

# BROAD POLICY GOALS OF WELFARE REFORM

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

FIRST SESSION

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MARCH 9, 1995

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# **BROAD POLICY GOALS OF WELFARE REFORM**

**THURSDAY, MARCH 9, 1995**

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

The hearing was convened, pursuant to recess, at 9:30 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Bob Packwood (chairman of the committee) presiding.

Also present: Senators Moynihan, Bradley, Conrad, Graham, Moseley-Braun, Chafee, Grassley, and Pressler.

## **OPENING STATEMENT OF HON. BOB PACKWOOD, A U.S. SENATOR FROM OREGON, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The committee will come to order. Are all of our witnesses here? We are missing Mr. Rector and Mr. Greenstein. Is Dr. Mead here?

Senator MOYNIHAN. Yes. Yes, sir.

The CHAIRMAN. All right. We will start then, if you do not mind, with Dr. Mead, and then Dr. Tanner, and we will take the others when they come. Here comes one more, I think. Dr. Mead, why do you not go right ahead?

## **STATEMENT OF LAWRENCE M. MEAD, PH.D., VISITING PROFESSOR OF PUBLIC POLICY, WOODROW WILSON SCHOOL OF PUBLIC AND INTERNATIONAL AFFAIRS, PRINCETON UNIVERSITY, PRINCETON, NJ**

Dr. MEAD. Thank you very much, Mr. Chairman. I am delighted to be here. These hearings, I think, are very crucial for the future of welfare in America. What I am going to do in these brief remarks is simply summarize my testimony, which you have.

I will, first of all, discuss what we should regard as the welfare problem; second, the goals of reform; third, how best to improve welfare employment programs; and, finally, the issue of block grants.

Now, I do not think there is too much disagreement about the welfare problem. I think there are two aspects that are crucial. First of all, the welfare rolls are large and they are growing. To speak of AFDC, which I think is our main focus, the AFDC rolls grew 29 percent between 1989 and 1993. Today we have 14 million people and five million families living on this program.

Equally serious, much of welfare is long-term. While half the cases end within 2 years, of the cases that are the rolls at a given time, half will spend a total of 10 years on welfare. So, we do have a long-term welfare problem.

The main causes of the welfare problem appear to be two. First of all, unwed pregnancy. We have a high level of unwed pregnancy which is driving many younger mothers onto the rolls. Second, low levels of employment. Only 6 percent of welfare mothers at a given time report that they are employed. The actual level appears to be somewhat higher, but it is well below the levels that we find in the general population. Seventy-six percent of non-poor single mothers are employed and 55 percent of them are working full-time the full year, so there is a tremendous gulf in the difference in employment levels between single mothers on welfare and off.

There are some other issues in welfare, such as money. Some people think welfare can be cut in order to save money. That is true, but the money to be saved is, in fact, small because welfare is cheap compared to larger social programs like Social Security and Medicare.

From the liberal point of view, benefits are too low, they do not allow people to escape poverty. However, the causes of poverty are much the same as the causes of growth here. They also are related to unwed pregnancy and non-work. The public, as well, is concerned about these problems rather than other faces of the welfare issue. So, we ought to focus on unwed pregnancy and employment.

Now, my own view is that reducing unwed pregnancy should not be the main goal of reform for one very basic reason, and that is, we do not know how to do it. I do not think that anyone has come up with a persuasive approach for reducing unwed pregnancy. There are no programs which have shown large effects on this problem.

Now, some conservatives say, well, that is because welfare exists and as long as welfare exists then teen pregnancy programs are swimming upstream. They are trying to prevent people doing something which they have strong incentives to do.

However, the people who say this have not shown that there are strong effects of welfare on unwed pregnancy. We do not have strong evidence that the level of welfare, even the availability of welfare, has a lot to do with unwed pregnancy.

Some think, well, we can reduce the problem if we time limits on welfare, if we cut coverage for unwed mothers. Maybe we ought to do those things in order to underline important social values. I am not necessarily opposed to that, but we should not imagine, in so doing, that we are likely to reduce the social problem very much.

There are also political dangers. The public is really not in favor of cutting aid to the needy. Rather, it is in favor of changing the nature of that aid so that the adults have to work.

So, I think that the main reason to focus on employment is that this is what the public wants and, secondly, it is something we know how to do. We have some idea about how to raise work levels on welfare.

Now, there is a view that has taken hold among many analysts in the last few years, that it is becoming more difficult to put people to work because wages have fallen for low-skilled people. Although that is true, much of the reason why earnings are falling among the low-skilled is precisely that they are not employed and, in fact, they are dropping out of the labor force. It is still the case that employment is the best antidote to poverty. It is still the case

that the vast majority of poor adults are not employed rather than employed.

The problem of working poverty is a much smaller problem than the problem of non-working poverty. In 1992, there were two million adults working full-year and full-time who were poor, but there were 14 million who were not working at all. So, we have to say that non-working poverty is the largest problem.

Now, we can do some things to make work pay but work already pays. It is not the case that many people work steady hours and remain poor. So, we should take steps to raise work levels among people who are not now working, and that includes most of the adults on AFDC.

That turns our attention to the JOBS Program, established as part of the Family Support Act in 1988. Evaluation suggests that this program has substantial effects on earnings, but small effects on dependency. It does not seem to cause many people to leave welfare.

Some people infer from that that the program has only a marginal effect on the problem, that this really is a program that pays homage to the work ethic and does not have much to do with reducing dependency. I think its effects have been underestimated.

In a recent paper on welfare reform in Wisconsin I estimated the effect on the growth and welfare across the states of implementing the JOBS Program, and what I found was that for every percent that a State involved welfare adults in the JOBS Program between 1989 and 1993, in fact, its welfare growth is 1 percent less. So the more people you have in JOBS, the fewer people you have on welfare. This effect is quite substantial. So, I think what we should do primarily is focus on building up the JOBS Program.

I have some proposals about how to do this. I gather I am out of time. Maybe I should postpone that for the questions.

The CHAIRMAN. Go ahead.

Dr. MEAD. Should I continue? All right.

The best JOBS programs emphasize high participation, actual employment over remediation, and tight administration. These are the features that we would seek in JOBS nationwide.

The JOBS Program does not now have these features primarily because of the participation standards in the program are too lax, we do not have enough people participating in JOBS, the program emphasizes remediation rather than employment, and there is not much attention paid to getting people into work quickly.

The plans that are now on the table, the Clinton plan and the House Republican plan, it seems to me, are inadequate as ways of improving the program. In the case of the Clinton plan there is not enough emphasis on actual employment early on after going on welfare. The Clinton plan tries to time limit welfare but it does not require up-front job search. I think we should focus not so much on time limiting welfare or on changing the nature of it so that people have to work or look for work about half-time from the moment they go on the rolls. Work ought to be something inseparably connected with welfare. That is not something that JOBS does, and it is not something the Clinton plan would do.

The Republican plan is tougher about enforcing work and it would raise participation levels, I think, at a level that we could

probably sustain, but it is vague about what actual requirements would be made of people who are supposed to be working.

And the participation standard, which would become 35 hours over several years, is, I think, too tough. I think we should go for half-time because we can enforce that, because it is realistic. Then, after people are working half-time, then allow remediation on top of that. So, the goal should not really be time limiting welfare, it should be changing the nature of the program.

Now, as to block granting, let me just say that I think this is dangerous, primarily because it could lead to the disestablishment of the JOBS Program. If JOBS is included in the block grant its money could well be consumed by grant demands if, in fact, dependency kept on rising.

So, I think what we should do is keep JOBS outside the block grant. We should maintain employment standards in welfare. The main reason is, this is the only way we can really bring about reform. It is false that the States, by themselves—most of them anyway—are going to reform welfare on their own.

The main pressure towards reform now is coming from the JOBS Program. If this program is disestablished you will not see change, especially in States with large case loads, like New York and California.

I do not think that the internal emphasis on reform in those States is enough to move in the right direction. So, we ought to keep the employment programs we have, we should toughen them and improve them in various ways, and I think that is the best single way to reform welfare.

The CHAIRMAN. Thank you, Doctor.

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

The CHAIRMAN. Mr. Tanner.

**STATEMENT OF MICHAEL D. TANNER, DIRECTOR OF HEALTH AND WELFARE STUDIES, CATO INSTITUTE, WASHINGTON, DC**

Mr. TANNER. Thank you, Mr. Chairman and members of the committee. I really appreciate the opportunity to come here today. I am Michael Tanner. I am director of Health and Welfare Studies at the Cato Institute.

At the beginning of addressing any broad perspective on welfare, I think it is important to bear in mind just what an abject failure our welfare system has been to date. We have to understand that, if you just go back to 1965, the start of the War on Poverty, since that time we have spent more than \$3.5 trillion fighting poverty. Even for Congress, that is a lot of money. But we have actually received very little result for our money. In fact, today poverty is slightly higher than when we started.

Now, of course, if this was merely a question of wasted money I suppose we would be concerned, but it really would not be a crisis. After all, while it is a lot of money, it does pale in comparison to the amount of money that has been wasted on many other government programs.

I think the real welfare crisis is not in wasted money, but in what our welfare system has done to our society. Consider just a few areas such as, for example, illegitimacy, the fact that in 1960 only 5.3 percent of births were out of wedlock, while today nearly

30 percent of births are illegitimate. I believe that we are headed towards the position whereby, early in the next century, we could be in the position where 40 to 50 percent of births are out of wedlock.

Now, I have to disagree with Professor Mead. I believe that, while scholars can quibble over the degree to which welfare benefits are linked to out-of-wedlock births, there is an overwhelming consensus that there is some linkage.

Even William Galston, President Clinton's Deputy Assistant to the President for Domestic Affairs, says that he believes that the welfare system is responsible for at least 15 to 20 percent of family disintegration in America.

I think that if you examine the studies, examine the literature, you will find that the overwhelming amount of evidence indicates that there is a substantial link between the availability of welfare benefits and the growth of illegitimacy in America.

Second, of course, we have the question of dependence. While it is true that the average stay on welfare remains relatively short, nearly 65 percent of the people on welfare at any given time were in the midst of a spell that will last 8 years or longer. Moreover, welfare is increasingly intergenerational. Children raised in families on welfare are seven times more likely to become dependent on welfare than our children who are not raised on welfare.

You even find situations, for example, that Professors Richard Vedder and Lowell Galloway of the University of Ohio, for example, studied two individuals, both below the poverty line. They took one individual not receiving benefits, one individual receiving welfare, and found that the individual who does not receive welfare is 2.5 times more likely to be out of poverty the next year than the individual receiving welfare.

Finally, welfare is linked to crime. Maryland NAACP issued a report last fall that concluded, "The ready access to a lifetime of welfare and free social service programs is a major contributory factor to the crime problems we face today."

It contributes to crime by destroying family structure and increasing single-family households, by breaking down the bonds of community, and by increasing the social marginalization of young black men in our society as they become, in effect, cuckolded by the welfare check and made irrelevant to the family.

Now, what should Congress do then in that regard? I have a couple of recommendations. In the long-term, I believe Congress should be looking to the day when it ends all Federal funding of welfare and returns that program entirely to the States.

In the short-term, I would suggest that you end the entitlement status of welfare and send it back to the States in the form of block grants with as few strings as possible. In particular, I urge you to resist the temptation to impose conservative mandates on the States in lieu of liberal mandates.

Second, I suggest you begin the transition from government welfare to private charity by establishing a dollar-for-dollar tax credit for contributions to private social welfare charities.

Third, I suggest you make adoption a viable alternative option, easing restrictions on it, including elimination of barriers to



transracial adoptions. This would involve the repeal of the Metzbaum Amendment passed last year.

Finally, in the long-term, you need to look to tear down tax and regulatory barriers to economic growth and entrepreneurship, particularly in high poverty areas, because the best alternative to welfare is a job.

Now, I want to focus particularly on progressional things, what Congress can do here, in a very few minutes. But I want to urge you, contrary to what Professor Mead said, to be very wary of proposed "workfare" schemes. Workfare is a concept that I believe is largely based on a stereotype belief that welfare recipients are lazy.

I do not believe there is any evidence to support that stereotype and I believe that there is little evidence that a workable workfare scheme can be designed. The Manpower Demonstration Research Corporation conducted a review of workfare programs across the country and found few, if any, employment gains among welfare recipients.

Economists at the University of Chicago Center for Social Policy Evaluation reviewed the major studies on workfare and welfare-to-work programs and found a consensus in the literature that "mandatory work experience programs product little long-term gain."

Furthermore, these jobs are not inexpensive. It is estimated that it will cost at least \$6,000 over and above welfare benefits for every workfare job created, and I think that is a great deal of expense for very little gain. I do not think that is where the focus of reform should be and I would urge you against mandating any work requirement on the States.

Thank you very much.

The CHAIRMAN. Thank you very much.

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

The CHAIRMAN. Mr. Greenstein.

**STATEMENT OF ROBERT M. GREENSTEIN, EXECUTIVE DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES, WASHINGTON, DC**

Mr. GREENSTEIN. Thank you, Mr. Chairman.

In 1988 this committee played a leading role in passing the Family Support Act, a bipartisan effort based on the premise that the AFDC program should become a system embodying mutual responsibility.

Building on that now, and going well beyond it, welfare reform should be about promoting work, requiring responsibility of both parents, and maintaining a safety net for poor children, while according States the flexibility they need to create innovative programs.

To date, only a small number of parents have been required to participate in JOBS or other work programs and, as a result, AFDC frequently does little to help families move towards self-sufficiency. A reform system would be one in which all able-bodied parents were expected to work or prepare themselves for work.

An example such as the program in Riverside County, California shows that significant results can be gained from well-structured work-related programs. Welfare reforms should also address the troubling issue of out-of-wedlock child-bearing.

But, while I believe—and maybe we can talk about this in the questions—that Mr. Tanner's statement of the consensus among researchers is not correct and that the consensus is that connections between welfare and out-of-wedlock child-bearing are modest rather than very large, nevertheless, steps need to be taken in this regard.

For example, teen parents can be required to live in supervised settings, either with parents or other responsible adults and required to attend school or training as a condition of receiving certain levels of benefits. I also believe that flexibility can be provided to States in a number of areas.

But what I would like to focus on primarily in my remarks is that core question of whether the entitlement structure should be maintained. There are several issues here. Many are concerned that welfare spending is out of control and cannot be curtailed if the programs retain entitlement status. In addition, many believe that block grants are needed to accord States more flexibility. In fact, I think the questions of cost, of flexibility, and of entitlement versus block grant, are three separate questions and they need to be disentangled.

In the area of cost, I would note, as a former member of the Entitlement Commission, that the driving factor behind the deficit forecast in the long-term are Medicare, Medicaid, and Social Security, and the commission's forecast shows that means tested entitlements other than Medicare do not rise at all as a percentage of GDP. After the year 2000, CBO data suggests they may edge down a bit. Still, if Congress does wish to get savings here, a block grant approach is not necessary.

In 1980, 1981, and 1982, the Congress, without ending entitlement status, extracted substantial savings in means tested entitlements by changing their eligibility and benefit structures and that could be done, again, if Congress wished to do so.

The Agriculture Committee in the House, just a day or two ago, made about \$20 billion in savings over 5 years in the Food Stamp Program; I happen to personally think that it was more than should be taken out, but nevertheless it was done without changing the entitlement status of the Food Stamp Program.

On the issue of State flexibility, States currently set their own benefit levels and income limits in AFDC. Every bit as much flexibility could be given under an entitlement as under a block grant. Again, these are separate issues.

By entitlement, let me be clear, I do not mean that a woman who gives birth out of wedlock should be entitled to a benefit forever without doing anything. One could establish whatever rules one wants. One could have time limiting, one could make certain categories of people ineligible under certain circumstances.

The question is, simply, whatever the rules are, whatever the rules a State sets, should a family that meets those rules—for work, for behavior, for whatever else the Federal Government or a State wants to set—then be able to get a benefit or should this family be at risk of having benefits cut across the board or no benefit at all if the State runs out of money during the course of the year, such as during a recession?

Again, questions of who is eligible under what terms, and who sets them, Federal Government or State, are entirely separate issues from whether there is an entitlement or there is a block grant.

One could construct an entitlement system in which States have virtually unlimited flexibility to set every rule. I would not go that far, but I would go much farther in the direction than we go today. Massive numbers of AFDC rules today and Federal regulations on what is income, what is a resource, and what happens when earnings rise, could be turned over to States to set instead.

Why am I so concerned about removing the entitlement status? First, I am concerned that if we had a capped entitlement—anything that is a block grant type of approach—that funds could run out part way through the year. What would happen to a mother who applies in August because her spouse deserted the month before? Suppose the State was running out of money. Would she be put on a waiting list?

What about what happens during a recession? If a State gets a fixed amount of money for the year and unemployment then rises and there is no more money, the State is faced with the choice of bearing 100 percent of the additional cost itself, raising taxes, cutting other programs, or putting people on waiting lists or cutting benefits across the board.

We should remember that if a State institutes waiting lists, the people who come on to a program in the recession are not the long-term poor, not people sometimes thought of as the underclass, they are working families who are doing what we want them to do. They are families that lose a job in a recession and need temporary help. A number of them two-parent families. Would we want to deny benefits to these families because we have a block grant and it does not respond to a recession?

A block grant also would misallocate funds among States. You have to have a formula. What percentage of the total national money does each State get? The problem is, State-by-State income and poverty data are 3 to 5 years old and circumstances change a lot during that period.

For example, in Mr. Graham's State, in 1987 Florida received 1.8 percent of Federal benefit expenditures, by 1993 it was 3.6 percent. Had there been a block grant fixed at the 1987 level your State would have lost half of the Federal support that it received in 1993.

You could take a State I think might be of concern to Mr. Moynihan, a State like Alabama, which used to have the lowest benefits in the country. In the early 1990's it raised them 40 percent, taking them to the second lowest in the country. Under a fixed block grant approach Alabama probably would not have been able to do that, it would have been locked at the old level.

