULD CONSIDER AN INITIAL ALLOTMENT BASED ON THE AVERAGE OF SEVERAL PRIOR YEARS. FEDERAL FUNDS

WOULD BE AUTOMATICALLY AVAILABLE UNDER A CAPPED ENTITLEMENT STRUCTURE, INSTEAD OF BEING SUBJECT TO ANNUAL DISCRETIONARY APPROPRIATIONS. THERE WOULD BE NO MAINTENANCE-OF-EFFORT PROVISIONS, AND STATES WOULD BE ALLOWED TO KEEP ALL SAVINGS AS LONG AS THE FEDERAL ALLOCATION WAS SPENT. UNEXPENDED FEDERAL FUNDS WOULD REMAIN AVAILABLE TO STATES TO MAXIMIZE FLEXIBILITY AND TO ENCOURAGE THE CREATION OF A "RAINY DAY" FUND AND WOULD NOT BE SUBJECT TO REALLOCATION BY THE FEDERAL GOVERNMENT. TO PROVIDE FOR SIGNIFICANT CHANGES IN THE CYCLICAL ECONOMY AND FOR MAJOR NATURAL DISASTERS, AN ADDITIONAL AMOUNT SHOULD BE SET ASIDE EACH YEAR FOR AUTOMATIC AND TIMELY DISTRIBUTION TO STATES THAT EXPERIENCE A MAJOR DISASTER, HIGHER-THAN-AVERAGE UNEMPLOYMENT, OR OTHER INDICATORS OF DISTRESS.

- **RECOGNIZE THAT THE BEST WORK REQUIREMENT IS A PRIVATE SECTOR JOB**

WHILE GOVERNORS AGREE THAT THERE IS A NATIONAL INTEREST IN RESTRUCTURING WELFARE TO FOCUS IT ON THE TRANSITION TO WORK, WE MUST OPPOSE ANY EFFORTS TO PRESCRIBE NARROW FEDERAL WORK STANDARDS. THE GOVERNORS BELIEVE THAT ALL AMERICANS SHOULD BE PRODUCTIVE MEMBERS OF THEIR COMMUNITY. THERE ARE VARIOUS WAYS TO ACHIEVE THIS GOAL. THE PREFERRED MEANS IS THROUGH PRIVATE, UNSUBSIDIZED WORK IN THE BUSINESS OR NONPROFIT SECTORS. IF THE FEDERAL GOVERNMENT IMPOSES RIGID WORK STANDARDS ON STATE PROGRAMS, SUCH STANDARDS COULD PROVE SELF-DEFEATING BY FORECLOSING SOME POSSIBILITIES, SUCH AS VOLUNTEERING IN THE COMMUNITY, THAT CAN BE STEPPING STONES TO FULL-TIME, PRIVATE SECTOR JOBS. A RIGID FEDERAL WORK STANDARD WOULD ALSO INEVITABLY RAISE DIFFICULT ISSUES ABOUT THE COST AND FEASIBILITY OF CREATING A LARGE NUMBER OF PUBLIC JOBS, AND THE COST OF PROVIDING CHILD CARE FOR PARENTS REQUIRED TO WORK A SET NUMBER OF HOURS A WEEK.

- **MAKE INDIVIDUAL ENTITLEMENT AID TRANSITIONAL AND BASE IT ON THE SOCIAL CONTRACT**

IF THE FEDERAL GOVERNMENT PRESERVES THE FEDERAL ENTITLEMENT OF ALL NEEDY FAMILIES TO ASSISTANCE, THE GOVERNORS BELIEVE THE CURRENT AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM SHOULD BE REPLACED BY A NEW NATIONAL PROGRAM THAT ESTABLISHES CLEAR POLICY OBJECTIVES AND CERTAIN MINIMUM STANDARDS, BUT PROVIDES STATES WITH BROAD FLEXIBILITY TO DESIGN KEY PROGRAM ELEMENTS. ASSISTANCE IN THE FORM OF CASH GRANTS TO FAMILIES SHOULD BE AVAILABLE FOR A TIME-LIMITED PERIOD, AS DEFINED BY THE STATES, AND DURING THIS TIME ACTIVITIES SHOULD TAKE PLACE TO HELP RECIPIENTS MAKE THE TRANSITION FROM WELFARE TO WORK. THE ONGOING

FINANCIAL NEEDS OF CHILDREN, HOWEVER, MUST BE ADDRESSED IN ANY TIME-LIMITED SYSTEM. THE EXPECTATIONS AND RESPONSIBILITIES OF BOTH THE RECIPIENT AND THE GOVERNMENT SHOULD BE CLEARLY DEFINED, AND INCENTIVES AND SANCTIONS SHOULD BE DESIGNED TO ENSURE THAT THOSE RESPONSIBILITIES ARE CARRIED OUT.

STATES SHOULD BE GRANTED BROAD FLEXIBILITY IN DEFINING THE COMPONENTS OF THE SOCIAL CONTRACT, INCLUDING REQUIREMENTS TO BEGIN WORK BEFORE THE MAXIMUM TIME IS EXHAUSTED. RECEIPT OF ASSISTANCE SHOULD BE CONDITIONAL UPON ONGOING COMPLIANCE WITH THE SOCIAL CONTRACT. APPROPRIATE SERVICES, SUCH AS THE EDUCATION, TRAINING, AND SUPPORT SERVICES NECESSARY TO HELP PARTICIPANTS BECOME SELF-SUFFICIENT, SHOULD BE FUNDED EITHER AS A COMPONENT OF THE INCOME SUPPORT PROGRAM OR THROUGH BROADER BLOCK GRANTS. CONTINUED ASSISTANCE UNDER THE NATIONAL PROGRAM AFTER THE TIME-LIMITED PERIOD SHOULD BE DEPENDENT UPON A REQUIREMENT OF WORK OR WORK-RELATED ACTIVITIES UNLESS NO JOB, COMMUNITY SERVICE WORK OPPORTUNITY, OR COMMUNITY SERVICE PLACEMENT IS AVAILABLE. FEDERAL FUNDS EQUIVALENT TO THE ASSISTANCE PAYMENT SHOULD BE AVAILABLE TO THE STATES TO SUPPORT THE CREATION OF NEEDED WORK. STATES SHOULD BE ALLOWED TO CREATE WORK DIRECTLY AND THROUGH SUBSIDIES TO THE PRIVATE SECTOR.

LET ME TURN NOW TO OUR EFFORTS TO REFORM THE WELFARE SYSTEM IN VERMONT.

VERMONT'S WELFARE RESTRUCTURING PROJECT (WRP) WAS IMPLEMENTED STATEWIDE ON JULY 1, 1994, FOLLOWING RECEIPT OF FEDERAL WAIVERS IN APRIL, 1993 AND THE GENERAL ASSEMBLY'S ENACTMENT OF ACT 106 IN JANUARY, 1994. WRP HAS FOUR MAIN GOALS AND INCLUDES THREE RESEARCH GROUPS, AS DESCRIBED BELOW.