One more point on this front. It is sometimes said, well, a rainy day fund can solve the problem. We have examined the rainy day fund in the House bill. It is a \$1 billion Federal loan fund from which States can borrow during recessions, but it probably would not work.

First, it would mean that ultimately the States would still bear 100 percent of the additional costs during a recession. They would have to pay the loan back, with interest. Similar provisions in un-

employment insurance law suggests most States would fear paying the loan back with interest and would not avail themselves of it.

Second, they have to pay it back within 3 years. In California, we are now in the fourth straight year of 7-percent-plus employment. States could have to pay it back while circumstances were still tough.

Third, the trigger mechanisms do not work. Under the House proposal, 24 States would not have qualified for even a loan during the 1990-1991 recession until 1992, or would not have qualified at all. Yet, of the States that would not have qualified until 1992, the average AFDC case load increase in 1990-1991 was 27 percent. Yet, they would not have been able to get any loan during that period.

It is also said—and maybe I will respond to this in questions—that States could accumulate unspent funds and draw them down in recessions. As I can explain later, there is reason to believe States would have little or no unspent funds.

So, the alternative that I would like to suggest, briefly, is that States be given substantially increased flexibility within some basic standards, especially along the lines of dealing with work and teenage pregnancy, and that States can be given substantial flexibility without going to the block grant approach. I would also like to just note, in ending—

The CHAIRMAN. I have to ask you to summarize, if you would please.

Mr. GREENSTEIN. If I would just end, the final point I would like to make is, as you move towards work-focused programs, get more people to work, that there is a need for resources to do that with. The House bill provides no new resources for work or child care.

As Dr. Mead said, what would probably happen is just what happened during 1990-1991. Why did the Family Support Act not do more? Because States do not have more people in some of those work programs, is one reason. Why did they not do that? When the recession came they had to provide more families with basic benefits to keep them from going on the streets and they did not draw down the work fund.

So, I think Dr. Mead is exactly right, if you have a block grant approach and you have the work money within that, the likelihood is that States will keep families from being forced into the streets.

The very things that will get squeezed the most are the innovative self-sufficiency programs for work that the Governors say they want. I think those are the things that will get squeezed most under a block grant approach. And we also cannot expect that if we want mothers to work, a cap and cut, as the House does, on Federal money for child care.—

The CHAIRMAN. Mr. Greenstein, I am going to have to ask you to summarize.

Mr. GREENSTEIN. Let me stop there. Thank you, Mr. Chairman. [The prepared statement of Mr. Greenstein appears in the appendix.]

The CHAIRMAN. Mr. Rector.

**STATEMENT OF ROBERT RECTOR, SENIOR WELFARE AND FAMILY ISSUES POLICY ANALYST, THE HERITAGE FOUNDATION, WASHINGTON, DC**

Mr. RECTOR. Thank you. I apologize for getting here late. I had a little disagreement with my automobile engine this morning.

Senator MOYNIHAN. Who won the disagreement?

Mr. RECTOR. We compromised.

When Lyndon Johnson launched the War on Poverty he told us that this was to be an investment which would return its cost to society many-fold. Today I would like to talk to you about the nature of that investment that we have made and what dividends that investment has wrought for us, as well as what we could possibly do to correct the nature of this investment.

I think, first of all, when we are looking at the War on Poverty and welfare reform it is important to distinguish what we mean by welfare. When I talk about welfare I am talking about all of the means tested programs operated by the Federal Government for low-income and poor people.

The Federal Government runs over 75 major means tested programs providing cash, food, housing, medical care, social services, and training for the poor. With the State contributions to those programs, spending last year amounted to \$350 billion, or 5 percent of gross domestic product. We are now, as a Nation, spending more on means tested welfare than we did in the middle of the Great Depression as a percentage of GDP when a quarter of the labor force was unemployed. The total cost of this system now amounts to about \$3,400 for each taxpaying household in the United States.

Let us look at what we have done in terms of the growth of spending in this investment. In constant dollars, total means tested welfare spending is today nine times greater than when Lyndon launched the War on Poverty. Cash, food, and housing alone is seven times greater and, as a percentage of GDP, spending has risen from about one percent of GDP in 1965 to, again, over 5 percent today.

Altogether, we have spent, between 1965 and 1994, \$5.4 trillion on the War on Poverty in 1993 dollars. That is greater than the cost, almost twice the cost, of fighting Germany and Japan in World War II in constant dollars.

And for \$5.4 trillion you can buy the entire industrial infrastructure of the United States. You can buy every factory, every electronics firm, every office building, every hotel, every airline, every telecommunications firm, the whole thing, for \$5.4 trillion.

What have been the results of this \$5.4 trillion investment? Well, if you simply look at poverty we see that poverty was declining rapidly until the late 1960's when these programs started coming on-stream, and then official poverty has not declined appreciably since that time.

All other social indicators have taken a dramatic turn in the wrong direction, particularly illegitimacy, and also crime, which I believe is directly linked to the disintegration of the family.

That, in terms of spending, however, is the good news. Because if you take the CBO projections on these 75 plus programs, we see spending on baseline increasing from around \$350 billion today to

over \$550 billion by 1999. It will rise from 5 percent of GDP today to over 6 percent of GDP, and by 1998 we will be spending \$2 on welfare for every \$1 we spend on national defense.

I would also indicate that, although medical care is a major part of that growth, there is growth in all the programs that are pushing those figures up.

Now, what I would like to talk about is four, what I would call, goals of welfare reform, how to address this system. The first goal is cost control and flexibility. What I recommend are the provisions from Senator Faircloth's bill, which takes all of the non-medical means tested programs and subjects them to an aggregate spending cap at roughly the rate of inflation, around 3 percent per annum. That saves over \$80 billion off of baseline.

In order to meet that spending cap the bill takes most of the means tested non-medical programs, folds them into a single block grant, allowing the State to design its own welfare programs, allowing each State to determine how much it wants to put into housing, how much it wants to put into food, how much it wants to put into training.

Quite frankly, the Federal Government does not need to require that the State of Vermont run 15 different nutrition programs and that the State of Texas run the same 15 programs. We do not need to tell each State to be running eight different housing programs out of the Agriculture Department, and so on. I think what we do need to do, however, is when we give the States flexibility, insist on certain moral principles on how these will be spent.

Those are my second and third reforms, what I would call serious but sensible workfare, focused on the most employable welfare recipients first. Those types of reforms, contrary to what Mr. Greenstein says, do not cost money but rather will save money, as long as you focus on the most employable first.

Second, reducing illegitimacy. That is the paramount goal of welfare reform. It is not a goal of welfare reform to accept out-of-wedlock births going from 33 percent to over 50 percent, as President Clinton has warned us they will do.

We must find means to reduce the out-of-wedlock birthrate. The bottom line on that is, the Federal Government should never have been in the business of saying to a 16-year-old girl, if and only if you have a child out of wedlock we will send you a check in the mail. This has been a national disaster. It is time to step back out of it.

The fourth goal and theme of reform, is moral renewal. I believe that we need to bring the churches of our communities in to deal with the problems of the underclass, and the way to do that is through religious school choice and vouchers/model programs to accomplish that.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Rector.

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

The CHAIRMAN. Mr. Greenstein, I am curious. One of your fears about block grants is that the States may run out of money. Do you have any fear about the Federal Government?

Mr. GREENSTEIN. Certainly I do, Mr. Chairman. But it seems to me, my particular concern is during recessions. It seems to me that

it is very legitimate for the Federal Government to run deficits during recessions.

The CHAIRMAN. It is during recessions that we run out of money too, and our revenues fall dramatically.

Mr. GREENSTEIN. Yes. But, in fact, for the Federal Government to balance a budget during a recession would tend to make the recession deeper. I would think our goal ought to be in the general area of fiscal balance during periods when the economy is not in recession.

The CHAIRMAN. When do you expect that to happen?

Mr. GREENSTEIN. Well, I think we need to take very substantial—

The CHAIRMAN. Do you have a plan, a secret plan, to end the war?

Mr. GREENSTEIN. This is an issue we looked at on the Entitlement Commission. We obviously did not reach agreement on that commission. But I think there is a consensus across the political spectrum on that commission.

The CHAIRMAN. As I recall, you did not vote with the Danforth-Kerry side on that.

Mr. GREENSTEIN. Oh, I did.

The CHAIRMAN. Did you?

Mr. GREENSTEIN. I did, both in terms of the interim report—

The CHAIRMAN. And the entitlement restraints.

Mr. GREENSTEIN [continuing]. And the letter at the end.

The CHAIRMAN. Good.

Mr. GREENSTEIN. And I was one of the sole members of the commission to submit recommendations for eliminating the Social Security long-term imbalance, and the substantial majority of my recommendations were on the benefit side, not the revenue side.

The CHAIRMAN. Good.

Mr. GREENSTEIN. But I think there was agreement on the commission that the fundamental issues are health care and Social Security. I would just add, Mr. Rector made a point about the projected rise in means tested spending. The large bulk of that is in Medicaid and about two-thirds of Medicaid costs are elderly and disabled expenditures. Other means tested programs are not projected to rise as a percentage of GDP.

I would just note for the record that if you take all AFDC spending plus all Medicaid spending on AFDC families, plus all food stamp spending on AFDC families, and put them all together, they are 3 percent of the Federal budget and 5 percent of all entitlement spending.

That is not to say we should not look for restraint in those areas as well, but those areas are not the answer to eliminating the deficit. We could do whatever in the AFDC area, until we deal with health care and the long-term Social Security imbalance we will not make major progress.

The CHAIRMAN. I think you are right on that. That is not an excuse to avoid looking at other entitlement programs.

Mr. GREENSTEIN. I agree completely.

The CHAIRMAN. I have often said, there are about 410 entitlement programs and the bottom 400 costs us \$50 billion, and the

top four, plus interest cost; about \$900 billion. But we do not need to overlook the bottom 400.

Mr. GREENSTEIN. I am in complete agreement with you on that, Mr. Chairman.

The CHAIRMAN. The Pershing Hall revolving fund is one that could go.

Mr. GREENSTEIN. I am simply concerned about those, not on this committee, but elsewhere, some of the public, who believe that if we address welfare, foreign aid, and some category called "waste," the deficit goes away and we can avoid the tough choices. We cannot avoid the tough choices.

The CHAIRMAN. There is no waste, fraud, or corruption in any program that somebody likes, it is in some other program.

Mr. GREENSTEIN. That is certainly true.

The CHAIRMAN. Let me ask you, you mentioned the social service block grant. I may be the only person on this committee that was here at the time. But you use it as an example of something that we capped and the monies fell. But do you know why we did that?

Mr. GREENSTEIN. Yes, I do.

The CHAIRMAN. We had this open-ended entitlement that we called Social Services.

Mr. GREENSTEIN. Yes.

The CHAIRMAN. We had it at about \$2.5 billion, I think, in 1975 or 1976. The States were just putting into it everything they could define as a social service. Well, Mississippi was building roads as a social service. Maybe it was a work program, I do not know.

But we saw this program just taking off and that is why we put the cap on it. I do not think it ought to be used as an example of something bad, it was something that would have exploded beyond belief had we not capped it.

Mr. GREENSTEIN. Mr. Chairman, I did not mean to imply it was something bad moreover. There are some similar developments now going on in AFDC emergency assistance, and I think that a cap of some sort is probably needed there as well. That was proposed in the administration's welfare bill of a year ago.

All I was trying to point out in bringing up that example is, there is a difference between an individual entitlement, whatever the eligibility criteria, and whether they are set at State or local levels. Under a block grant, whether it is a capped entitlement or a discretionary, it does not respond to recessions.

What I believe we need is something that does continue to respond to recessions while being reformed, having changes that deal with long-term costs and the causes of it, such as the need for more people to be moved out of the system into work. We do not know exactly what to do, to curb out-of-wedlock births and teenage pregnancy, but we clearly need to look carefully at that. So, I am not suggesting that was inappropriate in the social services block grant at all.

The CHAIRMAN. All right.

Dr. Mead, you emphasized how successful JOBS are in terms of "welfare reform," probably more important than everything else we might put together. If we were to block grant this, why would most of the States not go toward JOBS, that being the most efficient way to end welfare?



Dr. MEAD. They would if they were interested in reforming welfare. That is what is happening in some States; it is happening in Wisconsin, for example. But, in the midst of a fiscal crisis due to a recession, States would have to make immediate economies and they would be tempted to consume the JOBS money in paying benefits.

I do not think cutting welfare is the same thing as reforming it. Cuts involve saving money in ways that we may have to do for budgetary reasons, or because we decide we really should not cover a certain group.

Reform, however, involves changing the nature of welfare such that it involves an assured connection between drawing money and doing things to help yourself. That is a more long-term process. That involves administrative statecraft. States that do that well, such as Wisconsin, have been able to realize enormous cuts in AFDC.

Between 1987 and 1994, Wisconsin drove down its AFDC rolls 23 percent, 42 percent in the average county, 5 percent even in Milwaukee. The reasons for this are not completely clear, but one of them is that they are using JOBS to police the caseload.

They can do that there because they have extraordinarily high-quality administration, they have a very strong commitment to this program, and because they are enforcing participation very effectively. In most counties they are able to cause a whole lot of people to leave the rolls without cutting benefits, without cutting access. That is exactly the way the public wants to reform welfare. That is why we should keep the pressure on to implement JOBS more fully.

The CHAIRMAN. And Governor Thompson said yesterday he would love to have a total block grant and he would make this program even more efficient.

Dr. MEAD. Well, it is ironic that Governor Thompson is one of the leaders of the move to block grant welfare because he is doing the sort of thing that I am convinced most States would not do under a block grant.

The CHAIRMAN. That is interesting.

Dr. MEAD. They are not going to do that in most States. They are not Wisconsin. I wish they were. Wisconsin is an exemplar, it is not a typical State. There are a lot of things special about Wisconsin that allow them to do what they are doing. I am concerned to see New York do what Wisconsin is doing, and New York will not do it unless there is pressure from Washington to implement JOBS.

Right now the main force causing New York to get serious about employment in welfare is the JOBS program. They are looking over their shoulder worrying if they are going to meet the participation thresholds in the Family Support Act. That is the only reason they are getting serious about it. Unless that pressure is kept on you are not going to see a shift in the orientation of that welfare program.

The CHAIRMAN. Our order today is Senators Grassley, Moynihan, Chafee, Graham, Pressler, and Moseley-Braun. Senator Moynihan is convinced that Senator Grassley is getting up on farm time and

coming here early. It is the third time in a row he has been here early.

Senator Grassley?

Senator GRASSLEY. Senator Moynihan, most of it is because I have a conflict with a Government Affairs Committee mark-up and I want to get on the program here early.

Mr. Rector, I believe you were the only one, at least in your spoken testimony, that mentioned the involvement of churches. I guess my question is what sort of constitutional problems do you have concerning the separation of church and State?

I am not sure I disagree with your premise, although we might agree for different reasons. I see it this way. The whole purpose of welfare programs is because, as a society, we want to express that we have compassion for people.

Quite frankly, I do not think there is any government bureaucrat, or when people interact with the government—I would say this even on farm programs—that there is any compassion that is expressed in the programs.

As a society we want to express that compassion. We think we have been expressing it through big government welfare programs and we are finding out 30 years later that there is not a lot of compassion, and compassion is what people need and want at this time of need.

I think you are kind of saying that if you are going to have compassion you have to have individual involvement. There has got to be something between me and you, if I am going to help you, that expresses my compassion, not simply the material help of a dollar that I might give to you. I think you are also saying that there has to be some spiritual basis for that compassion.

Now, that does not mean it has to be Christian, it can be Jewish, it can be Muslim. Most religions teach compassion. So we are not talking about promoting a Christian agenda, or a Jewish agenda, or a Muslim agenda, or anything; we are just saying, very generally, we have to have a spiritual basis for our compassion.

I think you are suggesting we have got to involve the churches, but you surely are not suggesting that the churches can take over everything that government is doing.

Mr. RECTOR. I think it is useful to remember that this country, contrary to our experience of the last 30 years, has previously, particularly in the 19th century, actually waged successful wars on poverty.

One of the legacies of that war is something we all know, it is called the YMCA. The YMCA was invented as an anti-crime institution in the 19th century to deal with urban juvenile crime and it saw as its core mission what we should see as the mission today, that the problems of poverty in the underclass essentially stem from moral character, and you must reach in with compassion and deal with those underlying values, not simply manipulate hydraulics in the welfare system, giving incentives for that, and so forth, but reach into the inner part of the person.

Now, I agree that the government really cannot do a very good job at that, but there is an institution that can and it exists in every single one of our inner cities. Let me just give you one statis-

tic that I think is one of the most shocking statistics in social science.

If you take two young men in the inner city today and they are in all respects identical, they come from the same family, they live in the same neighborhood, they are both poor, there is only one difference between those two young men, one of them regularly attends church, the other does not. The young man who regularly attends church is 50 percent less likely to drop out of high school, 50 percent less likely to become involved in drugs, alcohol, and end up in crime. How can we involve the church in doing what we know it can do? The best way to do that constitutionally is to provide vouchers for education and for social services, allow those parents who wish to take their young children, save them from the moral chaos around them in the inner city, take that voucher over to a religious school, and let that school educate that young person.

The Supreme Court has ruled in two cases, *Mueller v. Allen* and *Widderswert v. Washington State* that, as long as the parent rather than the State is making the final choice in the allocation of funds, there is no establishment prohibition whatsoever, just as there is no establishment prohibition on an elderly woman taking a Social Security check, signing it, and putting it directly in a church collection plate. I think that churches have perhaps the predominant role in solving the problem that we all want to solve, we just have to take the shackles off of them and let them step in.

Senator GRASSLEY. Both you and Mr. Tanner have spoken about welfare benefits to single mothers directly contributing to the rise in illegitimate births. Just last summer 76 social science researchers issued a statement saying exactly the opposite, that welfare spending does not contribute to higher levels of illegitimacy.

These researchers do not believe that higher welfare benefits have a significant effect on the likelihood of a woman bearing a child outside of marriage. On what basis do you make your assertion which is so clearly contradicted by these researchers?

Mr. RECTOR. If I could make a flip remark that, if you look at that group, one of them is rumored to have a maiden aunt who once voted Republican. I mean, it is a very liberal group of scholars; I do not mean to demean their viewpoint because of that.

The fact of the matter is, if I review the literature there are at least 13 or so studies in the last 10 years, the majority of which show significant effects. The best study that I am aware of is Dr. June O'Neill's study, which shows that a 50-percent increase in the value of monthly welfare benefits, AFDC, and food stamps leads to a 40-percent increase in the number of out-of-wedlock births. There are many other studies that show effects on that magnitude.

However, the best immediate evidence we have is what just happened this year in New Jersey, where New Jersey put on the family cap, the family cap says once you are already on AFDC, if you have an additional child, you are not going to get an increase in payment.

Now, that is a minuscule change. It amounts to about 4 percent of the aggregate value of the total benefits coming to the average mother in AFDC. But that four percent cap resulted in something between a 12 to 29 percent reduction in the number of illegitimate

births to mothers on AFDC in New Jersey. I, frankly, was astonished at the level of effect.

It is there, they have a controlled experiment on it where they had a control group that was not subject to the cap, and the level of births in the control group and the experimental are clearly different, clearly a significant response to the moral message coming from the welfare system: do not have an additional child.

Mr. TANNER. If I could just add a couple of things to that. The first is, even among those who signed that statement, some of them admit that there is a link, they just say it is a minor link or not a significant link. They do not deny that there is any link, even among some of those that signed that statement.

The second is, I think you also have to look at what we are saying when we say there is a link between the availability of welfare and out-of-wedlock births. We are not saying that women go out and have babies in order to get welfare. I think that that is a characterization of the statement that is untrue.

What you have is a removal of the normal disincentives that might otherwise operate. A girl who looks around in her class and several of her classmates have gotten pregnant, and the world has not ended for them, the consequences are down the road as far as what she can see right now. Now they have got a little baby to love, and it is cute, and all of those things, and they have got a check coming in, and things have not fallen apart yet.

I think, until they see the consequences of their actions, you end up with situations, for example, where there was a study in Philadelphia where they asked inner city teenagers, would having a baby be a major crisis in your life, and found 60 percent saying, no, it would not be a crisis in my life to have a baby at this time. As long as that is the predominant attitude among poor inner city teenagers, you are going to have an explosion in illegitimacy. I think you have got to create a situation in which they say, yes, it would be a crisis in my life to have a baby.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Mr. Chairman, I would like to note that Mr. Rector made the case for the tuition tax credit proposal, which you, sir, and I advocated in 1978, I guess it was, and almost passed. And, as in so much, the liberals had a chance and they missed it.

The CHAIRMAN. I was curious if Mr. Rector was saying that this is now constitutional, and we would have no difficulty with it, as you cited a couple of cases.

Mr. RECTOR. Yes. That seems to be the tendency in the cases in the last 7 years or so.

Senator MOYNIHAN. Yes. We had our chance and the liberals could not see it.

But, sir, I would like to make just a couple of statements. I think we have heard very important testimony. Speaking as much to the committee as to our distinguished panel, Mr. Greenstein put it, that the Family Support Act of 1988, the last major welfare reform effort, was a bipartisan effort based on the premise that the AFDC program should be a system that embodies mutual responsibility.

The House Ways and Means Committee proposal would end what are now the government's obligations under the Family Sup-

port Act. Now, I think you would be on the liberal side of most matters, just as Dr. Mead would be on the conservative side. Both of you are scholars. You are all scholars.

But what Dr. Mead said to us is that the JOBS Program works about as well as anybody ever said it did. We did not come in here saying we are promising you a rose garden worldwide. We said we had some evidence of small, positive results about a problem that is going to be with us into the next generation at the very least, but we do get results. You found in Wisconsin extraordinary results.

I have two personal friends, and in recent months they have both made statements on this. I think Senator Chafee would be interested in this. Nathan Glazer gave a lecture, I think it was at Brown, in which he said about this whole brouhaha of welfare, "Do we know that much more than we knew in 1988 to warrant new legislation? I do not think so."

James Q. Wilson, no lefty he, gave the Weston lecture at the Manhattan Institute last year. He said, "The debate that has begun about welfare reform is, in large measure, based on untested assumptions, ideological posturing, and perverse priorities."

So I would like to ask everybody, we have a hugely important decision. Liberal America has no real voice left in this. They opposed the Family Support Act. They could not do it very publicly. They do not have standing to speak anymore, they have so disgraced themselves over these years.

Here is Lawrence Mead. "I oppose proposals to block grant welfare to the States, as the effects would be to disestablish JOBS and remove the chief pressure to reform now bearing on the States. While some States would reform on their own, liberal States with the largest case loads, such as New York and California, probably would not. Welfare reform, if it is to be serious, must be led from Washington." I am sorry about that, gentlemen. I know the Cato Institute and Heritage will not think that.

Mr. RECTOR. We agree with Dr. Mead. [Laughter.]

Dr. MEAD. Let me enlarge on the implication of that. The real choice is, do you dismantle Federal policy on the view that it is inherently liberal?

Senator MOYNIHAN. The House bill will dismantle the JOBS Program.

Dr. MEAD. Not directly. I mean, there are also work provisions in the House bill which sound quite serious in some ways, so actually the House bill is schizophrenic. On the one hand, there are increased work requirements. I have some quarreling with the details, but there is no question they want to enforce work. At the same time, they are including JOBS in the block grant, which would deny the mechanism that we need to enforce those requirements.

So I think the left hand does not know what the right hand is doing in this case. The real issue is, and it is actually undecided in the Republican bill, do you dismantle Federal power or do you use it for conservative ends? I would do the latter.

I think if Republicans now controlling Congress fail to do that they are missing a large opportunity, and they are also missing an opportunity to do what the public wants. The public does not want

Federal power disestablished, it wants Federal power used to enforce values that are not themselves contentious, in this case, employment on welfare.

Mr. GREENSTEIN. Could I add a point that perhaps Dr. Mead may not be aware of? When you look at the House bill there is a way it resolves the seeming schizophrenia he just referred to of having 50-percent participation standards in work and not providing any funding for it, in fact, it just eliminates the current JOBS fund and merges it into the block grant.

The way it does that, is that it says that you can meet the participation standard by counting towards it reductions in participation in the program. So, if a State said, we are going to have a 1-year time limit; at the end of 1-year everybody is out, working or not, they could meet the participation standard with no work program at all. It turns out not really to be a work standard, it turns out to be a standard that can be met by large-scale elimination of whole categories of people from the program. That is not really work.

Can I make one quick point, Mr. Chairman, since you referred to me as being on the liberal side, and you said liberal America had opposed the Family Support Act. As you know, and I just want to be clear, I supported the Family Support Act.

Senator MOYNIHAN. Oh, you did? Oh, yes. I guess that makes you a neo-liberal, or something.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

What I would like to do is zero in on what we might do about this problem and, thus, identify the primary cause.

Mr. Rector says, "Illegitimacy is a powerful factor contributing to almost all other current social problems." Mr. Mead says, "The growing prevalence of dependency and prolonged dependency is due to two forces, one of which is unwed pregnancy." Mr. Tanner, who regrettably did not number his pages, on page one, I believe, talks about illegitimacy being a big problem. Mr. Greenstein, I am not sure; I did not track you down on this.

If that is the problem, Mr. Rector was the only one who gave some solutions of what we might do about it. Is there any test that is conducted out there or experience that can show what we can do about this ghastly problem, in my judgment, of illegitimacy?

Yesterday, Senator Moynihan pointed out that in St. Louis, Missouri, the illegitimacy rate is 69 percent of all births in St. Louis. Now, if that is an average, you can imagine what it is in some sections of St. Louis. I suppose it must be close to 90 percent, perhaps.

Now, what can we do about this? Is there anybody who can tell us that something has been tried and worked? I thought Mr. Rector had some pretty good suggestions, and pointing out that they see the girl in the class who becomes pregnant and has a little baby, a lovely little baby she is happy with, and, indeed, along with the baby comes a check.

Now, something about that is disturbing. What have you got to say, Dr. Mead? I will get to you later, Mr. Greenstein.

Dr. MEAD. Well, I simply do not see strong evidence that we have any clear way of stopping it. Bob has said that family cap in New

Jersey apparently has had an effect on unwed pregnancy on welfare; I have not seen a definitive accounting of that.

One interpretation of the numbers he cites that I have heard is that it may simply be that families having additional children no longer report them because they no longer get added welfare by doing so. It does not necessarily mean that they are having fewer children. So, I do not know what to make of that yet. But if what he says is true it would contradict all earlier evidence. It simply is not what we find in research on this question. There has been extensive research.

Senator CHAFEE. I could not quite hear what you said.

Dr. MEAD. I said, we have not found in previous research that benefit levels, denials of benefits, have as strong an effect on unwed pregnancy as he is asserting. I do not think that we have any reason to think that. The O'Neill study that he mentioned, if it is the one that I have read, finds, for example, that we do not find benefit effects for blacks, only for whites, and the effects are a good bit weaker than he says.

I am not saying that there are no effects for welfare benefits on unwed pregnancy, but they appear to be marginal. That is, you can find such an effect—

Senator CHAFEE. Exactly. Mr. Rector pointed out some astonishing figures, although I must say the latitude in his figures—I think you said something between 6.1 percent and 35 percent, something like that.

Dr. MEAD. Well, I am saying that those figures are not figures I have seen on paper yet. It could be true. I am only saying that if it is true it is a complete departure from all previous research and experience in this matter.

Senator CHAFEE. I would be interested in your answers. The last I understood in this matter, it takes two to make a baby. I cannot see that anybody comes down on the father.

Dr. MEAD. We are coming down on the father.

Senator CHAFEE. It is always the mother that is at fault, in theory.

Dr. MEAD. We are also coming down on the father. I mean, child support requirements—

Senator CHAFEE. Who is coming down on the father?

Dr. MEAD. Child support requirements are being toughened.

Senator CHAFEE. They are off someplace and say they have no money. Yesterday we had testimony from two States that go after the father harder than any States in the Nation, and they have 35 percent. They admitted that was a shameful record.

The CHAIRMAN. And the Governor from Wisconsin said interstate enforcement was almost impossible. It cost them more and they had given up on it.

Senator CHAFEE. But I cannot believe that these people are going out of the State, that they are sophisticated enough to romp across the border.

Mr. TANNER. I think the problem is that you basically have two distinct populations on welfare. One group goes on welfare either because of a divorce, which is the largest reason why people go on welfare, or because they have lost a job, which is actually a very tiny percentage of the people on welfare.

This group moves on and off and they move off relatively rapidly. The average time on welfare is less than 2 years. This is a group that primarily would have ex-husbands or groups out there that you could go after child support for, but they are not the long-term problem.

The big problem is the approximately one-third of people who go on welfare because they have an out-of-wedlock birth. This group averages almost 10 years on welfare. This is your long-term, hard-core group. In many cases, the father of this group is also an unemployed teenager who is hanging around on the corner or earning minimum wage.

There is not a whole lot of money you can get from that person in order to support a child, even if you could collect all the child support from that person. The real question has to be on the disincentive to have that child in the first place, not in trying to scabble up a few dollars afterwards.

Senator MOYNIHAN. Mr. Chairman, may I make one point, quickly?

The CHAIRMAN. Yes.

Senator MOYNIHAN. Just on the research basis on which we built the Family Support Act, Senator Chafee, this was done by the Manpower Development Research Corporation. They said, of the two groups that Mr. Tanner very accurately described, the family where there is a divorce or desertion, usually a somewhat older person previously established, takes AFDC as a form of income insurance. It is like unemployment insurance; those people go on the rolls and then they go off. And all the efforts in the world to train them have little effect.

They do not need it, they just need a job, or a husband, or the man coming back, or whatever. We said you will concentrate on that one-third that is in trouble and will stay in trouble; we will work on the hardest problems. And that is why, in some sense, the returns have been small, but every one is a life saved. Thank you.

The CHAIRMAN. Senator Graham, and then Senator Pressler.

Senator GRAHAM. Thank you, Mr. Chairman.

I would like to focus on a group that has not been discussed thus far but which, as I understand, under the House proposal, would be precluded from any of the benefits that we have discussed. That is, legal aliens in the United States.

I would like your thoughts as to A) who is this legal alien population, and is it in any way significantly different than other persons who benefit by these programs; and B) what is the evil of having legal aliens receive these benefits that justifies their being eliminated; and C) what are the likely consequences of denial of benefits to this population, such as to the local communities and to changes in our flow of immigration?

Mr. RECTOR. I would speak to that since I was, in part, responsible for those provisions in the House. The bottom line on this is pretty simple. Most of the money on non-citizens is going to elderly people on the SSI and Medicaid program.

There are now about 700,000 elderly non-citizens on SSI. We have had testimony down in the Ways and Means Committee and the House on how you can go to southern China, Hong Kong, or



Taiwan and find publications in Chinese on how to come to the United States and retire on welfare.

Now, let me give you some very shocking statistics. This is the fastest-growing welfare population, elderly non-citizens on SSI who have come here to retire on the U.S. welfare system. It is growing at about 14 percent per annum.

Let me give you some projections. Even assuming that you had exactly the same number of elderly non-citizens, no growth in this case load over the next 10 years—which I think is fantastic—the out year cost of these individuals on welfare would be about \$80 billion over the next 10 years.

Senator GRAHAM. Could I ask, under what category is this large number of people coming to the United States?

Mr. RECTOR. They are coming under something called Condition 5, or something. They are relatives of people who have come to the United States. So, if someone comes here they may bring grandma, grandpa, and a great-aunt and great-uncle. And believe me, I understand, this is a great deal if you happen to be coming from Hong Kong. I mean, it is a wonderful deal.

Senator GRAHAM. And these are uncapped categories, or an unlimited number of people can enter the United States?

Mr. RECTOR. As I understand it, the caps are high enough that we have a huge number of people coming in this way.

The CHAIRMAN. Bob, I wonder if I might ask this. Both Pat and I would like to see these figures. This is the first time we have heard this.

Mr. RECTOR. Sure.

The CHAIRMAN. Do you have some studies we can have on this?

Mr. RECTOR. Sure.

But let me go on with the point. If this case load continues to grow—it has quadrupled in the last 10 years, there are now four times as many non-citizens on SSI as there were 10 years ago—at that rate, and there is no reason that I am aware of that it would not, we are talking about an out year cost over the next 10 years of over \$250 billion.

The United States taxpayer simply cannot allow the U.S. welfare system to become a deluxe retirement home for elderly people from the Third World. As much as we might sympathize with them, that is simply something we cannot afford to do with U.S. tax dollars.

Mr. GREENSTEIN. Senator Graham, if I could comment. I think the situation is considerably more complex than Mr. Rector has just portrayed it as being. First off, the bill in the House eliminates benefits for virtually all categories of legal aliens, with a few exceptions, not simply those who have relatives that bring them over as sponsors.

What about those legal aliens who enter this country without sponsors, such as those who flee persecution and are granted asylum status or parole status? There are a number of categories of people that we agree legally may be present in the United States.

Some of the immigrants in your State, Cuban refugees, fall into a category who are not brought over by relatives who can help support them. Under the House legislation we would cross a major threshold. Immigrants without sponsors, those whose sponsors have died, those whose sponsors have become destitute and can no

longer support them, they will all be eliminated from benefits as well.

Nor would it simply be elderly people who are eliminated from benefits. For example, the EEOC committee in the House passed legislation a week or two ago. I think there were certain categories of pregnant women who would be denied benefits in the WIC program, even though the evidence shows that their children, who would be U.S. citizens since they would be born here, would then be more likely to be born at low birth weight and entail Medicaid costs. So, I think there are some issues that have to be looked at here.

It may very well make sense to lengthen that period of time during which elderly and other legal immigrants who have sponsors are required to have their sponsor's income counted towards these program. This would effectively make most of them ineligible and would generate significant savings.

But the House legislation goes beyond that and covers everyone, whether they are poor or not, whether their sponsors are alive or not, whether they have sponsors or not. I think if you take a careful look at it, what is needed is some balance beyond current law, but nowhere near as far, in my view, as the House bill goes.

Senator GRAHAM. What will be the consequences on the communities in which these people live if the House proposal were to be adopted?

Mr. GREENSTEIN. If I could quickly add, particularly for those who do not have sponsors and have no place else to turn, the State and local governments are going to have to pick up the slack to keep them off the street. The problem is greatest when we talk about Medicaid, also under the jurisdiction of this committee.

Even for those elderly people who do have sponsors as they age, if they are permanently ineligible for Medicaid until they become citizens—and a number of these people, at their advanced age, are unlikely to learn English and all the things they need to do to become citizens—there is serious question as to, as they age, how the health care costs are going to be met, and the likely answer is local hospitals and substantial cost to State and local government.

You may want to make some distinction in looking at this issue between things like cash benefits such as SSI and health care coverage. I do think there are substantial cost-shifting implications if all legal aliens, with a few exceptions—such as those over 75—are denied government support in terms of any kind of health care coverage.

Senator GRAHAM. I would just state, this sounds to me as if it is a massive form of an unfunded mandate if the Federal Government has an immigration policy, as Mr. Rector states, which facilitates this surge of persons into the country and then the Federal Government denies any responsibility for the financial consequences of that decision and imposes it on the communities in which these people happen to live.

The CHAIRMAN. Kathy Tobin, my resident guru on this subject, confirms what Mr. Rector says. She is not sure of the percent, but that SSI's fastest-growing component is legal immigrants. We do have a hearing scheduled on this particular subject.

Senator GRAHAM. Very good.

The CHAIRMAN. Senator Pressler.

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

I have been listening with great fascination. I might ask a couple of questions that apply to my State of South Dakota, if I may, to get some perspective here of how this would affect my State.