STRENGTHEN INCENTIVES TO WORK.

WRP MAKES WORK MORE ATTRACTIVE THAN WELFARE BY:

- ALLOWING ANFC PARENTS WHO OBTAIN UNSUBSIDIZED JOBS TO HAVE THE FIRST 4150 PLUS 25 PERCENT OF THE BALANCE OF THEIR EARNINGS DISREGARDED IN CALCULATING THEIR FAMILY'S ANFC BENEFIT.

- ELIMINATING THE 100-HOUR RULE WHICH PREVENTED LOW-WAGE-EARNING BREADWINNERS IN TWO-PARENT ANFC-UP FAMILIES FROM ACCEPTING JOBS THAT RESULTED IN AUTOMATIC TERMINATION OF THE ANFC BENEFIT.
- EXTENDING TRANSITIONAL MEDICAID COVERAGE FROM 12 TO 36 MONTHS FOLLOWING TERMINATION OF A FAMILY'S ANFC GRANT DUE TO EARNINGS; AND PROVIDING STATE-FUNDED, INCOME-BASED CHILD CARE SUBSIDIES AS LONG AS THE FAMILY QUALIFIES ON A SLIDING-SCALE BASIS.
- EXCLUDING ONE VEHICLE WHEN COUNTING THE VALUE OF A FAMILY'S RESOURCES IN THE ANFC ELIGIBILITY DETERMINATION.
- EXCLUDING SAVINGS ACCUMULATED FROM A PARENT OR CHILD'S EARNINGS WHEN COUNTING THE VALUE OF A FAMILY'S RESOURCES IN THE ANFC ELIGIBILITY DETERMINATION.

MAKE DEPENDENCE ON ANFC BENEFITS TRANSITIONAL.

WRP TRANSFORMS ANFC FROM AN INCOME MAINTENANCE PROGRAM THAT FOSTERS DEPENDENCY TO A TRANSITIONAL ASSISTANCE PROGRAM THAT ENCOURAGES, ASSISTS, AND EVENTUALLY REQUIRES ANFC PARENTS TO SUPPORT THEMSELVES AND THEIR CHILDREN FINANCIALLY THROUGH WORK BY:

- ESTABLISHING WORK REQUIREMENTS THAT REFLECT THE LABOR MARKET BEHAVIOR OF THE VAST MAJORITY OF VERMONT PARENTS, BOTH MOTHERS AND FATHERS. THESE ARE COUPLED WITH SENSIBLE AND FAIR EXEMPTIONS THAT ADDRESS INDIVIDUAL FAMILY CIRCUMSTANCES.
- IMPOSING TIME LIMITS ON HOW LONG ABLE-BODIED ANFC SINGLE PARENTS CAN RECEIVE BENEFITS WITHOUT A WORK OBLIGATION: AFTER 30 MONTHS OF RECEIVING ANFC, SINGLE PARENTS WITH ONE OR MORE CHILDREN UNDER 13 ARE REQUIRED TO WORK PART TIME (20 HOURS PER WEEK). SINGLE PARENTS WHOSE CHILD ARE 13 OR OLDER ARE REQUIRED TO WORK FULL TIME (40 HOURS PER WEEK).

- MAKING THE WORK REQUIREMENT THAT APPLIES TO BREADWINNERS STRONGER: UPON APPLICATION FOR ANFC, BREADWINNERS IN TWO-PARENT ANFC-UP FAMILIES ARE OBLIGATED TO SEEK AND ACCEPT EMPLOYMENT AND, IN ADDITION, IF UNSUBSIDIZED WORK IS NOT OBTAINED WITHIN 15 MONTHS' ANFC RECEIPT, THEY ARE REQUIRED TO WORK FULL TIME IN A JOB WHOSE WAGES ARE SUBSIDIZED BY THE FAMILY'S ANFC BENEFIT.
- REQUIRING ANFC PARENTS FOR WHOM UNSUBSIDIZED WORK IS NOT AVAILABLE TO ACCEPT SUBSIDIZED JOBS IN PUBLIC OR NONPROFIT ORGANIZATIONS; THE WAGES PAID FOR THESE JOBS ARE SUBSIDIZED BY THE FAMILY'S ANFC BENEFIT.
- REQUIRING ANFC PARENTS FOR WHOM UNSUBSIDIZED WORK IS NOT AVAILABLE TO ACCEPT SUBSIDIZED JOBS IN PUBLIC OR NONPROFIT ORGANIZATIONS; THE WAGES PAID FOR THESE JOBS ARE SUBSIDIZED BY THE FAMILY'S ANFC BENEFIT.
- SANCTIONING NON-COMPLYING PARENTS WHOSE TIME LIMITS HAVE EXPIRED BY MANDATING MONTHLY REPORTING AND THEIR ATTENDANCE AT THREE OFFICE VISITS PER MONTH AT WHICH ANFC BENEFITS ARE PAID DIRECTLY TO VENDORS AND THE PARENT IS COUNSELED TO COMPLY WITH THE WORK REQUIREMENT.

PROMOTE GOOD PARENTING AND POSITIVE ROLE-MODELING

WRP STRENGTHENS FAMILIES AND PARENTAL RESPONSIBILITY BY:

- REQUIRING PREGNANT OR PARENTING MINORS TO LIVE WITH THEIR PARENTS OR IN AN APPROVED SUPERVISED LIVING ARRANGEMENT; AND ASSIGNING A CASE MANAGER TO EACH MINOR RECEIVING ANFC (INCLUDING A CASE MANAGER PRIOR TO ANFC RECEIPT IF THE MINOR APPLIES FOR MEDICAID) WHO WORKS WITH THE MINOR IN DEVELOPING HER FAMILIES' DEVELOPMENT PLAN THAT MUST INCLUDE SCHOOL ATTENDANCE AND PARTICIPATION IN PARENTING EDUCATION.
- PAYING ALL CHILD SUPPORT COLLECTED BY THE OFFICE OF CHILD SUPPORT DIRECTLY TO THE ANFC PARENT, RATHER THAN FORWARDING ONLY THE FIRST \$50 TO THE ANFC PARENT.

- INCREASING THE EFFECTIVENESS OF CHILD SUPPORT COLLECTION EFFORTS AND THE CAPACITY OF NONCUSTODIAL PARENTS TO PAY CHILD SUPPORT.
- PROVIDING CASH BONUSES WHEN PARENTS COMPLETE PARENTING EDUCATION PROGRAMS OR RELATED VOLUNTEER WORK; AND MAKING ANFC BENEFITS AVAILABLE WHEN CHILDREN ARE CARED FOR BY A NONRELATIVE AND THIS IS IN THEIR BEST INTEREST.

FORM A PARTNERSHIP BETWEEN ANFC PARENTS AND THE STATE

WRP IMPROVES THE WAY VERMONT'S HUMAN SERVICES SYSTEM SERVES FAMILIES BY:

- GIVING ANFC FAMILIES MORE CONTROL OVER THEIR LIVES
- FORGING PARTNERSHIPS BETWEEN STATE AGENCIES AND COMMUNITY-BASED ORGANIZATIONS TO SERVE FAMILIES SEAMLESSLY AND MORE EFFECTIVELY.
- EXPANDING REACH-UP (VERMONT'S JOBS PROGRAM) BY ONE-THIRD TO ENABLE IT TO FUNCTION AS THE VEHICLE FOR SUPPORTING FAMILIES IN ACHIEVING SELF-SUFFICIENCY.
- INTERVENING EARLY WITH INDIVIDUALIZED PLANS AND CASE MANAGEMENT SUPPORT.
- HELPING PARENTS ACCESS THE EDUCATION, TRAINING, AND SUPPORT SERVICES NECESSARY TO ATTAIN FAMILY SELF-SUFFICIENCY.
- PROVIDING ACCESS TO JOBS, BOTH UNSUBSIDIZED AND SUBSIDIZED, AND ABOVE-POVERTY INCOMES.

SERVE FAMILIES ACCORDING TO THREE SETS OF RULES.

AS REQUIRED BY THE FEDERAL WAIVERS VERMONT RECEIVED, WRP'S NEW RULES CANNOT BE APPLIED TO ALL FAMILIES WHO SEEK OR RECEIVE ANFC BENEFITS. APPLICANT AND RECIPIENT FAMILIES ARE RANDOMLY ASSIGNED TO ONE OF THREE GROUPS, AS DESCRIBED BELOW, AND RECEIVE BENEFITS AND SERVICES ACCORDINGLY:

- SIXTY PERCENT (GROUP 3) ARE SUBJECT TO ALL PROVISIONS OF WRP, INCLUDING THE TIME LIMITS AND REQUIREMENT TO ACCEPT SUBSIDIZED EMPLOYMENT.
- TWENTY PERCENT (GROUP 2) ARE SUBJECT TO ALL PROVISIONS OF WRP EXCEPT THE TIME LIMITS AND REQUIREMENT TO ACCEPT SUBSIDIZED EMPLOYMENT.
- THE REMAINING 20 PERCENT (GROUP 1) ARE SUBJECT TO REGULAR ANFC POLICIES.

WRP ACCOMPLISHMENTS TO DATE**THOUSANDS OF FAMILIES SMOOTHLY INTEGRATED INTO REDEFINED WELFARE SYSTEM.**

AS OF EARLY JANUARY, 1995, OVER 7700 VERMONT FAMILIES HAVE BEEN RANDOMLY ASSIGNED TO ONE OF THE WRP GROUPS AND RECEIVED A ONE-TO-ONE EXPLANATION OF THE SIGNIFICANCE OF THEIR PARTICULAR ASSIGNMENT FROM THEIR ELIGIBILITY WORKER. THIS NUMBER INCLUDES NEARLY THREE OF EVERY FIVE VERMONT FAMILIES (58 PERCENT) NOW RECEIVING ANFC BENEFITS (SOME OF THE 7700 FAMILIES ASSIGNED ARE APPLICANTS WHO APPLICATION FOR BENEFITS WAS DENIED AND SOME HAVE ALREADY LEFT THE ANFC ROLLS). COMPLAINTS ATTRIBUTABLE TO THIS PROCESS HAVE BEEN VIRTUALLY NONEXISTENT.

AN ENCOURAGING FIRST-SIX-MONTH'S PHENOMENON: MORE ANFC PARENTS ARE WORKING.

JUST SIX MONTHS INTO WRP IMPLEMENTATION, PRELIMINARY DATA INDICATES THAT INCREASED NUMBERS OF ANFC PARENTS HAVE ENTERED THE WORK FORCE, ARE EARNING MORE, AND ARE DECREASING THEIR FAMILIES' DEPENDENCE ON ANFC BENEFITS. BETWEEN JUNE AND DECEMBER, 1994, THE NUMBER OF EMPLOYED ANFC PARENTS GREW BY 19 PERCENT (FROM 1856 TO 2209 EMPLOYED PARENTS) AND THEIR AVERAGE MONTHLY EARNINGS GREW BY 23 PERCENT (FROM \$329 TO \$405 PER MONTH). MOST OF THIS CHANGE WAS FUELED BY A 25 PERCENT INCREASE IN THE NUMBER OF ANFC PARENTS WHO ARE WAGE-EARNERS (FROM 1425 TO 1782 WAGE-EARNING PARENTS); THESE PARENTS' AVERAGE MONTHLY WAGES INCREASED 19 PERCENT (FROM \$380 TO \$461 PER MONTH). (ANFC PARENTS WHO ARE EMPLOYED BUT NOT WAGE-EARNERS ARE SELF-EMPLOYED.) SIXTY-ONE PERCENT OF THE NEW ANFC WORKERS ARE BREADWINNER PARENTS IN TWO-PARENT FAMILIES, AND 39 PERCENT ARE SINGLE PARENTS.

WHEN EXAMINED BY ITSELF, THE COMBINATION OF THE INCREASE IN THE NUMBER OF ANFC EARNERS AND THE OVERALL INCREASE IN WAGES AND EARNINGS FROM SELF-EMPLOYMENT AMONG EMPLOYED ANFC PARENTS YIELDS AN ANNUAL ANFC BENEFIT SAVINGS OF \$2,500,000 OVER WHAT THESE FAMILIES WOULD HAVE RECEIVED HAD THIS PHENOMENON NOT OCCURRED. WHILE THESE BENEFIT SAVINGS ARE A VERY WELCOME OCCURRENCE, IT IS IMPORTANT TO UNDERSTAND THAT THEY DO NOT REPRESENT NET SAVINGS.

ALL PREGNANT OR PARENTING MINORS RECEIVING ANFC HAVE CASE MANAGERS.

FIFTEEN REGIONAL COMMUNITY-BASED PARENT-CHILD CENTERS (PCC) ARE RESPONSIBLE FOR SERVING PREGNANT OR PARENTING MINORS WHO RECEIVE ANFC. EVERY VERMONT PREGNANT OR PARENTING MINOR HAS BEEN ASSIGNED A PCC CASE MANAGER, AND INDIVIDUALIZED FAMILY DEVELOPMENT PLANS ARE NOW IN PLACE FOR MOST OF THESE MINORS THROUGH WHICH THEY ATTEND SCHOOL, PARTICIPATE IN PARENTING EDUCATION PROGRAMS, AND RECEIVE INTENSIVE CASE MANAGEMENT SERVICES.

WELFARE MISSION AND CULTURE SHIFT STRONGLY TOWARD FAMILY SUPPORT AND WORK.