Now, the State of South Dakota received a waiver from the Federal Government to implement several restrictions on welfare payments. The program was implemented on January 1, 1995 and they include: AFDC parents must be engaged in job search or training activities; after 24 months parents are required to participate in community service or volunteer, 60 months, if in a training program; recipients who quit JOBS without good cause will lose their benefits after 3 months; recipients can receive a one-time check to tide them over when moving from AFDC to employment; and teenagers or students are allowed to own a car of up to \$2,500 value to encourage work and savings.

Now, first of all, I have to bring up the issue of our Indian reservations. We have one of the poorest counties. South Dakota has three of the five poorest counties in the Nation. Shannon County, which contains the Pineridge Indian Reservation, is the poorest county in the entire Nation. 58 percent of our AFDC recipients are American Indians. Clearly, this population has special needs which require creative and targeted solutions.

We find on the reservation, where there is unemployment running at 70 to 80 percent, that ordering people to get a job and these various requirements do not work so well, or it seems to be a unique situation. Do any of you have any comments on that?

Mr. RECTOR. I would. If you look at the House bill, and actually this exact same issue on the Indian reservations came up, I think it was, in Montana in the Education and Economic Opportunities Committee. The response to that was that the work standards are Statewide, so if in an area of the State where it is largely irrelevant you can be more lenient in that regard and you can be more stringent within other regards.

So, basically I think that the conversation so far has said that we either have to maintain an entitlement system driven from the Federal Government or we just give the money to the States and let them go do whatever they want.

I think that there actually is a tertium quid there, that you can block grant a lot of these funds, providing much, much greater flexibility, so that you do not need all of those waivers and everything, you can just do all that stuff without asking some bureaucrat at HHS.

But you have a control in the growth of spending because it is no longer an entitlement, and then you say certain very simple things. You have got to have a certain percentage of people either off the roll through employment or you have to have them working and you have to do certain things about illegitimacy. You do not need 1,000 pages of regulation. Most of the regulations on the means tested programs come in with a couple of strong principles.

Mr. GREENSTEIN. Mr. Pressler.

Senator PRESSLER. Yes.

Mr. GREENSTEIN. Could I add, certainly South Dakota and other States should have more flexibility. I would think they should not

need to go through a cumbersome waiver process to do a lot of the things they did. But the law can be changed to give the State of South Dakota and other States flexibility in the kind of areas you have mentioned so they could go ahead and make those changes without having to get a waiver, without going to a block grant, without eliminating the entitlement funding status.

If you take the House bill, had it been enacted a few years ago so that it took effect in 1990 instead of the Family Support Act, in 1993 South Dakota would have lost 16 percent, nearly one of every six, Federal AFDC dollars it received had that bill been put in place.

So, there are some very serious fiscal consequences fiscally to the block granting approach. One can give South Dakota the authority to do those things without going through a waiver process, without going to the block grant approach.

I would also add that your example raises one other point. That is, should there be a Federal requirement that after a specified number of years people are cut off, even if they are willing to work but they cannot find jobs?

If on the Indian reservations there was rule that said, at the end of 2 years, 4 years, 5 years, whatever it be, that people who have been in a workfare slot for 3 years and are willing to meet every work requirement and engage in workfare but cannot find a job in the private sector are cut off, that would cause very serious problems and the State and local governments would have to put up money to fill the gap, most likely.

Dr. MEAD. Let me just make one comment. That is, according to my numbers, South Dakota had a very small increase in welfare compared to the rest of the country in the period that I analyzed, from 1989 to 1993—it looks like well under 10 percent. The probability is that part of the answer is the JOBS Program.

So, JOBS may not be working on the reservations but it likely is working around the State as a whole. It may be hard to find JOBS in certain localities but, overall, Indians, I think, respond to a job placement program like other groups.

Senator PRESSLER. Let me continue. I mentioned we all agree on the need for increased State flexibility. That seems to be the fashion in Washington these days, such as the South Dakota successful waiver program to increase self-sufficiency. However, are there any Federal strengths which should be attached to block grant or entitlement funds? I know you covered that a little bit, but can anyone comment on that?

Dr. MEAD. I am sorry, Senator. I was not entirely listening. If you could repeat your question.

Senator PRESSLER. All right.

Again, my own State has a waiver program to increase self-sufficiency.

Dr. MEAD. Yes.

Senator PRESSLER. Are there Federal strings which should be attached to block grant or entitlement funds?

Dr. MEAD. Well, the view that I expressed before is that there should be performance standards in certain areas. The Federal Government ought to have an interest in implementing serious work requirements, child support, quality control. These are areas

we should have some standards about because they express Federal priorities. This does not tell a State how to run their program.

I think the extent of Federal control over welfare administration and policy is vastly exaggerated in the current rhetoric. Not only the benefit level, but many other dimensions of welfare and also Medicaid eligibility are within the hands of the States. So, this is already a very, very heavily devolved program.

Senator PRESSLER. All right. Could I squeeze in one more quick question, Mr. Chairman, and then I will stop.

The CHAIRMAN. Go ahead.

Senator PRESSLER. In recent years some Indian gaming facilities have been great success, not only in my State, but in New York and other States.

Senator CHAFEE. Connecticut.

Senator PRESSLER. Connecticut. Tribes have been so successful that they are able to share gaming revenues directly with members of the tribe. Currently, per capita casino payments are not counted by most States in determining eligibility for AFDC.

How should reform deal with the issue of Indian gaming and welfare payments; how do you feel these casino payments should be treated in determining eligibility for welfare benefits?

Mr. RECTOR. Under a block grant system, Senator, one of the major things about a block grant is that the State determines the eligibility. Part of the reason that if you want to give State that level of flexibility so they could count whatever they wanted to or disregard whatever they wanted to, but you cannot give them that type of flexibility under an entitlement system because then they can just broaden the eligibility standards and you pick up the tab. That is why, if you want to give States flexibility, you have to end the entitlement nature of the programs.

Mr. GREENSTEIN. Let me please disagree with Mr. Rector on that. Let us recall that States do pay 50 percent of the AFDC benefit in many States and significant percentages in all States. If States could be as liberal as possible because there was a Federal match, it would be hard to explain why the AFDC benefit in the median State has fallen more than 45 percent in real terms since 1970.

I would also note, Mr. Pressler, in regard to your earlier question, that while all of us favor State flexibility most of us at this panel probably do favor some basic Federal standards.

Senator Chafee asked important questions about child support. Surely there should be some minimum standards involving State participation in paternity establishment and child support. We need to move towards national registries and ways to do a much better job of establishing paternity and tracking these fathers across State lines and collecting money from them. And, if it is voluntary on States whether to participate or not in that, we would not get as far as we need to get. So that would be an example where we clearly need some Federal standards.

Mr. TANNER. If I could just offer a note of dissent on this, however. I think we have to be very careful that we do not say that now the conservatives are in power they can write a conservative welfare reform bill in Washington that will work in every State; liberal welfare reform bills did not work in every State, but now

conservatives will, and that we impose a host of conservative mandates on the States in lieu of liberal mandates.

I am particularly concerned, as I say, I am not necessarily an unabashed fan of workfare programs, and I do believe that outside of certain targeted populations, such as the AFDC UP population and others, that they have not been particularly successful.

I think that for Washington to try to design a workfare program for every State and say you should have 28 hours of work plus 4.5 hours of job search and try to somehow micromanage the welfare program in Utah and say it is the same as the welfare program in New York would continue the folly that we have had in recent years where the Federal Government thinks it knows everything and just sort of change from a liberal CETA to a conservative CETA, and we do not need to establish that sort of Federal program.

Dr. MEAD. Senator Pressler, I would just like to respond on that point. I am not advocating workfare in the narrow sense of government jobs. In fact, I think government jobs play a very minor role in welfare employment programs. I am advocating job search in the private sector which does not involve huge expense, it involves saving money for government. I am also not advocating micromanaging the programs.

I think what we have to do is have the same kind of incentives we have in the Family Support Act now, somewhat more demanding, somewhat different in certain ways, to leave the States free to decide how best to design their programs, provided they are moving towards serious work requirements.

That is all we need to be concerned about. We do not have to tell them precisely the service mix, and so on, and so on. We want to demand participation, we want to demand actual employment. After that we can let them do it the way they want.

Senator PRESSLER. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Moseley-Braun.

#### OPENING STATEMENT OF HON. CAROL MOSELEY-BRAUN, A U.S. SENATOR FROM ILLINOIS

Senator MOSELEY-BRAUN. Thank you, Mr. Chairman. I want to thank this panel, particularly Mr. Greenstein. We served together on the bipartisan Commission on Entitlements and Tax Reform, and he made a tremendous contribution to that commission and sees this issue, I think, in the context of our budget issues overall.

I think all of us are interested in trying to come up with approaches to reform welfare because it does not work for anybody, but at the same time I really have a serious problem with the notion that has been expressed, frankly, in some of the testimony this morning that essentially blames poor people for being poor and makes it their fault.

I am particularly concerned, and I would like to respond to Mr. Rector's statement when he talked about the "moral chaos" in the inner city. I daresay, if anything exists in the inner city it is churches, and that the percentage of church membership and church attendance in the inner city is as large per capita as in any other segment of our community.

Indeed, if anything, Mr. Rector, the problem in the inner city is not lack of churches, it is a lack of jobs. I think we have to really kind of not put it on the inner city residents that somehow or another there is some moral decay that is unique to the inner city that does not exist in the rest of our society.

I want to talk about that, that the increase in the cost of welfare is not an increase in the amount of payment to people, but an increase in the number of people. Right now there are some 39.3 million Americans living in poverty. That number has risen by 7.5 million people since 1981, so we are looking at this program exploding, in large part, because we have more poor people.

Also, the costs are exploding because of the medical costs. The statistics tell us that in my State of Illinois we appropriated some \$7.5 billion for public aid in fiscal 1985, but 76 percent of that was in medical costs.

The payment for welfare in terms of cash assistance is for a family of two. Right now in Illinois it is \$12.50 a day per person. So we are talking about the value, the actual cash payment, going down in terms of cash grants even though we see these explosions in cost.

So I just think it is important to not get off track in terms of what is actually going on here and by lumping all these things together make sweeping generalization that has the effect of really disparaging groups of people for circumstances that are not really their fault.

My question has to do with the jobs issue, because I think that is so important and the investment in jobs and how we go about creating them. We have a section in Chicago that is one of the highest poverty rates in the country, and when I did a review of the Census tracts involved in that area, what I discovered was that there was 1 percent private employment in these high welfare concentration Census tracts. Clearly, with 1 percent private employment you have got a real disconnect and a real problem.

Yesterday we heard testimony from the Governors saying that the JOBS Program was a way to transition people from welfare to work.

Certainly that would be what everybody, I think, wants to get to. Yet, in Mr. Tanner's testimony and others there has been a recognition that there are barriers to economic growth and barriers to jobs, to job creation as well as job preparedness.

With regard to job preparedness in Wisconsin, they were talking about the two-county initiative to get people ready for work, for job preparedness, but it cost more money to do that. We could not get a number yesterday in terms of how much more it costs per capita to train people for work and to put them into work, but I guess those numbers will be forthcoming.

The House has cut some \$35 billion from the initiative on the Federal level, so how do you train people for work, (A) for jobs that are not there, (B) with no money to do so? That is question number one.

And question number two relates to the Federal role. How do we accomplish this hat trick of transitioning people from welfare to work and not put any investment in training them for jobs or by

creating jobs, in the first instance and secondly cutting \$35 billion as the House has done from current funding.

And the second question is, how can we entice—I do not know of a better word—the private sector to engage in this effort to reform welfare?

The government cannot do all of this by itself. There has got to be some private sector involvement to create jobs in these communities where they do not exist, to help train people to go into these jobs. That will, I think, help to overcome a lot of social dislocations, welfare being just one of them.

Mr. RECTOR. First of all, it is not true that the growth of welfare spending is a result of the growth in population or purely as a result of the growth in medical spending. I believe the per capita cash, food, and housing expenditures in constant dollars since the War on Poverty began has gone up five- or six-fold.

It is also not true that welfare benefits have declined. There is no single individual in the entire United States who receives AFDC alone. There is no such person. It is a mythical person. We love to debate that person; they do not exist. They get AFDC, most of them get food stamps, they get Medicaid. A substantial percentage, from 25 to 30 percent, get housing and so forth.

When you combine all of the benefits together and average them out, there has not been a decline in benefits. In fact, it is quite possible in many States it has gone in the other direction.

As to providing people with training, I think that that is one of the great will o' the wisps of the welfare state. We have spent \$215 billion since 1965 on Federal job training programs. You can buy the entire electronics industry and chemical industry of the United States for that amount of money.

During that time there have not been more than a half a dozen scientific, controlled evaluations of those training programs which, in itself, sounds almost like criminal culpability. Whenever you do a controlled evaluation of those studies you get results similar to the one I am just going to give right now.

The Labor Department just finished a massive tome on the Job Training Partnership Act, evaluated by controlled, scientific experiment where you had a control and experimental group, et cetera, the goal in training is to raise someone's hourly wage rate, that the JTPA succeeded in raising the hourly wage rate of male trainees by zero and of female trainees by 3.4 percent, about \$100 a year.

Training is not the answer to this, it is, in fact, a gross illusion. What we have to have is reform that reduces the number of out-of-wedlock births in the first place, that works toward marriage, and also toward the more employable individuals, simply get them in the job market, do not waste an enormous amount of time and expenditure on training programs that do not work.

Work requirements on that population, as Wisconsin has shown, can in many cases push them very quickly into the best training which exists, which happens to be a real job.

Senator MOSELEY-BRAUN. But, Mr. Rector, if people are married and there are no jobs and they are unemployed they are still going to be poor, they are still going to need welfare. That begs the question, it seems to me.



Mr. RECTOR. I think you have to back up and ask what your fundamental goal is. The fundamental goal of welfare reform is not to accept a 33 and going on 50 percent out-of-wedlock birthrate.

Senator MOSELEY-BRAUN. Well, we agree on that.

Mr. RECTOR. All right. Well, then back up. Basically you are letting the egg be thrown off the top of a building and then are trying to glue it back together again. The bottom line is, it is going to be extraordinary difficult for a 19-year-old girl who is a high school drop-out who has one or two children out of wedlock to be "self-sufficient." Who is kidding whom here?

So, at least part of reform has to be to back up and try to ask the question, how do we prevent someone from falling into that situation of dependency in the first place?

First of all, I do not think that the child gets significant gains. He gets some gains by having a mother employed, but what that child really needs is a mother and a father, particularly if it is a young boy, as Senator Moynihan has pointed out so many times.

So, let us back up and not try to pretend that the solution here is training and putting a lot of people in the labor force, it has got to be marriage and reducing out-of-wedlock births.

Mr. TANNER. If I could just address the second half of your question, Senator. While I agree with Mr. Rector on the problem, that in addition to not raising wages the Job Training Partnership Act actually was starting to make people less employable after they completed it because it kept them out of the work force longer without giving them any new skills, and the host of government job training programs has been a pretty dismal failure, and the illegitimacy problem has to be addressed, all that said, we really do need to look at what we are doing as far as creating jobs, particularly in the inner city. I really believe, if we are going to kick people off of welfare—and I am a believer in ultimately ending welfare programs—you have got to create jobs for them to go to.

There is a limit, I think, on what the Federal Government can do. I think the Federal Government needs to look at its tax and regulatory policies. I think a starting point of abolishing capital gains tax on inner city investment might be a starting point. I think you need to look at regulatory regimes that have, many of them, an explicitly racist history.

For example, the Davis-Bacon Act. When it was introduced, Senator Allgood, who introduced it, said that the purpose of the bill was to prevent cheap colored labor from competing with unionized labor and to prevent small contractors in the inner city from starting businesses.

Then I think a lot of it is going to have to be at the State and local level, again, eliminating licensing and regulatory barriers. I am reminded of the fact that J.W. Marriott started off pushing a hot dog cart in Washington, DC, and today, if he wanted to start that same business and start pushing a hot dog cart he would have to have a \$150 license, a \$1,500 tax bond, and his cart would have to meet government design specifications set by the city council. There is only one manufacturer that makes carts that meet that specification, who just happens to be a major contributor to city council. That cart costs \$8,500.

So, he would have to have almost \$10,000 before he could go out and sell hot dogs on the streets of Washington, DC today. Then we wonder why poor people do not go out and start more businesses on their own. I think we have to have sustained effort at every level of government, federal, State and local, to root out these barriers to entrepreneurship and we need to allow people to get and start jobs on their own.

Mr. GREENSTEIN. Senator, we are not primarily talking, for this population, about the Job Training Partnership Act which we could all agree is in need of reform. We have over four million parents on the AFDC program and easing barriers for them to become street vendors is not going to address problems of a substantial number of them. Without getting into a debate on capital gains, I think the notion that eliminating capital gains in the inner city will create a vast upsurge of jobs is based more on ideology than hard economic evidence.

If we do look at the evidence we have, assembled by organizations such as the Manpower Demonstration Research Corporation, the premiere non-partisan, non-ideological evaluator of this area, we do have programs established under the Family Support Act of 1988 like that in Riverside, California, which marry pushing people quickly into jobs where they can do it, emphasizing getting them into the work force with some education, remedial education for that group that needs it, that are producing significant results and are increasing employment and earnings rates among this population.

Judy Gueron, who is the president of MDRC, has been repeatedly saying in recent months that you cannot get there from here if there are not the up front investments in these programs, investments of the sort that the House bill does not provide.

Also, I suspect that if there is not child care funding available to go with it—not that every one of these parents needs child care, but if you say to a young mother out there that she is to go into a work program or her benefits are cut off, but that means leaving a 2-year-old home alone, the States will not impose that requirement. They are not going to leave the 2-year-old home alone.

So, we are going to have to have some funding for work type programs and child care or we are not going to make this mutual responsibility where we tell people to go out and work as a condition of getting benefits. It is not going to become a reality.