THE DEPARTMENT OF SOCIAL WELFARE IS SENDING A NEW MESSAGE: WE ARE HERE TO OFFER TRANSITIONAL HELP AND SUPPORT TOWARD ACHIEVING A BETTER QUALITY OF LIFE THAN DEPENDENCE ON WELFARE PROVIDES. THESE CHANGES ARE THE RESULT OF ENGAGING IN AN INTERACTIVE BOTTOM-TO-TOP AND TOP-TO-BOTTOM ORGANIZATIONAL DEVELOPMENT PROCESS; MAKING LARGE INVESTMENTS IN TRAINING; INCLUDING INTERESTED AND RESOURCEFUL NONWELFARE PERSONNEL IN DESIGNING THE RESTRUCTURED SYSTEM AND DELIVERING SERVICES TO FAMILIES; INTRODUCING FAMILIES TO THE SYSTEM USING A POSITIVE, BIG-PICTURE-PERSPECTIVE, GROUP ORIENTATION; AND ARTICULATING A VISION AND VALUES CONSISTENT WITH THE GOALS OF THE RESTRUCTURED SYSTEM.

THIS CONCLUDES MY TESTIMONY. MR. CHAIRMAN AND MEMBERS, THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU TODAY. I WOULD BE HAPPY TO ANSWER QUESTIONS, AT THIS TIME.

[Submitted by Senator Graham]



MANUEL CHAVEZ / For The Herald

NEW PROGRAM, NEW HOPE: Irene Marry, Pensacola mother of six, gets job training.

Welfare in Pensacola: 2 years and you're out

Pilot project offers training, child care

By **TIM NICKENS**
Herald Capital Bureau

PENSACOLA — Irene Marry has six kids, an ex-husband who never pays child support and a decade's experience of living on welfare.

Now, she also has hope.

Marry is part of one of the largest welfare experiments in America — Florida's Family Transition Program. Her welfare payments will be cut off after two years, but until then she is receiving more help than ever.

The 33-year-old Pensacola woman gets education counseling and job training. She has received her General Equiva-

lency Diploma and is studying heating and air conditioning at a vocational school.

If she needs someone to watch her kids, the state will provide day care. If she needs a ride to school, the state will get her there.

The state's goal: Provide Marry with enough skills to get a good job and off of welfare for good.

"I'm grateful for this," said Marry. "I've tried for many years to be self-sufficient and take care of my own children. Every time I tried I was told, 'No, you can't do that.' Now I am told, 'Yes, you

PLEASE SEE WELFARE, 22A

Welfare project sets a deadline

Training, help offered for 2 years



MANUEL CHAVEZ / For The Herald

A LONG STRUGGLE: After years of welfare, Irene Marry, 33, is studying heating and air conditioning, preparing for a career.

WELFARE, FROM 1A

can do that.'"

From Tallahassee to Washington, from Democratic Gov. Lawton Chiles to Republican U.S. House Speaker Newt Gingrich, welfare reform is on the front burner. Every politician wants to get more people off welfare. The controversy centers on how to do it — and on what happens to children if welfare benefits run out before their parents find a job.

"The kids are going to suffer in the long run," predicted Neil Gilbert, acting dean of the School of Social Welfare at the University of California at Berkeley.

Gilbert said even welfare experiments like Florida's, where children can keep receiving welfare payments even if their parents are cut off, aren't addressing the real problem.

"They will have a great rate of success with people who would have done it anyway," he said of the education and job programs. "The people they are trying to reach the most, unwed young mothers with a reading level of sixth grade, it's not going to do anything."

Chiles bets the reforms will do plenty.

The governor wants state legislators to extend the experiment in the Pensacola area to five more counties. One of those new areas is likely to be in South Florida, because one-third of the state's 236,000 welfare families are in Dade, Broward and Palm Beach counties.

The Pensacola project requires welfare recipients selected at random to enter the program, which offers more counseling and services in return for a two-year limit on benefits. A companion experiment in the Gainesville area allows welfare recipients to volunteer for the program.

'The key to success'

"Often, the key to success is child care," Chiles told a congressional subcommittee in January. "Other times, the essentials may be helping with resumes and job search, or meeting a transportation need. But the over-riding yardstick of our successful program is common sense."

The future of Florida's reforms depends on Congress, where House Republicans are promoting a plan with more sticks and none of the carrots offered by the state's experiment.

The federal legislation would set a strict two-year limit on welfare payments. The state's project allows benefits to extend past the deadline for recipients who follow the rules and are finishing their education or job training.

The federal bill would cut benefits to unwed mothers under 18 years old and to legal aliens. (Undocumented immigrants already are denied welfare.) It would allow states to stop providing more money for children born to women already on welfare, and provides no more money for day care and job training. States would be given lump sums to pay for half of the cost of Aid to Families with Dependent Children (AFDC), and there would be no adjustment for inflation.

States are experimenting

Florida is one of two dozen states experimenting with reforms. Virtually all of the other states are testing new programs using fewer recipients or haven't put their changes in place yet.

Only four states — Arkansas, Georgia, Wisconsin and Massachusetts — plan to eliminate additional AFDC payments for welfare mothers who have addi-

tional children. Like Florida, most emphasize education and job programs in exchange for a time limit on benefits.

One of the most radical plans was adopted last month by Massachusetts. There, all AFDC benefits will be reduced and able-bodied recipients must work or perform community service after 60 days.

Florida's Family Transition Program has none of those restrictions, and Chiles calls the federal bill's payment plan "a disaster." One study estimates that the frozen federal payments and other restrictions would cost Florida more than \$2 billion in federal money over five years.

Chiles says it costs more money in the short term to provide the training and services to get people off welfare and save money in the long run. He wants to earmark \$28 million in state and federal funds to expand the state's experiment.

Praise from some

In Pensacola, some participants praise the project.

Marry, who receives \$442 a month in AFDC payments, said counselors helped her fill out forms to get a \$2,300 federal grant to pay for her vocational classes.

"I cannot support my children on a minimum-wage job," she said. "I've scrubbed toilets, and I can't make it."

When Tane Stargel's husband left her with her young son, she went on welfare for four months. "I felt like I had failed," she said. "I was thinking I was just going to duck my head down, get AFDC and Food Stamps, and walk out."

Instead, Stargel said, she received day care and job coun-

seling. After she went to work at a state prison, the welfare program paid for her socks and belts so that the initial costs of her job wouldn't wipe her out.

"They didn't say, 'You make too much, we're through with you,'" Stargel said.

More than 1,500 clients are enrolled in the Pensacola program. They can keep more of their own money and a better car than regular AFDC rules allow. Nearly all of them are women, and they have an average of two children each. The average age is 29, and there are slightly more white residents than black residents in the program.

Average time spent on welfare: four years.

Everyone in the program must participate in job training or education programs if they aren't ready to work. Parents also must regularly attend conferences with their children's teachers. Their welfare benefits could be reduced if their children pile up too many unexcused absences from school.

Georgia Campbell, a Pensacola elementary schoolteacher, said she's seen the impact. She recounted how an 11-year-old's grades and behavior improved after his mother was forced to take an interest in his school work.

"There is hope for our children who stay in school, and the program seems to be working," Campbell said.

Still some problems

Social services officials acknowledge that the experiment isn't perfect. Caseworkers say they must keep track of too many people. Recipients with a history of alcohol or drug abuse can't meet the requirements of the program and need special attention. Others have learned how to keep their benefits without meeting the requirements.

For example, welfare recipients who miss counseling or training sessions get a three-week notice that their benefits may be reduced. Caseworker Connie Walker said recipients call just before the three weeks expire to win another grace period.

"We're playing this little game with them," she said. "We need to be able to slap their hands and show them we mean it."

The first client was enrolled in the Pensacola program a year ago. It will be another year before anyone reaches the two-year limit on benefits.

Then what?

A commitment to jobs

Don Winstead, the state's welfare reform administrator, is confident that welfare recipients who complete their training will get jobs. He said the state can provide financial incentives to employers who hire them or find public sector jobs for them.

"If somebody does their part, they're not going to be kicked out in the cold," Winstead said. "The tougher question is if someone doesn't do their part, what can you do that does the least amount of harm to the children involved?"

So far, Florida's only answer is that welfare payments would be cut for the parent while payments for the children could be paid to a relative or other responsible third party.

"We cannot throw the kids out on the streets — or into orphanages, for that matter," Chiles said. "There must be a safety net for the children."

The only safety net, argued the University of California's Gilbert, is welfare that lasts indefinitely.

"It's easy to say, 'Cut these people off,'" he said. "If they do cut them off, the price is going to show up on the streets of Florida."

PREPARED STATEMENT OF HON. CHARLES E. GRASSLEY

Mr. Chairman, I am pleased to join this committee in looking at ways to resolve the current welfare crisis. Although there has been a lot of attention paid to welfare reform proposals, it is time that we make welfare reform a reality.

I believe that this hearing will provide us with the forum to focus on what is really needed in reforming social programs within this country. We also have an opportunity to listen to Governors Dean and Thompson, who will detail their respective successful welfare initiatives. And I, for my part will share with the committee some of the successful reforms being conducted in Iowa.

Since the war on poverty began over thirty years ago, we have spent billions of dollars. And yet the poverty rate is higher today than the year the war started. Most Americans agree that the current system is in need of dramatic reform.

Today nearly one in seven American children are receiving Aid to Families With Dependent Children (AFDC). According to the General Accounting Office, only 11 percent of the 4.6 million people receiving AFDC participate in any education, training or job search programs. The statistics on the number of recipients who are actually working are even lower. These are not the kind of statistics that we should be seeing when Federal spending on social welfare programs for fiscal year 1994 totaled \$240 billion.

As we listen to our witnesses today, I hope we hear how they have made dramatic changes to their welfare programs through the use of Federal waivers. In my own State, which has involved some of the most aggressive reforms of any State welfare system, we required 18 Federal waivers: twelve waivers for AFDC and six waivers for food stamps.

Yesterday, the President announced proposed changes to the welfare system. He discussed a welfare reform plan that would address out-of-wedlock births, child support and work-for-welfare programs. At the same time, he announced that he would be providing another State with a waiver to conduct an in-State welfare reform program. This is another example of piece-mealing welfare reform? I believe the States are better equipped to address the needs of their residents. Why don't we give them the flexibility to do so?

Let me say a few words about our experience in Iowa. The main theme of welfare reform in Iowa has been that welfare should be a system of transition—not a system of long term care. In Iowa, the key components for welfare reform have been to encourage family stability and parental responsibility. Attaining self-sufficiency through increased training and educational opportunity has provided the incentives to encourage employment in Iowa. The outcome of this program has been to increase the percentage of AFDC recipients who are working.

The changes made in Iowa are making progress. I believe it is time to give the flexibility and the responsibility to the State Legislators to address the needs of their constituents.

In January, I introduced a proposal entitled "Welfare to Work and Strong Families Act of 1995." My bill proposes a block grant to the States of the entire AFDC program, the AFDC Job Opportunity and Basic Skills (JOBS) program, and the food stamp program as it applies to AFDC recipients. This would alter the way we administer welfare. It would move the decisionmaking power closer to those who can best address the needs of its recipients—the States.

As the waiver process has shown, it is the State and local leaders who can best develop welfare programs that work best for their State, as well as for their citizens. We need to give the freedom and responsibility back to these leaders.

As we tackle the issue of welfare reform, the Federal Government has a responsibility to provide the framework of expectation. But, the States should have the flexibility to develop programs that fit their unique populations.

Mr. Chairman, I thank you for holding these hearings and I look forward to what we will learn.

 PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV

I thank Chairman Packwood for beginning this Committee's work on welfare reform with a series of hearings that welcome different perspectives and suggestions. Seven years ago, Senator Moynihan took the same approach, by urging this committee to deal with the facts and get beyond rhetoric—and that resulted in the enactment of a major, bipartisan bill called the Family Support Act. That Process was not easy, and its work is not finished. But we are building from the foundation of the Family Support Act as we now discuss how to promote work and personal responsibility.

I hope we will surprise the pundits and our various observers, and succeed again in enacting a constructive, bipartisan welfare reform bill this year.

Welfare reform means many different things, depending on who is defining it. We won't solve all of society's problems through one bill on welfare, and we shouldn't make the job impossible by acting that way.

I also think it's important to remember that politicians and taxpayers aren't the only ones who don't like welfare. A lot of people *on* welfare hate it too, and I can say that about many of the people of my state who get AFDC benefits. They also want to be financially independent, through work and by getting child support owed to them.

Drawing from my experience in West Virginia and chairing the National Commission on Children that looked at many of these issues, I have two fundamental principles as we begin this open process:

First, welfare reform should result in more parents taking responsibility for their lives and their children. They must be willing to work, and work should be required at some point.

Clearly, we need to explore whether the time limit for requiring work should be flexible—as some states trying are under federal waivers—or whether a national cut-off of two or more years should be imposed. I have an open mind at this point.

But I also want to stress that we must get beyond the false premise that merely setting a time limit on welfare benefits will result in millions parents going to work. Some do need to be pushed. But some can't work without child care, transportation to a job or health coverage when their Medicaid runs out.

Like everyone else, I hope the jobs will be in the private sector. But as the Senator from West Virginia, a state with chronic high unemployment, some communities do not have the jobs. We can pretend they do, or we can be honest about the alternatives. We need to discuss the circumstances of families living in rural areas with few jobs and without the transportation to employment further away. I hope we will discuss ideas like community service when private jobs simply don't exist but parents are willing to work.

Second, welfare reform should not punish children for what is not their fault. Punishing children also punishes the rest of us—and the future of our communities, our states, the country. We must keep in mind that the majority of people on welfare are children, almost 10 million. I believe America should still keep its safety net under children.

Approaches that make children hungry, homeless, or more at risk of abuse and neglect, does not deserve the label of real reform, in my view.