One final point. If you look at AFDC and food stamps together, because the large majority of people on AFDC do not get housing assistance, AFDC and food stamps together in the median State are back to the level of AFDC alone in 1960 before the food stamp program was created.

Senator MOSELEY-BRAUN. Thank you.

Dr. MEAD. Let me just respond to your questions. I am the most jobs-oriented person here; I feel I have to answer.

First of all, the main problem in Chicago is certainly not lack of jobs. Perhaps in the neighborhoods where you are talking about there is not a lot of employment, but in the city as a whole there is.

We do not have evidence that lack of jobs, per se, is our major difficulty, nor is it the kind of regulatory barriers that Mr. Tanner

is talking about, nor is it that the JOBS Program has no effect because, as Bob has just pointed out, it does have more favorable evaluations by far than JTPA, nor is it—and here I would differ with Bob—that we are not investing in child care and training, because we fixed that training, per se, does not have a whole lot of effect on the problem.

Child care is a vastly overestimated problem. Child care is, in fact, not a serious difficulty in most JOBS Programs, and there is no reason to think it is going to be. I think the problem is administrative.

The main reason why Wisconsin had a 3-percent drop in the rolls in recent years and Illinois had a 9-percent increase is that they are putting people to work in the JOBS Program in Wisconsin the way they are not doing it in Illinois, and that is an administrative problem.

In Kenosha, right above the border, they have a program where more than a third of the recipients are already working while they are still on welfare, and very high placement rates. It is probably the best JOBS Program in the country.

Meanwhile, in other big city programs—and I am pretty sure this is the way it is in Chicago—you have a much lower level of administrative efficiency. They are not nearly as good at monitoring clients, having them actually go out and look for work. It is the lack of follow-up and supervision of the clients that makes the difference. That is the thing that you have to move towards.

It is not primarily an investment in services or government jobs, or training, or child care, it is oversight of the clients. It is an administrative problem, and that is the thing we should focus on.

The main reason I want Federal standards to be maintained in the JOBS Program is that that is the thing that forces the big city programs to get serious about employment.

The CHAIRMAN. Senator Bradley.

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

In the welfare reform debate, the focus is always on the welfare program, and how it works, and whether it works, and how it can be complemented in terms of JOBS programs, parents programs, whether we provide a set of incentives for people who get married, whether we give them more incentives, that they can earn more if they work before they lose their welfare, and whether we have set up some penalties such as when you lose welfare for an additional child.

But is there not another poverty program that has actually been more successful. The Earned Income Tax Credit? I wonder if Mr. Greenstein could share with us his view as to what role this has played and what role you see it playing in the future, and do you think it is a part of any overall welfare reform package? If so, why, and if not, why?

Mr. GREENSTEIN. Senator, I think the Earned Income Credit is integral to everything we are talking about here today, and it has been something that this committee and Ways and Means, on a bipartisan basis, have expanded in recent years.

Over the last 15–20 years there has been a significant erosion in wage levels paid for low-skilled jobs, and that has had the effect,

by itself, of making work less rewarding, lessening gaps between remuneration from work and welfare.

The Earned Income Credit is a supplement to wages. It does not go to people who do not work and does not go to absent parents who are not living with their children. It has significantly helped and will help more as the 1993 expansions are implemented, in rewarding work, making the difference between work and welfare significantly greater, much greater than it would be without the credit.

Just in the past week I read a study that attempts to look at evidence of the work incentive effects of the credit. Its conclusions are that the credit is, indeed, increasing work effort among the very people we want to increase it, among that very low-income parent population.

When a welfare mother goes to work or gets married to a young man who has low earnings, she generally loses most or all of her welfare, and she may lose Medicaid.

What she gains when she goes to work or marries a man who is working is an Earned Income Credit that can be a couple of thousand dollars, and that helps offset that penalty of loss of cash benefits and a loss of health care.

So, I think, in fact, the expansion of the Earned Income Credit is a building block that enables you, enables us as a society, to be tougher about work requirements, to move the welfare system more to a work system, and it is really a key part of this.

One quick point. I gather that Senator Nickles, was it yesterday, made a comment about the growth in cost of the Earned Income Credit, and raised the question, is this going to be like Medicaid? The answer is, Senator Nickles can be reassured.

The Earned Income Credit is growing in cost now because Congress specifically expanded it in 1990 and 1993, and the CBO projections show that once those expansions are fully phased in by fiscal year 1997 the growth, other than for inflation, will essentially stop.

Dr. MEAD. I want to add a couple of cautions. There is some concern among researchers that, although the Earned Income Credit does increase incentives to work for people who are not now working, it also reduces incentives for people who are working at low wages.

Mr. GREENSTEIN. This new study finds that is not actually occurring.

Dr. MEAD. All right. That is the first I have heard.

Mr. GREENSTEIN. It is not actually occurring.

Dr. MEAD. If so, it is very hopeful. But there is another concern that I have also heard raised, and I cannot report on this directly, and that is that there may be significant levels of fraud in the program, that it is not, in fact, the case that many of those claiming the credit are actually working. So, that is a concern.

Finally, and this is the most important limitation on the EITC as a strategy, it does assume that you are already employed. The major difficulty we have in welfare and also among poor people off welfare is that they are simply not in the labor force, they are not even looking for work, or they are working very erratically.

The EITC does not do anything, or not much, to increase actual entry into the labor force, and that is where the administrative suasions of JOBS appear to be absolutely indispensable.

Mr. RECTOR. If I could add one point, to go back to my theme, which is not so much work but illegitimacy, and marriage, and having two parents, I would take the Earned Income Tax Credit one step further.

We have, in Senator Faircloth's bill, for the first time in Federal history, a bill that would create a partially-refundable credit that would be available only to low-income parents who are married and have one parent working. The whole welfare system has tremendous disincentives to marriage. It really penalizes people for getting married.

Senator BRADLEY. Right.

Mr. RECTOR. We ought to look at going one step in the other direction, using the Earned Income Tax Credit and creating an add-on on top of it that would be available only if you were married.

Senator BRADLEY. On that point, would you support what we have done in New Jersey, which is to raise the amount of income that a married couple can have before the loss of welfare? Now the welfare system is biased against marriage. What we have said in New Jersey is, if you get married your combined income can be up to, I think, \$21,000 before you would lose welfare, as opposed to \$14,000 or \$15,000.

Mr. RECTOR. I have followed that legislation very closely for many years. I think the intent of that legislation was quite good; I think it is very poorly designed. One of the principals in that is that you can get that credit but only if the mother does not marry the natural father of the child. I mean, it is just like, what? That makes no sense at all.

The reason they did that is if you allowed the mother to marry the natural father than everybody would say, let me get this straight, if you go ahead and have the baby and then we get married you can get on AFDC for a couple of months and then we can get this permanent add-on to our income?

You cannot do this pro-marriage thing in the context of an extension of AFDC. You do not want people to have children out of wedlock, get on AFDC, and then reward them for marrying and getting off. You have contradictory incentives there, and it does not work.

So, in precisely looking at that plan I said, gee, this really does not work, particularly you do not want her to marry the natural father of the child? That is terrible. So, we specifically designed this EITC marriage credit to try to do the same thing without having those perverse consequences. We do not require someone to get on AFDC and have a child out of wedlock and then reward them for marrying, we say all low-income married couples get this credit.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Mr. Chairman, have others had their turn?

The CHAIRMAN. Yes.

Senator CONRAD. Let me ask the witnesses, the notion of block granting is one that I find troubling as a matter of principle, and a principle that strikes me as important is divorcing the responsibility for the raising of money and the responsibility for spending the money.

My experience in life is, when you separate those two you get unintended consequences. I say that because I have found in many cases where Federal money is involved, people view it differently at the State level than money that they have had to go to the taxpayers to raise.

I just ask you, with respect to that principle, is it not better to keep the responsibility for raising money and the authority for spending it in the same hands, whether at the State level or the Federal level?

Mr. TANNER. I would agree with you, Senator. In my testimony I said that I believed that the long-range goals should be to turn back both the responsibility for the funding, as well as the control for welfare programs, to the State.

I do not believe the Federal Government has done a very good job of designing it. I do not believe it knows how to design a welfare program that works. I would like to see the States experiment and try and see if they can develop one that works, but the funding goes with it.

The whole concept of block grants strikes me as being a little bit strange. It sort of says, we will take the money, we will send it to Washington, let Washington take a cut, and then we will give a partial portion of it back to the States, usually with a lot of strings. That, to me, does not seem to make a great deal of sense.

It would be far more logical to simply say, the Federal Government is going to end the funding and turn back a certain portion of tax sources or whatever to the States to allow them to have the financing to be able to take over the program entirely. I do not believe that that is going to happen, however. And, given that, probably a block grant with as few strings as possible is probably the next best alternative.

Senator CONRAD. Mr. Rector.

Mr. RECTOR. I think that you summarized the situation quite eloquently. Revenue sharing is not federalism and I think that a lot of conservatives have gotten confused about that issue. I think that federalism means the States raise the money and the States spend it.

On the other hand, I would think that there is a distinction, that if you raise the money here you ought to insist on certain very basic, fundamental principles and guidelines of what it is you are trying to do, but you do not need to have the horrendous array of micromanagement that currently exists.

You at the Senate run a program called the Child Care Food Program. You may not have even heard of that one; there are so many, nobody could possibly keep track of them. Well, the Child Care Food Program has regulations that actually lay out Federal model recipes for muffins, which I assume conflict with the State model muffin recipes.

Senator CONRAD. I will tell you, it is a very good recipe.

Mr. GREENSTEIN. It is only a model. No one is required to follow it, let the record be clear.

Mr. RECTOR. You do not need all of that stuff. You should consolidate these programs. You do not need to be running 15 nutrition programs, over a dozen housing programs.

Consolidate them, but then insist on the things that you really care about. What do we really care about in this issue? I would venture it is marriage and illegitimacy, and work, not dependents. Stick on those things and let the rest of it go.

Senator CONRAD. Mr. Greenstein?

Mr. GREENSTEIN. I think you raise a fundamental issue on federalism, and I think you state it correctly. What strikes me is how far in the current debate we have strayed from what for years had been many of the established, centrist views on federalism. I think of the bipartisan commission chaired by former Senator Dan Evans, and then Governor, now Senator, Chuck Robb, the Committee on Federalism and the National Purpose. It included people from the Reagan Administration. Senator Durenberger was one of the most active members.

In its report of 1985, which many liberals attacked—and another one of my apostasies, I thought made sense—it suggested that there were many areas of Federal Government that ought to be turned over to the States, devolved to them with the revenues to go with it.

But the income maintenance and health care for poor people were not among those, that those did not work when you devolved them because there are different poverty rates among States, there are greatly differing levels of fiscal capacity among States.

And if you ignore that you will get even greater disparities among States than we have now, to the point that you do have risks of movement to the States with the higher levels of benefit. Also, you need that Federal role in recessions to be able to cushion the blow and provide the Federal resources when poverty rises in particular States or regions when their economies go into recession.

So, I think the answer is to maintain that Federal fiscal structure, reduce the much too high degree of Federal regulation and requirement that we have now, but maintain the key Federal standards where we need them, such as, as Larry Mead said, States have got to be able to do certain things in the work area. You should not say, no work requirements at all is acceptable.

We need major State performance and cooperation across State lines in child support establishment and paternity. I think one can lay out the basic principles and standards and give States a lot of flexibility within them, and then maintain that Federal fiscal structure.

Senator CONRAD. My time has expired. We did not give Dr. Mead a chance.

Dr. MEAD. I will pass on this.

Senator CONRAD. All right. I thank the Chair.

The CHAIRMAN. Mr. Rector, let me ask you a question. It is on correlation, and I remember something Senator Moynihan said last year, and I cannot remember if it was on education or health care, but whatever we were studying, Minnesota, Wisconsin, and North Dakota were best and Mississippi, Alabama, and Texas were worst. Pat concluded that the correlation was, they were close to Canada and that the solution was to move more States close to Canada.

Senator MOYNIHAN. I proved it. [Laughter.]

The CHAIRMAN. I was intrigued by your statement that two kids, one goes to church, one does not, the first is 50 percent more likely to graduate from high school. Is that because he goes to church?

Mr. RECTOR. It would seem to be that it is a reflection, probably, of the values within the home that are coming out. On the other hand, let us say the child does not have those values in the home. You certainly could not do that child any harm if his parents said, gosh, kids are dying in this public school down here, they are shooting each other. Here is a school that is affiliated with a church in the same neighborhood; I am going to make an attempt to save my son and put him in this school. You certainly are not going to do him any harm. I think that most of the evidence is you do him a considerable amount of good. I would just like to give that parent that choice. I would like to give the parent the choice and the option. I had an experience, if I can go into this briefly, right after the Los Angeles riots. I had a group of black ministers come in to me and they wanted me to go to then Secretary Kemp to get some funds because they wanted to set up a tire recycling plant in Watts.

I said, Reverends, I frankly do not know too much about your capacity to run a tire recycling plant, but I probably think it is not really great. On the other hand, I have a considerable degree of confidence in your ability to do your first and foremost duty, which is to shape the hearts and minds of young children.

And then I laid out this voucher option to them. If your parishioners had the amount of money that is being spent in the public schools in Los Angeles—about \$9,000 per capita—if they had a voucher that they could take to any school they wanted, including a religious school, how many of you, Reverends, would open up a school as an affiliate of your church? And of course, the whole room would do it.

I just say, this is a desperately serious problem. Let us not foreclose that option, let us at least experiment with it and let us push it with a model program from the Federal Government to give those parents that opportunity.

The CHAIRMAN. One of the things Pat and I were stunned about when we had our hearings on tuition tax credits over 15 years ago was how many relatively poor people in the inner city would scrape together to send their kids to, usually a Catholic school in the inner city even though they were not Catholics, for the very reason that you are talking about.

Mr. RECTOR. Exactly.

Mr. TANNER. Senator, when I was with the Georgia Public Policy Foundation in Atlanta, we raised the money to offer a program, a little over \$1 million, and we offered to pay half the tuition of any poor parent. We used the School Lunch Program for eligibility; if they were eligible for 100 percent of the School Lunch Program, we said we would pay half the tuition to any private or parochial school for those parents.

We had 7,000 applications in the first week. We had women on welfare who walked five miles out to our office in order to enroll their children because they said, five people were killed last year in my high school where my son goes to school, I have to get him out of there, and I will do anything it takes.



We only offered to pay half the tuition because we said they have to contribute, whether it was to go and paint the school rooms, whatever, they had to work out some way with the school that they had to contribute themselves. As I say, in a week we had 7,000 applications. There is no shortage of parents who want to do this.

Mr. GREENSTEIN. Mr. Chairman.

The CHAIRMAN. Yes.

Mr. GREENSTEIN. Could I just add a comment on your point about, we need to be very careful in this difficult welfare area in separating correlations and causation. I just wanted to note, in Mr. Rector's testimony he noted that the poverty rate fell more in the 1950's and 1960's than in the period after that when a number of these programs were in place. This has been very well studied.

In the 1950's and 1960's we had rapidly rising wage rates at the bottom of the income scale, as well as in the middle. We had a rapidly growing economy and rapidly rising rates of productivity. Since 1973, we have had much lower rates of productivity, wages have eroded at the middle and bottom of the wage scale, median income has been relatively flat.

The CHAIRMAN. But I am intrigued by something that Dr. Mead said, and this is that the problem for poor adults is low working hours, not low wages.

Mr. GREENSTEIN. Well, it is both. It is both.

Dr. MEAD. What Bob says is correct, but today only 40 percent of poor adults are even employed, so it is hard to say low wages is their problem.

Mr. GREENSTEIN. Well, no. I think it is clearly both, Larry. If you look at the poverty data, the poverty rate for families with a worker, including families with a full-time worker, is significantly higher than it was in the late 1970's. They are both problems.

The only point I am trying to make, Mr. Chairman, is that if welfare programs were the reason for these trends, since we know that poverty rates pretty closely track—not entirely, but closely—trends in median income, one would have to say that expenditures for means tested programs were the principle cause for the productivity slow-down and the relative flattening in median income, and nobody really accepts that.

You would also have to take into account that most of that increase in spending on these programs since the 1970's have been in programs like Medicaid, food stamps, housing. These are in-kind programs which are not counted in determining the official poverty rate. You cannot say anything about whether that spending has succeeded or failed if you compare it to a poverty rate that does not count the benefits.

The CHAIRMAN. Dr. Mead, let me ask you a quick question. Should we raise the minimum wage?

Dr. MEAD. I do not think it makes a lot of difference. It is, again, something that helps people who are already working and people who are already working are not our main problem. Today, the vast majority of people are working—

The CHAIRMAN. Are you saying that for those who are already working, low wages is not their main problem, having a job at all is their problem?

Dr. MEAD. Correct. But if you are working, then low wages becomes the problem. But people who are working at the minimum wage, something like 80 percent, are not poor because they are in families where there are other workers.

So, the minimum wage is a very, very minor contributor to the poverty problem. That is, indeed, the genesis of the EITC because the EITC is better targeted on workers who are poor. That is why most experts prefer to emphasize EITC. I am not saying it is unimportant, but it is primarily a labor issue, not a welfare and poverty issue.

Mr. GREENSTEIN. We have a conundrum here. Most people who get the minimum wage are not poor. However, most poor workers, half of them or so, make wages at or near the minimum wage. So, if we were to raise the minimum wage, the majority of people affected would not poor, but it would have a significant effect on those who are working poor.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Could I just offer a personal view that I have held for some time, that the issue of welfare is not an issue of poverty, it is an issue of dependency. It is a buried image of the term, dependent people hang. That is what we, I think, worry about. We know so little about it. Again, to cite Nathan Glazer, when he asked, what do we know today that we did not know in 1988.

Can we get a substantial part of long-term welfare clients off the welfare rolls by increasing their earned income through investments in learning how to work, basic education, training programs and the like? We cannot.