I do not believe that Americans want to make life worse for poor children or increase their numbers—it is already too high when one out of every five children lives in poverty. Our children are the future of our country, and we can't afford to just count on the children of wealthier families to be the next generation of scientists, teachers, public servants, and taxpayers. Just as we should not hand them a huge debt by ignoring our federal deficit, neither should we push the most vulnerable children off a cliff with no safety net.

As we begin hearings in the Finance Committee on welfare reform, I am hopeful about our ability to forge bipartisan consensus on this tough issue. While some may try to emphasize conflict for political gain, there is a lot of common ground to build bipartisan legislation in my view.

I believe there is consensus on the need to promote work and personal responsibility.

There is a growing awareness of the problem of teen pregnancy and how teen pregnancy results in both teen parents and infants living in poverty.

And I believe there is a genuine concern and commitment of members to help vulnerable children.

As Chairman of the National Commission on Children, a bipartisan group with members representing the full political spectrum, I learned that you can achieve meaningful consensus if the focus is kept on helping children and strengthening families, as we did in our report *Beyond Rhetoric*.

That report is my personal blueprint for children and family policy. It focuses on the need to strengthen families as the best way to help children. It acknowledged that children do best when they live in intact families.

So I urge my colleagues to leave politics out in the halls, and let's take an honest look at how we can change the rules of welfare to promote personal responsibility and work for parents, while maintaining American's commitment to innocent children and the chance they deserve.

PREPARED STATEMENT OF HON. TOMMY G. THOMPSON

GOOD MORNING, MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE. I APPRECIATE THE OPPORTUNITY TO APPEAR BEFORE THE COMMITTEE THIS MORNING AS VICE CHAIR OF THE NATIONAL GOVERNORS' ASSOCIATION AND ON BEHALF OF THE STATE OF WISCONSIN.

I WOULD LIKE TO FIRST BRIEFLY SUMMARIZE THE POSITION OF THE GOVERNORS' ASSOCIATION ON WELFARE REFORM AND THEN TURN TO MY OWN THOUGHTS ON THE ISSUE BASED ON OUR EXPERIENCE WITH REFORMING THE WELFARE SYSTEM IN WISCONSIN.

YOUR COMMITTEE WILL SOON BE FACED WITH AN IMPORTANT THRESHOLD DECISION ON WELFARE REFORM: WHETHER TO TAKE THE BLOCK GRANT APPROACH CURRENTLY BEING DEBATED IN THE HOUSE, OR WHETHER TO CONTINUE INDIVIDUAL ENTITLEMENTS. AS YOU MAY KNOW, THE GOVERNORS MET TOGETHER AT THE END OF JANUARY AND DISCUSSED THIS CORE ISSUE AT LENGTH. AT THAT TIME WE DID NOT REACH A CONSENSUS ON WHETHER CASH AND OTHER WELFARE ASSISTANCE SHOULD REMAIN AS ENTITLEMENTS OR WHETHER SUCH PROGRAMS SHOULD BE CONVERTED TO STATE ENTITLEMENT BLOCK GRANTS. WE DID, HOWEVER, REACH AGREEMENT ON A NUMBER OF PRINCIPLES TO GUIDE CONGRESS AS IT MOVES FORWARD ON WELFARE REFORM, REGARDLESS OF WHETHER IT CHOOSES TO ENACT BLOCK GRANTS OR TO CREATE A NEW SYSTEM THAT PRESERVES THE INDIVIDUAL ENTITLEMENT TO AID. THESE PRINCIPLES ARE AS FOLLOWS:

- **FOCUS ON LONG-TERM REFORM AND PROTECT THE INTERESTS OF CHILDREN**

THE GOVERNORS BELIEVE CONGRESS HAS AT THIS MOMENT AN ENORMOUS OPPORTUNITY TO RESTRUCTURE THE FEDERAL-STATE RELATIONSHIP. THE GOVERNORS URGE CONGRESS TO TAKE ADVANTAGE OF THIS OPPORTUNITY BOTH TO EXAMINE THE ALLOCATION OF RESPONSIBILITIES AMONG THE LEVELS OF GOVERNMENT AND TO MAXIMIZE STATE FLEXIBILITY IN AREAS OF SHARED RESPONSIBILITY. WE BELIEVE, HOWEVER, THAT CHILDREN MUST BE PROTECTED THROUGHOUT THE RESTRUCTURING PROCESS. IN ADDITION, ALTHOUGH FEDERAL BUDGET CUTS ARE NEEDED, THE GOVERNORS ARE CONCERNED ABOUT THE CUMULATIVE IMPACT ON THE STATES OF FEDERAL BUDGETARY DECISIONS. THE GOVERNORS VIEW ANY BLOCK GRANT PROPOSAL AS AN OPPORTUNITY FOR CONGRESS AND THE PRESIDENT TO PROVIDE NEEDED FLEXIBILITY FOR STATES, NOT AS A PRIMARY MEANS TO REDUCE THE FEDERAL BUDGET DEFICIT.

- **SET BROAD GOALS AND AVOID RIGID, OVERLY PRESCRIPTIVE FEDERAL STANDARDS**

ALL GOVERNORS RECOGNIZE THE IMPORTANCE OF A FEDERAL ROLE IN FINANCING INCOME ASSISTANCE TO FAMILIES AND CHILDREN. HOWEVER, THE CONTINUATION OF THE CURRENT WELFARE SYSTEM IS UNACCEPTABLE. TINKERING AND CHANGES AT THE MARGIN WILL NOT BE SUFFICIENT. CONGRESS SHOULD CREATE A NEW, SIMPLER, AND MORE RESPONSIVE FEDERAL ROLE.

THE GOVERNORS BELIEVE THAT ANY WELFARE REFORM, WHETHER BLOCK GRANTS OR INDIVIDUAL ENTITLEMENT PROGRAMS, MUST RECOGNIZE THE NATION'S INTEREST IN:

- SERVICES TO CHILDREN;
- MOVING RECIPIENTS FROM WELFARE TO WORK; AND
- REDUCING OUT-OF-WEDLOCK BIRTHS.

WE ALSO AGREE THAT IN EITHER A BLOCK GRANT SYSTEM OR AN INDIVIDUAL ENTITLEMENT SYSTEM, STATES SHOULD HAVE THE FLEXIBILITY TO ENACT WELFARE REFORMS WITHOUT HAVING TO REQUEST FEDERAL WAIVERS. ALTHOUGH THE GOVERNORS RECOGNIZE THE LEGITIMATE INTEREST OF THE FEDERAL GOVERNMENT IN SETTING BROAD PROGRAM GOALS IN COOPERATION WITH STATES AND TERRITORIES, THEY ALSO BELIEVE THAT STATES SHOULD BE FREE FROM PRESCRIPTIVE FEDERAL STANDARDS REGARDING KEY ASPECTS OF THE WELFARE SYSTEM.

- **GUARANTEE FUNDING FOR ANY BLOCK GRANTS AND ADJUST FUNDING TO MEET CHANGING NEEDS**

GOVERNORS BELIEVE THAT ANY WELFARE BLOCK GRANT FUNDING SHOULD BE GUARANTEED OVER FIVE YEARS AT LEVELS AGREED TO AMONG THE STATES, CONGRESS, AND THE ADMINISTRATION. FUNDING SHOULD BE ADJUSTED AS APPROPRIATE FOR CHANGES IN NATIONAL PRIORITIES, INFLATION, AND DEMAND FOR SERVICES. IN RETURN FOR BROAD FLEXIBILITY, STATES WOULD CONSIDER AN INITIAL ALLOTMENT BASED ON THE AVERAGE OF SEVERAL PRIOR YEARS. FEDERAL FUNDS

WOULD BE AUTOMATICALLY AVAILABLE UNDER A CAPPED ENTITLEMENT STRUCTURE, INSTEAD OF BEING SUBJECT TO ANNUAL DISCRETIONARY APPROPRIATIONS. THERE WOULD BE NO MAINTENANCE-OF-EFFORT PROVISIONS, AND STATES WOULD BE ALLOWED TO KEEP ALL SAVINGS AS LONG AS THE FEDERAL ALLOCATION WAS SPENT. UNEXPENDED FEDERAL FUNDS WOULD REMAIN AVAILABLE TO STATES TO MAXIMIZE FLEXIBILITY AND TO ENCOURAGE THE CREATION OF A "RAINY DAY" FUND AND WOULD NOT BE SUBJECT TO REALLOCATION BY THE FEDERAL GOVERNMENT. TO PROVIDE FOR SIGNIFICANT CHANGES IN THE CYCLICAL ECONOMY AND FOR MAJOR NATURAL DISASTERS, AN ADDITIONAL AMOUNT SHOULD BE SET ASIDE EACH YEAR FOR AUTOMATIC AND TIMELY DISTRIBUTION TO STATES THAT EXPERIENCE A MAJOR DISASTER, HIGHER-THAN-AVERAGE UNEMPLOYMENT, OR OTHER INDICATORS OF DISTRESS.

- **RECOGNIZE THAT THE BEST WORK REQUIREMENT IS A PRIVATE SECTOR JOB**

WHILE GOVERNORS AGREE THAT THERE IS A NATIONAL INTEREST IN RESTRUCTURING WELFARE TO FOCUS IT ON THE TRANSITION TO WORK, WE MUST OPPOSE ANY EFFORTS TO PRESCRIBE NARROW FEDERAL WORK STANDARDS. THE GOVERNORS BELIEVE THAT ALL AMERICANS SHOULD BE PRODUCTIVE MEMBERS OF THEIR COMMUNITY. THERE ARE VARIOUS WAYS TO ACHIEVE THIS GOAL. THE PREFERRED MEANS IS THROUGH PRIVATE, UNSUBSIDIZED WORK IN THE BUSINESS OR NONPROFIT SECTORS. IF THE FEDERAL GOVERNMENT IMPOSES RIGID WORK STANDARDS ON STATE PROGRAMS, SUCH STANDARDS COULD PROVE SELF-DEFEATING BY FORECLOSING SOME POSSIBILITIES, SUCH AS VOLUNTEERING IN THE COMMUNITY, THAT CAN BE STEPPING STONES TO FULL-TIME, PRIVATE SECTOR JOBS. A RIGID FEDERAL WORK STANDARD WOULD ALSO INEVITABLY RAISE DIFFICULT ISSUES ABOUT THE COST AND FEASIBILITY OF CREATING A LARGE NUMBER OF PUBLIC JOBS, AND THE COST OF PROVIDING CHILD CARE FOR PARENTS REQUIRED TO WORK A SET NUMBER OF HOURS A WEEK.

MAKE INDIVIDUAL ENTITLEMENT AID TRANSITIONAL AND BASE IT ON THE SOCIAL CONTRACT

IF THE FEDERAL GOVERNMENT PRESERVES THE FEDERAL ENTITLEMENT OF ALL NEEDY FAMILIES TO ASSISTANCE, THE GOVERNORS BELIEVE THE CURRENT AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC) PROGRAM SHOULD BE REPLACED BY A NEW NATIONAL PROGRAM THAT ESTABLISHES CLEAR POLICY OBJECTIVES AND CERTAIN MINIMUM STANDARDS, BUT PROVIDES STATES WITH BROAD FLEXIBILITY TO DESIGN KEY PROGRAM ELEMENTS. ASSISTANCE IN THE FORM OF CASH GRANTS TO FAMILIES SHOULD BE AVAILABLE FOR A TIME-LIMITED PERIOD, AS DEFINED BY THE STATES, AND DURING THIS TIME ACTIVITIES SHOULD TAKE PLACE TO HELP RECIPIENTS MAKE THE TRANSITION FROM WELFARE TO WORK. THE ONGOING FINANCIAL NEEDS OF CHILDREN, HOWEVER, MUST BE ADDRESSED IN ANY TIME-LIMITED SYSTEM. THE EXPECTATIONS AND RESPONSIBILITIES OF BOTH THE RECIPIENT AND THE GOVERNMENT SHOULD BE CLEARLY DEFINED, AND INCENTIVES AND

SANCTIONS SHOULD BE DESIGNED TO ENSURE THAT THOSE RESPONSIBILITIES ARE CARRIED OUT.

STATES SHOULD BE GRANTED BROAD FLEXIBILITY IN DEFINING THE COMPONENTS OF THE SOCIAL CONTRACT, INCLUDING REQUIREMENTS TO BEGIN WORK BEFORE THE MAXIMUM TIME IS EXHAUSTED. RECEIPT OF ASSISTANCE SHOULD BE CONDITIONAL UPON ONGOING COMPLIANCE WITH THE SOCIAL CONTRACT. APPROPRIATE SERVICES, SUCH AS THE EDUCATION, TRAINING, AND SUPPORT SERVICES NECESSARY TO HELP PARTICIPANTS BECOME SELF-SUFFICIENT, SHOULD BE FUNDED EITHER AS A COMPONENT OF THE INCOME SUPPORT PROGRAM OR THROUGH BROADER BLOCK GRANTS. CONTINUED ASSISTANCE UNDER THE NATIONAL PROGRAM AFTER THE TIME-LIMITED PERIOD SHOULD BE DEPENDENT UPON A REQUIREMENT OF WORK OR WORK-RELATED ACTIVITIES, UNLESS NO JOB, COMMUNITY SERVICE WORK OPPORTUNITY, OR COMMUNITY SERVICE PLACEMENT IS AVAILABLE. FEDERAL FUNDS EQUIVALENT TO THE ASSISTANCE PAYMENT SHOULD BE AVAILABLE TO THE STATES TO SUPPORT THE CREATION OF NEEDED WORK. STATES SHOULD BE ALLOWED TO CREATE WORK DIRECTLY AND THROUGH SUBSIDIES TO THE PRIVATE SECTOR.