I would like to ask Dr. Mead this, and hear anybody else's comment, we find some JOBS Programs that are very effective. We always also seem to find a director who is pretty special, a Governor who is pretty special.

In the field of education research, God, did we go through the 1960's with all those hot-shots who, rather than go to Viet Nam after they left Yale, they decided to teach for 2 years in an inner city or Indian reservation, and they did wonders, and the results were magnificent. But where were they in 4 years? They were in a brokerage house somewhere, or investors.

Just on education and the schools, 50 years ago in this country, half the alphas in this country were school teachers or nurses. They are not anymore, they are sitting back there writing legislation. So do not think you have improved the quality of the teaching for us, you cannot.

Also, have we not created large institutions for managing these problems that have an interest in preserving them? Could you talk about the New York City experience with the JOBS Program? New York State? We did nothing excepting create more jobs for people outside the system.

Dr. MEAD. You have raised several issues. First of all, differing with Nathan Glazer, I think we have learned something since the Family Support Act. What we have learned particularly is that an education and training strategy is probably not the way to go.

Senator MOYNIHAN. Which is the way we went in New York.

Dr. MEAD. Yes, we did. That is right. What we should do instead is enforce job search, have people working.

Senator MOYNIHAN. I fully agree on that.

Dr. MEAD. After which remediation might become more constructive, but we should not put people in extended training and education in advance of working. That is what we have learned.

Now, getting to the point where we are able to enforce job search and have people looking for jobs seriously is primarily an administrative problem.

You have to set up a regime where we have case managers who follow people into the job market, make sure they fulfill their assignments. That is what is happening in Wisconsin. That is the main reason why they are a high-performing State in this area. They have administrative quality that allows them to monitor their people.

The big difference between Wisconsin and New York is that in Wisconsin they have control of the case load. They have people assigned, monitored, doing their assignments. The assignments are not particularly punitive, they actually have quite a few people in remediation, but they are really doing something. You really have to participate in JOBS.

In New York, they have nothing like the same kind of control. They are not even able to monitor people who just entered the program, let alone keep people from dropping out, let alone have them go into job search.

They have hundreds of thousands of people in self-initiative training and education, which we now know does not usually lead to employment. So New York is paying enormous sums for contractors, for education and training, and also for training-related expenses, including—

The CHAIRMAN. That was a political choice.

Dr. MEAD. Correct. That is right.

Senator MOYNIHAN. That is feeding the sparrows by feeding the horses.

Dr. MEAD. The idea is, and this is very popular in New York, that somehow if you educate and train people, then they can qualify for better jobs and get off welfare. But we know this does not work.

Actually, the best way to build up the human capital of someone who is disadvantaged is primarily to take available jobs. Then you are actually more able to get a better job later than if you had gone to school, because employers are primarily concerned about reliability, about being a good worker, coming to work on time, and so on. That is what you demonstrate by having a work history. It is much more important than having an additional educational credential.

So, the thing I would like Congress to focus on is, how do we move the bulk of JOBS programs so that they are no longer like New York and more like Wisconsin. There I think the precedent is the Quality Control Program. States got tough about quality control when the Federal Government laid on standards that put their funding at risk.

Senator MOYNIHAN. That is right.

Dr. MEAD. We have to have JOBS become like quality control, where there is a mandate to increase participation, to have people actually working, and this becomes an absolute necessity for States

if they want to keep their Federal funding. Then you will see a clean-up in New York.

New York is actually quite good in quality control, and the reason is that that has been a managerial priority there, and it became a priority because of pressure from Washington. The same thing in JOBS. You have got to enforce job search, actual employment, move away from remediation and training. The minute this is mandated you will see New York getting its act together.

Mr. GREENSTEIN. I think we need to be a bit careful here. If you look at the job search and workfare programs of the 1980's, they were evaluated by organizations like MDRC and they produced less positive results than a program like Riverside or Wisconsin.

Dr. MEAD. I am advocating Riverside, I am not advocating government jobs.

Mr. GREENSTEIN. I just want to be clear, Larry did note that Wisconsin does have a significant amount of remediation. In Riverside, they try to push everybody into jobs they can up front. But, for the significant group they cannot, there is remediation backed up by continued pressure to get into jobs when you can. So, we do not want to go all the way back to nothing but job search and workfare, we need the kind of mixes that Riverside and Wisconsin have.

Dr. MEAD. Well, but there is a difference between Kenosha and Riverside. Riverside is mandated by California to have a lot of people in remediation, even in advance of job search. And Riverside's record is not due to that, it is due to the fact that they put a lot of people in job search anyway.

Mr. GREENSTEIN. I am not sure MDRC would agree with you, Larry, on that.

Dr. MEAD. This is my reading of their results. In Kenosha, they also have a lot of remediation but it is conditioned on working first. You have to work before you go in remediation. That makes for a better outcome.

Senator MOYNIHAN. My time is up. But you would not mind my saying, as I remarked yesterday, there comes a time when changes in quantity becomes changes in quality. New York City has 1.1 million people on welfare.

About 3 years ago, the head of the Human Resources Administration bought herself a wig and went around to a variety of her welfare offices. She took a couple of days leave and went around to her offices in New York City and applied for welfare and they gave her the papers to fill out. No one ever asked her, could she do anything; obviously she could not. She was the commissioner.

The CHAIRMAN. Did she get it?

Senator MOYNIHAN. No. Oh, she could have gotten the welfare but she never got a job.

Mr. RECTOR. I do not think that that actually addressed your basic question. I think that workfare can probably be very successful in moving the more employable AFDC recipients off the rolls, but whether or not this is the solution for an 18- or 19-year-old who has two children out of wedlock, I do not think so.

I also think that we also have to bear in mind the fundamental question, what is our long-term goal here? I hope our long-term goal is not to accept in the future having two million children born

out of wedlock, but their moms are all working real hard and the kids are being raised in government day care centers. I am not sure how much we gain from that.

Although I think workfare is important, I think it really is subsidiary to the much more important issue, which is, let us cut down the number of unborn children coming into the pipeline of the system. I do not have all the answers to that, but I would beg that you always keep that on your radar screen whenever you are talking about welfare reform.

Mr. TANNER. Senator, if I could just add one more thing to this. I think you said something there that really should probably be emblazoned across everything that goes out on welfare reform in its importance. That is, when it comes to this long-term dependency, we do not really have any idea how to solve the problem.

And when you take that girl who got pregnant, that 15-year-old who dropped out of school, she has been out of the job market for 10 years, she has got two or three kids, no father around, we really do not have any idea how to fix that situation.

I think we put too much focus on worrying about what program we can tinker with to try to fix that situation and we should be focusing instead on how to prevent more people from ever entering that situation.

I would go as far as to grandfather in the people who are on welfare today and say, let us not worry about them; most will leave anyway within a short period of time and those who are long-term, we do not know what to do.

I think the single most important reform you can do is to prevent anyone else from getting in that situation, and things like the elimination of benefits for out-of-wedlock births, things of that nature are probably the single most important thing you could do.

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

I want to pick up on what Mr. Tanner was just saying, but before that I would like to close the loop on my preceding questions. I was asking some questions about the rationale of cutting off legal aliens and then the consequences of doing so.

Mr. Rector, you indicated that you are maybe the intellectual parent of that idea. What do you think will be the consequences on the communities in which the legal aliens are living if there is a termination of Federal support for these programs?

Mr. RECTOR. Right. I think that, first of all, we have to qualify, what exactly is the problem. Most of the money here is going to elderly or nearly elderly people on SSI through SSI and Medicaid. There are also about, I think, 9 percent of AFDC mothers who are not citizens. That is where the bulk of the money is.

Also, in the House provisions, of course, the individual remains eligible for Social Security for unemployment insurance, and also for refugee aid, that is not cut off, and for emergency medical.

Senator GRAHAM. As I understand it, in the House bill on rescission there was a substantial cut in the Refugee Aid Program. Is that correct?

Mr. RECTOR. That I do not know. But I do know that we did not render them ineligible for refugee aid.

Senator GRAHAM. There is just significantly less aid available.

Mr. RECTOR. I think that, first of all, the point is, you have got to do this sometime. As I indicated earlier, the sooner you do this the fewer individuals who are going to be cut with the cut-off. You just cannot allow this population to grow. That is why I said to Governors, my heavens, if you think this is going to be bad now, wait 5 years and have twice as many people. I mean, this is horrendous.

Senator GRAHAM. The question is, and I would like to have the time to ask another.

Mr. RECTOR. Sure.

Senator GRAHAM. Could you tell me, in 45 seconds or less, what would be the consequences on the communities in which the legal aliens live if your plan is implemented?

Mr. RECTOR. I think that in most cases you would have a sponsor there that you could require to pick up the cost. In other cases, I think it is perfectly reasonable to expect this person to return home.

The largest number of recipients of SSI who are non-citizens are not from the Soviet Union or Siberia, they are from, guess what, Mexico. They came here because we gave them a good deal. I do not think it is unreasonable to say, look, you cannot freeload on the welfare system, I am sorry. Why do you not either be supported by the people who brought you here or please maybe go back to Mexico.

Senator GRAHAM. So the answer to, for instance, the population in Miami, is to go back to Cuba.

Mr. RECTOR. No, that one is not.

Senator GRAHAM. So what would you do?

Mr. RECTOR. As I indicated, the majority of these individuals do not come from what would be considered politically oppressive areas.

Senator GRAHAM. In the House plan do they make that distinction?

Mr. RECTOR. I think that the bottom line is, for any country we cannot continue to have these people come in here at this rate. I think that in the case, perhaps, where there is political oppression and a person could not possibly return, that might be a good place to look at the details of the legislation.

Senator GRAHAM. Excuse me. But I want to pick up on what Mr. Tanner was saying. I agree that I think we sort of put the welfare issue in a too confined box when we start the process with a person who has already gotten into that dependent status, and the question is, what can we do to avoid it.

I think there are a couple of fundamental reasons that we have reached this state, one of which I am not going to discuss today, but would like to raise for future meetings, and that is the degree to which American living standards are under assault because of our integration into the global economy.

The first, is the collapse of the American family, and it is not just the family with an illegitimate child, it is the general weakening of the role that the family has played in the maturation and the fact that many of our social institutions—education particularly but also employment—have certain assumptions about the role of

the family which are no longer relevant to large numbers of American children.

We have said that one of the reasons that there is this level of illegitimacy is that young people who grow up without a lot of self-esteem and without love, they see having a child as a means of achieving recognition and affection, someone that they can love and will love them in return.

What are some ways in which, before resorting to having an illegitimate child, we can give young people that kind of experience? For instance, should we look at our employment laws, our child labor standards in terms of encouraging people at younger ages to have a work experience, is the minimum wage a deterrent to young people being able to get a job and, therefore, have some other means of achieving recognition than having to have a child out of wedlock?

Mr. TANNER. I think you raised some excellent points, Senator. I think there is a limit, frankly, to what the Federal Government, or any government, can do. A government that has a difficult time delivering the mail is probably not capable of fine-tuning the moral quality of the country.

That said, I think there are things that could be done, certainly, in the work experience area. Whatever you do on the minimum wage, I do not think it should be raised overall, but certainly I would like to see a subminimum wage for teenagers in an entry level job type of thing, and apprenticeship type of situations to certainly get them in. But the biggest thing you can do, is there are natural disincentives which have been removed, I think, by the welfare situation.

The statement I made earlier where there are studies which showed in the inner city that 60 percent of teenagers do not believe that having a baby would be a crisis in their life, the natural things that would have made that a crisis and might have acted as a disincentive are gone.

I think that the availability of welfare benefits for those individuals, and particularly the way they are set up now where they can actually be set up in individual households and all of that, has removed those disincentives.

I think we have to restore that situation where it is not a financially viable situation, where they look around and see those other children in their class who have gotten pregnant, that the world has ended, and they see that. Fear is not necessarily a bad thing. Fear of bad things motivates us to avoid bad things and I think we have to restore that level of fear of bad consequences.

Mr. GREENSTEIN. Could I just add to that, Senator? We have had some discussion earlier, Senator Grassley asked a question, about a statement that 76 researchers, including a very large number of the leading researchers in the country who know this area, issued last summer.

The conclusion was not that there was no connection between welfare and out-of-wedlock births, but that the evidence suggests that the connection is small. It is relatively modest, it is not a primary factor here. Mr. Rector earlier attempted to dismiss that. He said, maybe one of these researchers had a Republican aunt. Sev-

eral of these researchers served as political appointees in Republican Administrations.

Senator MOYNIHAN. May I include the name of Richard Nathan, who was Governor Rockefeller's assistant.

Mr. GREENSTEIN. He was certainly one of them. A number of the researchers whose studies Mr. Rector cites in his own writings were among those signing the statement. The likelihood is that simply cutting off assistance will not lead to some massive reduction of out-of-wedlock births, more likely it will be another cost shift where there is no Federal funding and the States and localities have to pick up the pieces.

I think we need significant demonstration projects to try to find more effective methods here. The research does suggest that those teenagers who have better expectations for their future and who are doing better in school are much less likely to become pregnant or give birth as a teenager. Does that suggest that mentoring programs at an early, even pre-teenaged period might be effective? I do not know. Let us do some demonstrations and try that sort of thing.

Also, the evidence suggests that about 80 percent of these teen out-of-wedlock births are unplanned. I do not know the family planning area, I do not know exactly what we should do or can do to make things more effective in that area.

As to Senator Chafee's question earlier, perhaps if we get a much more effective child support and paternity establishment system and young men know that if they father a child out of wedlock they are much more likely to have money withheld from wages they earn for 18 years, maybe that could have some deterrent effect as well. I do not know, but it is the right thing to do anyway and I would like to see us go a lot farther in that direction.

Mr. RECTOR. If I could—

Dr. MEAD. Hang on a second. You have had your chance, Bob. I think you have, have you not? Yes, I think so.

Mr. RECTOR. Well, not on this.

Dr. MEAD. You have not on this question. All right. Go ahead.

Mr. RECTOR. Especially since some of the provisions and some of my remarks have been questioned here, I would be happy to provide to the committee a list of 13 studies done in the last 10 years, all but two of which show the relationship between welfare and illegitimacy, many of which show it very strongly. Again, I would refer to Dr. June O'Neill's research, which is, I think, the best in this field.

Let me just make one point. What the House bill has done and what the contract bill did, did not mandate a nationwide cut-off of benefits to women that had children out of wedlock under age 21. It simply said, the Federal Government is no longer going to be in this business.

If you, at the State level, feel in your heart of hearts that the best thing that you can do for children in your State is to send a 16-year-old or a 19-year-old a check in the mail because she has a child out of wedlock, please go ahead and do that, but you will do that with State money.

And we even made it easier for them to do that by removing the matching requirements so they could essentially engage in a count-



ing game. They can use the Federal money for one group of AFDC recipients, use the State money for another group. Any State that wants to can maintain the status quo under the bill that is down in the House of Representatives and also even under the Faircloth legislation.

But what we did do, is what we feel that you have to foster really radical experimentation on this issue. We cannot wait till the out-of-wedlock birthrate hits 40 percent and then decide maybe we ought to try something.

So, we are saying we are no longer going to use Federal dollars for this conventional cash-in-the-mail payment, and by withdrawing those Federal funds and requiring that if you want to continue the status quo you have to do it with your own money we think that many States will continue the status quo, but we think that will be a significant prod to make other States begin to experiment with alternatives. We must have that experimentation and we must have it very, very soon on the foremost welfare issue.

We really face two questions as a Nation. Can we survive with an impending 50 percent out-of-wedlock birthrate? I think everyone, from Eleanor Holmes Norton to Newt Gingrich, agrees, no, we cannot.

Then the second question is, if not, what do we propose to do about it? We are not saying that we have all the answers here, but we have got to create a very significant prod to begin experimentation at the State level so we do get those answers and get them very soon.

Dr. MEAD. I just want to add that I think the underlying problem is probably affluence rather than welfare. In a world where it is possible for women in various ways to support themselves without men, by relying on their parents, by going to work, the family has inevitably weakened. I am not sure that there is anything we can really do about that in a rich society.

The total abolition of welfare would not, in fact, change the economic situation of many women, particularly in low benefit States, where we find much the same unwed pregnancy rate as in the high benefit States. Somehow women make it happen, they survive somehow. They do not think they need men anymore. I do not know that there is a whole lot that we can do about that unless we want to go back to a much poorer society.

Senator GRAHAM. Excuse me, Mr. Chairman.

The CHAIRMAN. Go ahead.

Senator GRAHAM. I am deeply intruding in my time. But what concerns me is that I think there are fundamentally different factors operating, not only in our society, but universally. We are trying to take a system and modify it as if none of that had occurred. I think one of those fundamentally different factors is that the family has changed. It is not just the family in welfare, it is the family earning \$60,000 a year.

Dr. MEAD. I think that is right.

Mr. TANNER. Senator, I would point out though that only 1 percent of illegitimate births among white women is to women earning over \$70,000 a year; only 4 percent are to college educated women. It is not a case of where it is across the board. Illegitimacy is very heavily concentrated at the lower socioeconomic groups.

Senator GRAHAM. Illegitimacy is an enormous problem but it is not the only issue facing our society to which the disintegration of the family is a poor-causative event.

The second thing that concerns me is, we had testimony on another matter last week, that there has been a 14-percent decline in the average income of American families over the past 15 to 20 years. We had a lot of discussion about why that was true, which primarily related to issues of savings rates, which is an interesting discussion.

I personally am coming to believe that that is a minor factor, that the fundamental thing that is occurring is that the United States is increasingly part of a universal, global economy with enormous differentials between the United States' standard of living and the standard of living of the countries in which we are in competition, and that there is, through marketplace factors, a movement towards melting out those differences. We have seen 14 percent of that movement occur already. I doubt that that is the last of that movement.

So, what kind of welfare system would you be talking about if your expectation of the United States economy was one of substantially different levels of affluence over the next 10 or 20 years?