I WOULD LIKE NOW TO TURN TO WHAT I BELIEVE ARE THE LESSONS FOR NATIONAL WELFARE REFORM OF THE WISCONSIN EXPERIENCE.

I WHOLEHEARTEDLY SUPPORT BLOCK GRANTS THAT WILL PUT THE STATES IN CHARGE OF WELFARE REFORM. AND I THINK WISCONSIN HAS PROVEN BEYOND A DOUBT THAT WE KNOW BETTER THAN WASHINGTON WHAT WILL WORK FOR US.

BUT WELFARE REFORM IS ABOUT MORE THAN CREATING 50 DIFFERENT WELFARE PROGRAMS.

IT IS ABOUT OVERHAULING A SYSTEM THAT ERODES INITIATIVE AND WEAKENS FAMILIES.

IT IS ABOUT CHANGING THE RESPONSIBILITIES BETWEEN WELFARE RECIPIENTS AND GOVERNMENT.

IT IS ABOUT PUTTING POWER IN THE HANDS OF PEOPLE WHO HAVE BEEN CONSIDERED POWERLESS FOR TOO LONG.

HANDING OUT MONEY AND EXPECTING ABSOLUTELY NOTHING IN RETURN -- AS THE CURRENT SYSTEM DOES -- IS NOT PUBLIC ASSISTANCE. IT IS PUBLIC APATHY. HERE'S YOUR CHECK. SEE YOU NEXT MONTH.

THE CURRENT WELFARE SYSTEM HAS FAILED BECAUSE THERE IS A MISAPPROPRIATION OF RESPONSIBILITIES . GOVERNMENT HAS VIRTUALLY ALL THE RESPONSIBILITIES AND WELFARE RECIPIENTS VIRTUALLY HAVE NONE.

THERE ARE FOUR FUNDAMENTAL PRINCIPLES THAT I BELIEVE SHOULD BE PART OF ANY NATIONAL WELFARE REFORM:

FIRST, TIME-LIMITED BENEFITS. TO BREAK THE CULTURE OF DEPENDENCY, WE NEED TO ESTABLISH UP-FRONT THAT WELFARE IS TEMPORARY ASSISTANCE. FROM DAY ONE, WELFARE RECIPIENTS SHOULD BE EXPECTED TO WORK TOWARD THE GOAL OF SELF-SUFFICIENCY .. AND TO DO IT WITHIN TWO YEARS

SECOND, ONLY WORK SHOULD PAY. IDLENESS SHOULD NOT BE REWARDED. THE PREMISE SHOULD BE THAT EVERYONE IS CAPABLE OF DOING SOMETHING.

THIRD, REDUCE ILLEGITIMACY. WELFARE PAYMENTS SHOULD NOT BE INCREASED FOR ADDITIONAL CHILDREN WHILE ON WELFARE. IN THE REAL WORLD, FAMILIES DO NOT RECEIVE A PAY RAISE FOR ADDITIONAL CHILDREN. IT SHOULD BE THE SAME ON WELFARE.

AND FOURTH, STATE ENTITLEMENTS RATHER THAN INDIVIDUAL ENTITLEMENTS. AS LONG AS THERE IS A FEDERAL STATUTORY ENTITLEMENT TO WELFARE BENEFITS THE FEDERAL COURTS WILL DICTATE WELFARE REFORM FOR THE FORESEEABLE FUTURE.

AS I SAID BEFORE, STATE SHOULD HAVE THE FLEXIBILITY TO DESIGN AND MANAGE PROGRAMS THAT WORK BEST FOR THEIR CITIZENS. WE KNOW WHAT WORKS BEST FOR WISCONSIN:

- SINCE 1987, WE HAVE REDUCED WISCONSIN'S WELFARE ROLLS BY 25%...ORE THAN THE REST OF THE NATION COMBINED.
- WELFARE ROLLS HAVE DROPPED IN EVERY SINGLE WISCONSIN COUNTY. IN 50 OF OUR 72 COUNTIES, THE CASELOAD IS DOWN BY 30% OR MORE.
- WELFARE REFORM REQUIRES CASH INVESTMENT UP FRONT. BUT THAT INVESTMENT EVENTUALLY TURNS INTO SAVINGS: TODAY, WISCONSIN TAXPAYERS ARE SAVING \$16 MILLION EVERY MONTH BECAUSE MORE WELFARE RECIPIENTS ARE OFF THE ROLLS ... AND PAYING TAXES THEMSELVES.

THE NUMBER ONE LESSON OF WELFARE REFORM IN WISCONSIN IS CLEAR: WE CHANGED WELFARE BECAUSE WE DEMANDED INDIVIDUAL RESPONSIBILITY FROM WELFARE RECIPIENTS.

SINCE MY FIRST DAY AS GOVERNOR, I MADE IT CLEAR THAT WE WOULD EXPECT MORE FROM PEOPLE. WE MADE IT CLEAR THAT WE WERE MOVING FROM A SYSTEM IN WHICH GOVERNMENT HAD ALL THE RESPONSIBILITY TO A SYSTEM OF CONCOMITANT RESPONSIBILITIES.

AND HERE IS A RECENT EXAMPLE OF HOW SHIFTING RESPONSIBILITY FROM GOVERNMENT OT CITIZENS HAS BEEN A KEY TO SUCCESSFUL WELFARE REFORM IN WISCONSIN;

WHEN WE RECENTLY ANNOUNCED OUR TIME-LIMITED WELFARE REFORM PROGRAM, WELFARE ROLLS IN THE AFFECTED COUNTIES DROPPED 9%. WE HADN'T EVEN STARTED THE PROGRAM, WE JUST ANNOUNCED THAT IT WOULD START. CLEARLY, PEOPLE RESPOND TO HIGHER EXPECTATIONS.

WE HAVE ALSO LEARNED THAT THE WELFARE BUREAUCRACY CHANGES WHEN EXPECTATIONS ARE RAISED. IN WISCONSIN, WE HAVE COUNTRY WELFARE OFFICES COMPETING OVER WHO CAN REDUCE WELFARE ROLLS THE MOST.

WE HAVE DRAMATICALLY CHANGED THE WHOLE WELFARE ENVIRONMENT IN WISCONSIN. WE PUT PEOPLE IN CHARGE OF THEIR OWN LIVES.

AS A RESULT, WISCONSIN IS NOW POISED TO ELIMINATE WELFARE COMPLETELY, BY THE YEAR 1997. AFDC WILL NOT LONGER EXIST IN THE STATE OF WISCONSIN.

THANK YOU FOR THIS OPPORTUNITY TO SHARE MY VIEWS -- BOTH ON BEHALF OF THE NATIONAL GOVERNORS' ASSOCIATION, AND AS THE GOVERNOR OF WISCONSIN. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS AT THIS TIME.