Mr. GREENSTEIN. Senator, I think you have really asked the key question. When we look at the data, we find that rates of out-of-wedlock births are rising very rapidly in western Europe, other countries as well.

Most interestingly, while they are heavier among low-income women here than women in higher income levels, they are actually rising at a faster rate among non-poor women than among poor women.

Two-thirds of all women who give birth out-of-wedlock in the United States were above the poverty line in the year before they became pregnant. Two-thirds of all women who give birth out of wedlock today in the United States have at least a high school diploma; over a quarter of them have some post-secondary education. We are witnessing a society-wide trend that is increasingly occurring among all income groups and across national borders. It is very difficult.

Senator MOYNIHAN. Except in Japan.

Mr. GREENSTEIN. Let me say, in the western European and the western world, it is rising very rapidly. But particularly striking are the figures in the United States, showing these rapid rates among women with high school diplomas, some with college education, people not poor in the year before giving birth. I do not have the answers.

But what it suggests is that if we expect that changing benefit rules in the AFDC system is going to have a radical change in this trend and that is all we do, I think that is unlikely. We went through decades in which liberals said, do welfare our way and we are going to have great changes, put in a training program—I will echo some of my colleagues here—and the welfare rolls will be vastly cut, and they were overstated.

We are now in a period, I fear, where my colleagues at the other end of the table today are saying, cut off benefits for these people and we will have sharp declines in out-of-wedlock birthrates. I

think those claims are as overstated as some liberal claims of earlier decades were.

Mr. RECTOR. If I could, Senator. I think that there are three factors contributing to the growth of illegitimacy. One is cultural. I addressed that in terms of what I said about school choice. I think the second is welfare. The evidence is, again, I will offer to the committee, quite strong that welfare plays a significant role and that the out-of-wedlock births that are occurring in the United States are predominantly focused along low-income, poorly-educated people who are influenced by the welfare system. It does not really matter if college-educated women are having a rapid increase from 1 to 2 percent. That is a 100-percent increase, which is what Mr. Greenstein said. Who cares? What really matters is that if you look at, for example, women who were high school drop-outs before they had their child out of wedlock, half of all children in that group are now born out of wedlock. It is predominantly focused among low-income groups.

It is also something that is occurring in other countries, but even, for example, in England, they also feel the welfare state contributes a great deal to it. I think your point about declines in productivity or erosion in productivity is also an important issue.

The CHAIRMAN. I might conclude with another of Pat's correlations. We were at the White House meeting and Pat had the same statistics you did. He thought the correlation was direct proximity to the Vatican, until he said Japan ruined his correlation.

Mr. RECTOR. It is those outlyers.

The CHAIRMAN. We are adjourned.

[Whereupon, at 12:00 p.m. the hearing was recessed.]

# APPENDIX

## ADDITIONAL MATERIAL SUBMITTED

### PREPARED STATEMENT OF ROBERT GREENSTEIN

Thank you for this opportunity to testify on the important topic of welfare reform. I am Robert Greenstein, executive director of the Center on Budget and Policy Priorities. In the late 1970s, I served as Administrator of the Food and Nutrition Service, the U.S. Department of Agriculture agency that administers the food stamp program and other food assistance programs. I recently served as a member of the Bipartisan Commission on Entitlement and Tax Reform appointed by President Clinton and the Congressional leadership.

#### I. THE GOALS OF WELFARE REFORM

The Family Support Act of 1988, the last major federal welfare reform effort, was a bipartisan effort based on the premise that the AFDC program should become a system that embodies "mutual responsibility." Parents had a responsibility to move toward self-sufficiency by participating in education, training, and work activities and the government had the responsibility to assist families by providing cash assistance as well as training opportunities and needed child care. In addition, noncustodial parents had the responsibility to pay child support. Within the structure of mutual responsibility, the Family Support Act struck an important balance between the sometimes competing goals of promoting work and responsibility and maintaining a safety net beneath poor children. The social contract embodied in the Family Support Act stood in stark contrast to the original purpose of the AFDC program—to provide cash assistance to poor single parents so that mothers could stay home to raise their children.

In recent months the welfare reform debate emanating from the Contract with America has shifted away from the principle of mutual responsibility. The House Ways and Means Committee proposal would convert the AFDC program to a block grant with fixed funding for the next five years. The proposal would eliminate the entitlement status of the AFDC program—no child would be assured of receiving help in times of need, regardless of the depth of the child's poverty or the parent's willingness to comply with program rules and work requirements. The proposal would mandate that states deny federal block grant assistance to a number of categories of poor families, including those headed by a minor mother and those that had received aid for a total of five years, regardless of the parents' willingness to work or their inability to find a job. While including high work participation rates, the proposal fails to commit the resources necessary for states to conduct serious programs that move parents from welfare to work.

In short, the House Ways and Means Committee proposal would end what are now the government's obligations under the Family Support Act's system of mutual responsibility. The government would no longer be required to provide support for poor families with children and resources would fall well short of what is needed to increase efforts to move parents to work.

In my view, welfare reform should be about promoting work, requiring responsibility of both parents, and maintaining a safety net for poor children within a federal-state partnership that assures states the flexibility they need to create innovative programs. Maintaining the entitlement status of AFDC does not mean that welfare should be "something for nothing." Instead, reform should build on the Family Support Act's vision of mutual responsibility. In part because of insufficient JOBS funding, this vision has not been fully achieved.

Because only a small number of parents have been required to participate in JOBS programs, the AFDC system frequently does little to help families solve their

problems and move toward self-sufficiency. A reformed AFDC system would be one in which all able-bodied parents were expected to work or prepare themselves for work. Furthermore, a reformed system would provide the necessary supports—such as child care and health care—for parents to move successfully into the workforce. As the results from the Riverside County, California GAIN program have illustrated, it is possible to create a welfare system that requires a high level of participation in welfare-to-work programs and yields strong results. The Riverside program increased earnings and employment rates and decreased welfare use. Judith Gueron, president of the Manpower Demonstration Research Corporation, described the Riverside effort as a “high performance JOBS program” stating:

More than any other place I know of, this program communicates a message of high expectations. When you walk into a GAIN office in Riverside, you are there for one purpose: to get a job. At orientation, job developers announce job openings; throughout, program staff convey an upbeat message about the value of work and people's potential to succeed. If you are in an education program—and about half of Riverside GAIN participants are—you are not marking time, as you can in some locations. You know that if you do not complete the program, or at least make progress in it, staff who are closely monitoring your progress will insist that you look for a job.[1]

The Riverside model may not work in every location or for all participants and it is not a simple cure for poverty; three years after enrolling in the Riverside JOBS program, 41 percent of the families were still receiving assistance. The Riverside program and other successful welfare-to-work initiatives such as the San Jose-based Center for Employment Training program represent examples of how the AFDC program can become a work-focused system, but their results also illustrate that even such successful programs are unlikely to remove the need for a safety net beneath poor children.

Welfare reform should also address the very troubling issue of out-of-wedlock childbearing in general and teen pregnancy in particular. In doing so, however, it is important to note that a careful reading of the research indicates that welfare is not a primary reason for the increase in out-of-wedlock childbearing or the prevalence of teen pregnancy. Last summer, a group of 76 leading researchers—including most of the leading experts in the area of welfare incentives and family structure—issued a statement on welfare and out-of-wedlock childbearing. The statement said: “Most research examining the effect of higher welfare benefits on out-of-wedlock childbearing and teen pregnancy finds that benefit levels have no significant effect on the likelihood that black women and girls will have children outside of marriage and either no significant effect, or only a small effect, on the likelihood that whites will have such births. Indeed, cash welfare benefits have fallen in real value over the past 20 years, the same period that out-of-wedlock childbearing increased . . . the evidence suggests that welfare has not played a major role in the rise in out-of-wedlock childbearing.”

While welfare is not a primary cause of out-of-wedlock childbearing or teen pregnancy, it is clear that there are far too many children growing up in poor families without fathers and far too many teenagers cutting their childhoods short by prematurely become parents. Unfortunately, we know little about what works to reduce teen pregnancy. For that reason, I believe that welfare reform should include a commitment of resources for demonstration projects that test a variety of prevention approaches. Reform should not consist of simplistic “silver bullet” solutions such as denying aid to young unmarried mothers and their children that are unlikely to produce large reductions in out-of-wedlock births but will surely increase destitution among these vulnerable families.

When teens do become parents and need assistance, the welfare system should be structured to improve the future prospects of these vulnerable families. Teen parents should live in supervised settings either with parents or with other responsible adults. They should be required to attend school or training. In Ohio's Learning, Earning and Parenting (LEAP) Program, teen parents were required to attend school. A system of bonuses and sanctions was put in place to encourage attendance. This program and the Teenage Parent Demonstration Program have shown that programs combining requirements, support services, and financial incentives can increase school attendance and, to some extent, graduation rates. These programs also are not panaceas—many participants are unable to succeed in the education settings available and teens who dropped out of school prior to enrolling in the program often were unsuccessful. Requiring school attendance while searching for new ways to reach these more difficult cases, however, does represent a promising policy initiative.

Finally, the welfare reform debate has led to a reexamination of the federal role in providing a safety net for poor families with children. Some have suggested that

all responsibility for programs that provide cash assistance and nutrition aid be given to the states. The House Ways and Means Committee proposal, for example, would significantly limit the federal role. By establishing a block grant with essentially fixed funding, the proposal would require states to bear nearly all of the costs associated with increased need resulting from recession, falling wages, or changing demographics. The proposal would also allow states complete flexibility to determine which families received assistance. States would not be required to establish uniform eligibility criteria.

I strongly favor providing states with increased flexibility in many areas. States have been unnecessarily saddled with rules that inhibit their ability to design innovative JOBS programs and expand participation requirements. They also have been hampered by rules that mandate how earnings and assets are to be treated, restrict the eligibility of two-parent families, and define how stepparents' income should be counted. In these and other areas, states could and should be given more flexibility.

The federal government, however, does have a role to play in providing a safety net for poor children. The Committee on Federalism and National Purpose, chaired by then-Senator Daniel Evans (R) and then-Governor Charles Robb (D), called in 1985 for a major realignment of federal and state roles. The Committee proposed a much larger federal role in financing and setting national standards for Medicaid and AFDC, accompanied by the devolution of scores of federal programs to the states. In issuing its recommendations, the Committee affirmed a principle that has undergirded most thoughtful examinations of federalism issues—income security for the poor should largely be a federal responsibility. The Committee wrote:

"Wherever it occurs, poverty is a blight on our whole society, and Americans in similar circumstances should be treated alike. Children whose early years are damaged by the effects of poverty in one state may later become voters, employees, and possibly welfare recipients in other states."

"Safety net programs also should furnish benefits that can be expected to provide for basic necessities. Welfare programs in many states fall far short of this mark. Even when combined with the cash value of food stamps, AFDC benefits were at or below 60 percent of poverty-level income in 10 states in 1984, and the median level of benefits was 73 percent of the poverty line." [These levels are lower today.]

"Only the federal government can effectively bring about greater uniformity and adequacy of welfare services. This is because it is the only source of nationwide political authority and because it is the only level of government that commands the necessary resources."<sup>2</sup>

## II. ENTITLEMENTS, SPENDING, AND FLEXIBILITY

While the Ways and Means bill contains many new prescriptive provisions, the elimination of assured benefits for needy children who qualify for assistance represents the most sweeping change in our nation's safety net.

There appear to be two basic premises that underlie the call for the elimination of the program's entitlement status: first, that "welfare spending" is out of control and cannot be curtailed as long as the targeted programs retain their entitlement status, and second, that block grants are needed to accord states increased flexibility. In fact: (1) welfare spending is not one of the major factors behind our long-term deficit problems; (2) if Congress wishes to cut the cost of these programs, a block grant structure isn't needed to do so; and (3) a block grant structure isn't needed to accord states increased flexibility.

As the Bipartisan Commission on Entitlements and Tax Reform demonstrated, overall expenditures for entitlements are growing faster than our ability to pay for them. If action is not taken to address this problem, the nation will face serious fiscal difficulties in the early decades of the next century. It is important to recognize, however, that health care entitlements and Social Security are responsible for virtually all of the long-term rise in entitlement spending as a percentage of the Gross Domestic Product (GDP). Expenditures on programs like AFDC and food stamps are not driving the long-term rise in entitlement spending that will bedevil the nation in the decades ahead. (See the Appendix for a more complete discussion of spending on low-income programs.)

- According to the Entitlement Commission's estimates, between now and 2030, Medicare will rise from 2.4 percent of GDP to 7.9 percent. Medicaid will climb from 1.3 percent to 3.1 percent of GDP, while Social Security will rise from 4.8 percent to 6.7 percent.
- By contrast, the Commission projected that means-tested entitlements other than Medicaid will not rise at all as a percentage of GDP after the year 2000.

In fact, the latest CBO forecast suggests they will decline a bit as a percentage of GDP.

I would note that AFDC in particular (including cash benefits, emergency assistance, Title IV-A child care, JOBS, and that part of child support enforcement costs that are attributable to AFDC families) constitutes 2 percent of entitlement spending and 1 percent of total federal spending. When food stamp and Medicaid benefits for AFDC families are added in, the total rises, but remains a modest share of overall federal spending at three percent.

On a related note, while some believe the AFDC system provides overly generous benefits to recipients, the typical AFDC family of three receives between \$8,000 and \$9,000 annually in cash and nutrition aid, or less than three-quarters of the poverty line. While some AFDC families also receive housing assistance, most do not; three-fourths of AFDC families do not receive any federal housing assistance.

Indeed, when one looks at the combined AFDC and food stamp package, there have been significant benefit declines in recent decades. AFDC and food stamp benefits combined have fallen more than a quarter in purchasing power since 1970. The combined benefit package has now receded, in inflation-adjusted terms, to the level of AFDC benefits alone in 1960, before the food stamp program was created.

Still, Congress may decide to reduce spending on these programs. If Congress wishes to do so, it does not need to end the entitlement status of these programs. In 1980, 1981, and 1982, Congress made significant reductions in means-tested benefit programs without removing their entitlement status. Congress altered the eligibility and benefit rules in ways that saved substantial amounts. While reductions in benefits for poor families and elderly and disabled individuals would not be without significant consequences, Congress could follow this route again—and cut expenditures without block granting these programs—if it wished to do so.

As budget cuts are made to reduce the deficit, however, there should be some balance among various parts of the budget. As David Stockman used to say, the targets for budget-cutting should be weak claims on federal resources, not weak clients. Low-income programs should not bear a highly disproportionate share of those cuts. The various budget-cutting measures now moving through the House of Representatives, including the welfare reform proposals, raise concerns on this front, as they cut assistance for low-income programs far more deeply than other areas of government spending. The various reductions contained in the House welfare reform legislation—in cash assistance for poor families and poor disabled children, nutrition aid for low-income households, and various benefits for legal immigrants—are likely to total well above \$50 billion over five years. (When the Medicaid cuts that are being discussed are added, this total will increase substantially.) Furthermore, the cuts included in the House rescission bills disproportionately impact programs for low-income people. While low-income programs comprise only 12 percent of the discretionary budget, about 60 of the rescissions come from these programs. Given the fiscal agenda outlined in the Contract with America, it is likely that at least some of these savings will be used to pay for tax cuts.

#### *State Flexibility*

Proponents of converting AFDC and other programs to block grants often argue such a change is necessary to ensure states are given substantial freedom to craft their own programs. Here, too, the basic premise is flawed; it is quite possible to expand state flexibility within an entitlement framework. Many of the rules currently governing these programs could be simplified or eliminated to give greater leeway to states. Ironically, as I will explain later, block grants might even have the perverse effect of constraining state flexibility because they are likely to leave states with insufficient resources to pursue work-based welfare reform while at the same time maintaining a safety net.

Moreover, ending the entitlement status of programs such as AFDC and food stamps would eliminate a defining feature of the safety net erected over the past six decades to protect poor children from destitution. The funding structure of the safety net is designed to ensure that these programs expand automatically to meet rising need, such as during recessions. If the programs instead received a fixed amount of funding each year, this critical feature would be lost. If funding proved insufficient in a given year, states would be forced to cut benefits, create waiting lists, or fill the gap entirely with state funds. A public assistance system structured in this manner would provide some aid to the poor, but it could not truly be called a "safety net." As a tight-rope walker would attest, a safety net that is only in place some of the time offers little security.

## III. PROFOUND CONSEQUENCES OF BLOCK GRANT PROPOSALS

Eliminating the entitlement nature of programs such as AFDC would have profound consequences, both for poor children and for states and localities.

- **If the capped amount is inadequate for cash assistance (or similar block granted programs), funds could prove insufficient part-way through the year.** If the money for AFDC ran out in August, what would happen to a poor child whose mother flees an abusive spouse in September and applies for assistance? Either that family would be refused assistance or put on a waiting list, or the state would have to pay the cost of that family's aid entirely with state funds. Many poor families with children could be left with no means to pay for rent, utilities, or other basic necessities if the AFDC program loses its entitlement status.
- **Block grants cannot respond to the increases in need that occur during economic downturns.** Under the current financial structure for AFDC and food stamps, additional federal funds automatically flow into states when a recession hits and more families apply for aid. For example, between June 1990 and June 1992, as the national unemployment rate jumped from 5.1 percent to 7.7 percent, the number of people receiving food stamps rose by more than five million. If AFDC became a block grant, additional federal resources would not be available during a recession. A fixed amount would be allocated to states each year. If unemployment subsequently rose and funding for AFDC proved insufficient, states would have to bear 100 percent of any additional cost themselves by raising taxes or cutting other programs more deeply in recessions. If states were unwilling to increase state resources for safety net programs, they would have other unpalatable options—instituting across-the-board benefit cuts, making some categories of needy families and children ineligible for the rest of the year, or placing poor families that recently lost their jobs on waiting lists.

If states do not provide assistance to newly poor families during times of heightened unemployment, many of the families affected would be those in which the parents typically work and do not receive welfare. During an economic downturn, the newly poor are often those who recently lost their jobs and either are not covered by unemployment insurance or have exhausted those benefits. These families would include many two-parent families—the subpopulation whose participation in AFDC and food stamps rises most sharply in recessions.

The problems that would arise for states can be illustrated by examining how actual state-by-state funding levels in fiscal year 1993 would compare to their estimated levels if the Ways and Means cash assistance block grant had been enacted in 1989. This block grant approach does not allow funding to adjust based on changes in need, although there is a small population adjustment fund of \$100 million a year. In all but two states, the Ways and Means Committee proposal would have provided less federal funding than was actually received in 1993. In seven states—Alaska, Arizona, Florida, Hawaii, Nevada, New Hampshire, and New Mexico—the shortfall would have been more than 40 percent. In California, the shortfall would have been nearly \$900 million (28 percent); in New York, \$583 million (31 percent); in Florida, \$277 million (54 percent).

These shortfalls would have occurred just at the time when state revenues typically shrink. During economic downturns, tax collections generally fall and many state programs are cut.

- **The loss of the automatic increase in federal funding during a recession would weaken the national and state economies.** As Alice Rivlin wrote in 1992, over the past several decades "social insurance and welfare programs not only provided income to individuals and families facing economic disaster, they also made economic disaster less likely. If economic activity dropped off sharply, the downward spiral would be cushioned, since individuals drawing social insurance benefits and welfare would be able to buy necessities and pay their rent or mortgages. This increased purchasing power would bolster the income of producers and prevent layoffs of workers and forced home sales. Thus, both welfare programs and social insurance would act as automatic stabilizers for the economy."<sup>3</sup> If programs such as AFDC or food stamps become capped entitlements and funding does not rise during a recession, the automatic stabilizer role played by these programs would be significantly diminished or lost altogether.
- **A capped entitlement status fails to afford protection against further reductions in block grant funding in the appropriations process.** Under federal budget rules, appropriators can lower the funding ceilings (the "caps") on capped entitlements and use the savings to meet the discretionary spending caps or fund other discretionary programs. While such action has not frequently



been taken in the past, it could become a more inviting route for appropriators in the future as the discretionary caps tighten. In addition, appropriators could simply appropriate less than the capped amount. This has happened in the past with the Social Services Block Grant.

It is of note that low-income programs that are capped entitlements have been subject to larger funding reductions in recent years than have low-income discretionary programs. For example, funding for the Social Services Block Grant, converted in the early 1970s from an open-ended entitlement to a capped entitlement, has fallen about 60 percent since then, after adjusting for inflation. Total appropriations for all low-income programs that are capped entitlements have declined nearly 20 percent since 1981, after adjusting for inflation. By contrast, total appropriations for low-income discretionary programs have declined seven percent over this period in inflation-adjusted terms.[4]

- **A capped block grant also would not respond to changes in need that occur for other reasons.** The needy population grows not only in times of recession, but also when the overall population increases, when the child population increases, when wages fall, when natural disasters occur, and when demographic changes increase the number of single parent families.

While the House Ways and Means Committee proposal includes a \$100 million fund distributed each year based on each state's population growth, this fund would fall well short of addressing the increased need due even to population growth in many states. Between 1991 and 1992, California's population grew by 1.6 percent. If the block grant were to adjust for population growth, California's block grant amount would increase by 1.6 percent—or by more than \$50 million if applied to 1993 spending levels. Under the Ways and Means plan, however, California would only receive a share of \$100 million. Between 1991 and 1992, California's population growth represented 16.6 percent of total U.S. population growth (as measured by the proposal). Thus, under the proposal, California would receive just \$17 million in funds meant to address population growth.

- **A block grant structure would misallocate funds among states.** Any formula that could be used to allocate block grant funds among states would be based on data for a year in the past; the formula would not be able to reflect economic and demographic changes since that time. States whose economies had grown robustly since the year in which the data were collected would receive more funds than warranted, while states where economic conditions had deteriorated would receive too little. For example, between 1987 and 1993, the percentage of total federal AFDC benefits that went to Illinois residents fell from 4.9 percent to 3.6 percent. In Florida, by contrast, the percentage of total federal AFDC benefit expenditures going to Florida residents increased from 1.8 percent to 3.6 percent.
- **It would be problematic to develop a formula for allocating block grant funds among the states.** If the formula reflected current expenditure patterns, it would penalize states with low benefit levels and risk locking them into that status permanently. Under the current structure, poor states that typically have very low benefit levels face a favorable federal match rate that makes it somewhat easier for them to raise their benefit levels. For example, between 1990 and 1992, Alabama raised its maximum AFDC benefit level for a family of three from \$118 per month to \$164 per month—a 40 percent increase. (This left Alabama's monthly benefit level at only 18 percent of the federal poverty line for a family of three.) Because Alabama is a relatively poor state, the federal government pays more than 70 percent of its AFDC benefit costs. When it chose to raise its benefit level, the federal government therefore helped considerably in defraying the additional costs.

By contrast, under the Ways and Means Committee block grant structure, if Alabama increases its benefit level, it would have to absorb 100 percent of the additional costs. It is important to note that even under the current entitlement structure which assures that the federal government shares in states' costs when they increase benefit levels, or raise them to keep pace with inflation, AFDC benefits fell in real terms by 45 percent between 1970 and 1994 in the typical state.

Moreover, if the formula gave each state the same percentage of federal funds that it currently receives, this would fail to recognize the differences that will occur among states in coming years in unemployment levels, rates of population growth, demographic changes, and wages. If the formula attempted to adjust for these factors, it would rely on outdated data, always reflecting economic and demographic conditions several years earlier. Reliable state poverty, income, and population data are only available with a considerable time lag. For example, state poverty data would be three to four years out of date when block grant funding formulas were set.

- **During a recession, the hardest-hit states would likely be subject to a "triple whammy."** First, there would be insufficient federal funds flowing into the states, since the federal funding level would not automatically rise with a recession. Second, the allocation formula would not recognize the depth of the downturn in states that had been hit hardest. Finally, the states hit hardest by the recession would generally face large declines in state revenues and be among the states least able to provide state funds to respond to the additional need the downturn had created.
- **Poorer states could be particularly disadvantaged by a block grant proposal.** As federal funds fell increasingly short of actual need, all states would have to fund this widening gap with state rather than federal dollars. Poorer states that currently enjoy higher federal match rates would be hard-hit. States such as Mississippi and Louisiana would lose more than 70 cents for every additional dollar needed to maintain current levels of assistance compared to a loss of 50 cents for each dollar of additional program cost in states such as Connecticut and California. States that have the least capacity to raise funds through their tax system would be the most disadvantaged—the ten states with the most favorable federal AFDC matching rates are among the twelve weakest states in terms of their capacity to raise revenues through their tax system, according to a measure developed by the Advisory Commission on Intergovernmental Relations.

#### IV. WOULD A RAINY DAY FUND SOLVE THE PROBLEM?

The Ways and Means Committee proposal does include two "rainy day" funds intended to assist states in the event of unexpected increases in need. An analysis of these two funds underscores the inadequacy of these funds, in part reflecting the inherent problems with a rainy day approach.

Under the Ways and Means bill, a state would be allowed to borrow from a \$1 billion federal fund if its three-month average unemployment rate: (1) exceeded 6.5 percent; and (2) was at least 10 percent higher than the state's average unemployment rate in the same three-month period of either of the two prior years. There would be a \$100 million limit on the loan to any state and no state could receive a loan equal to more than half of its basic grant. States would have to repay the loans, with interest, within three years. In assessing this proposal, the following issues should be considered:

- A loan approach means that when poverty and thus AFDC caseloads rose during a recession, states would ultimately be required to bear 100 percent of the added cost. States would have to pay the federal government back with interest within a three year period. This represents a striking departure from current policy. In a recession, the federal government pays for at least half of a state's increase in AFDC costs and essentially all of the increase in food stamp costs. That is, currently, the national government helps share these consequences of national economic trends.
- States in which unemployment remained at elevated levels for an extended period of time could be forced to repay their loans during a period when state coffers were bare. In California, the unemployment rate breached the seven percent level in December 1990 and has yet to fall back below this level. Experience with a loan fund run by the federal government for the unemployment insurance system suggests that states will often opt for benefit cuts to avoid taking out such loans.<sup>[5]</sup>
- The small fund also would likely fall short of the increased need. During the last recession, in fiscal year 1990, the federal government committed \$863 million more to AFDC than in fiscal year 1989; in 1991, it committed \$1.9 billion more than in 1989; and by 1992, some \$3 billion more was expended than in 1989. Over this three-year period, the federal government committed nearly \$6 billion in additional resources, nearly six times as much as the \$1 billion loan fund.
- A large number of states that experience substantial increases in unemployment and poverty either would not qualify for a loan at all, or would not qualify until too late in the downturn. Had the loan fund been in effect during the last recession, 10 states would not have qualified for a loan at all and another 14 states would not have qualified until 1992. Yet most of these states faced sharply increased need. The 14 states<sup>[6]</sup> that would have qualified for a loan some time in fiscal year 1992 had already experienced big jumps in their caseload before that. On average, their caseloads rose by 27 percent between fiscal year 1989 and fiscal year 1991.

- As with other economic indicators, the lag in the collection of accurate state data would also be problematic. A state would have to wait up to five months after its unemployment rate surpassed 6.5 percent before the federal government would have data showing the state's three-month average unemployment rate had passed this level. In the meantime, thousands of additional families could have applied for AFDC assistance.
- The federal rainy day fund also would ignore factors other than unemployment that can cause the need for public assistance benefits to rise in a state, such as a natural disaster or falling wages for low-paid jobs. Finally, states would have great difficulty planning under the program; they would not know when or if they would qualify for a loan.

Under the second rainy day fund, the House Ways and Means bill would allow states to accumulate unspent block grant funds and draw them down when need increased in the state. The effect of this fund is also likely to be very limited. The fixed level of federal AFDC funding for the next five years is significantly below how much federal funding is expected to be provided under current law, even in the absence of a recession. The low level at which federal funding is fixed diminishes the likelihood that states will accumulate much in savings. Moreover, if a recession hits, it would quickly overwhelm whatever modest amounts most states have been able to accumulate.

#### V. INCREASING STATE FLEXIBILITY WITHIN AN ENTITLEMENT FRAMEWORK

As the House Ways and Means bill demonstrates, converting entitlement programs into block grants does not necessarily result in providing states with increased flexibility. Block grants can be designed with extensive federal prescriptions while entitlements can be designed to provide states with far-reaching flexibility.

##### *The Shape of a Redesigned Federal-State Partnership*

If the federal-state AFDC partnership is to be redesigned to give states greater flexibility within an entitlement framework, policymakers at both levels of government will need to engage in a serious debate about the appropriate role of the federal government in the new system.

The federal government could substantially pare back the AFDC requirements currently imposed on states, while maintaining the federal-state financial structure for the program. This could be done by identifying and eliminating many provisions of the federal statute that needlessly restrict state flexibility in shaping their own cash assistance programs. This would largely eliminate the need for states to secure waivers from federal agencies. Under this approach, each state would be able to develop standards regarding matters such as: the definition of income and how it should be treated, what resources are permitted and under what circumstances, and what requirements (JOBS, work, school attendance) must be met to qualify for assistance. In addition, states should have flexibility to develop their own demonstration projects that would operate in only part of a state.

While the federal government should require states to operate programs that move able-bodied welfare recipients toward self-sufficiency, states would have substantial freedom to design the specific contents of these programs. States would be able to designate the kinds of training and work-related services offered in their programs. States may want to institute new employment strategies, including wage subsidies, microenterprises, and employment vouchers. Some states may choose to require parents to work after a set period of time in the private sector or in a publicly funded work slot.

In a limited number of areas where a pressing national problem exists and research has identified a promising approach, the federal government might require that states follow a particular model. For example, the federal government may want to require that teenage parents on welfare be required to live with responsible adults and to attend school if they have not obtained a diploma.

Other than in these areas, few federal rules need apply. The federal government could establish some basic standards—such as that parents who are willing to work and meet all requirements receive either cash assistance or a work assignment and that eligible poor children be assured of receiving assistance. The federal government would continue to match state benefit expenditures, as it now does, and the individual entitlement structure of the program would be maintained.

Finally, federal funds should support research and evaluation activities to identify effective program strategies and technical assistance to ensure that states can apply lessons from the research.

Granting states broad flexibility within an entitlement structure would likely provide states greater flexibility than a block grant in many areas. Under a block grant, if a state received significantly less federal funding than it would if th. pro-

gram remained an entitlement, the state could be forced to curtail innovative work or self-sufficiency programs. Suppose a recession hit and a state's caseload climbed. To provide basic benefits and keep families from becoming destitute a state might be forced to cut back spending for work programs or other initiatives designed to promote self-sufficiency. Although states could instead choose to deny aid to eligible families (since the program would no longer be an entitlement to individuals), some states might be unwilling to deny basic support to a family that, without the assistance, might be unable to pay rent. In short, if states receive limited federal resources under a block grant structure, they may be unable to implement many of the initiatives for which they have sought permission through the waiver process—such as expanded earnings disregards so AFDC families can keep more of their earnings when they go to work, more realistic asset rules, and expanded work programs so more families may be subject to work requirements.

To some extent, states already face this dilemma under current law, because they pay part of the cost of both AFDC benefits and the JOBS program. Many experts have identified the early 1990s recession—and the resulting increase in the need for cash assistance—as one of the key reasons that most states did not spend enough on the JOBS program to draw down the full amount of federal funding available to them and enroll more of their caseloads in work-related activities. This trade-off would become much more difficult for states under a block grant structure because federal funding would no longer expand to help states meet increased need.

#### VI. THE FUTURE OF WELFARE TO WORK INITIATIVES

While welfare reform should enhance state flexibility, a fundamental goal of reform should also be to expand our efforts to move more parents from welfare to work. States should be provided the resources needed to run substantial training, work and education programs that prepare and move parents to work as well as to support child care for families with young children in which the parent is required to work.

The House Ways and Means Committee proposal imposes stringent work participation rates on states but provides no additional resources for states to meet these standards. It repeals the JOBS program, thereby eliminating any requirement that states provide training and employment services for parents. In addition, another House committee has block granted—and reduced—the funding available for child care assistance, a support necessary for moving families from welfare to work. (The IV-A child care program for AFDC recipients in training and the transitional child care program, both currently entitlement programs, would be eliminated by this provision and folded into the block grant.) If, in coming years, states were to place increasing numbers of AFDC recipients into work activities or employment, there would be no additional federal money to cover any portion of these increased child care costs.

Under this proposal, states would confront difficult choices in allocating limited funds between increasing numbers of child care slots for recipients required to participate in work programs and child care assistance for the working poor. Indeed, it is likely that some states could be forced to reduce child care for the working poor and thereby place in jeopardy the ability of some working poor parents to keep working and remain off welfare.

If our goal is to require and support work among parents on welfare, then the federal policy must commit necessary resources and require serious welfare employment initiatives at the state level. The Ways and Means bill fails on both counts. It not only neglects to provide resources to support training and employment programs and child care services, but it permits states to meet some or all federal work participation standards by terminating families from aid, regardless of whether a family finds work or was denied benefits for any other reason. Thus, under the bill's work standards, a state that simply reduced its caseload by time-limiting benefits to families after one year, could count that reduction in its caseload toward its work program participation rate. It is likely that many of these affected families would have received no employment-related assistance and would fail to find work.

#### VII. CONCLUSION

The welfare system needs substantial reform. The AFDC program needs to become a work-focused system in which all parents who are able are expected to work or prepare for work. In addition, an effort must be made to reduce teen pregnancy as well as demand responsibility of absent parents.

Many have called for converting the AFDC program, as well as other basic safety net programs, into a block grant with fixed funding. Increasing state flexibility and reducing federal costs can be accomplished without eliminating the entitlement na-

ture of the AFDC program, and moving to a block grant structure with fixed funding could make it more difficult to convert the program to a work-focused system.

If the AFDC program is converted to a block grant, states would likely have less flexibility to operate innovative programs that move parents from welfare to work while maintaining a basic safety net beneath poor children. Under the block grant structure proposed by the House Ways and Means Committee, states would face significantly reduced resources over the next five years, making it difficult for them to develop welfare-to-work programs that require an up-front investment. In addition, if need in a state rises, it would no longer receive any assistance in meeting those increased costs from the federal government, increasing the likelihood that it would have to scale back its work-based efforts.

Savings can also be achieved without converting the program to a block grant. Such reductions, however, would not be without costs. If welfare-to-work programs are to be expanded, for example, increased—not decreased—federal funds will be required, at least in the short-term.

A reworked federal-state partnership which retains the entitlement structure but offers states far more flexibility could produce a system that is more responsive to local circumstances, while maintaining a federal safety net beneath poor children. Child poverty is a national concern and protecting poor families should remain a federal as well as a state responsibility.

#### ENDNOTES

- [1]: Testimony of Judith M. Gueron, President, Manpower Demonstration Research Corporation, before the Subcommittee on Postsecondary Education, Training, and Life-Long Learning, House Committee on Economic and Educational Opportunity, January 19, 1995.
- [2]: Daniel J. Evans and Charles S. Robb, Chairmen, To Form a More Perfect Union: The Report of the Committee on Federalism and National Purpose, December 1985, pp. 13-14.
- [3]: Alice M. Rivlin, Reviving the American Dream, the Economy, the States, and the Federal Government, The Brookings Institution, 1992, pp. 90-91.
- [4]: This excludes subsidized housing programs which are an anomaly. Appropriations for subsidized housing programs have fallen substantially since 1981, but actual expenditures for these programs have risen substantially over the same period. This seeming contradiction reflects the unique features of the fiscal structure of housing programs.
- [5]: See, for example, General Accounting Office, Unemployment Insurance: Program's Ability to Meet Objectives Jeopardized, September 1993.
- [6]: These 14 states are Arizona, Arkansas, Colorado, Georgia, Idaho, Indiana, Maryland, Nevada, Oregon, South Carolina, Texas, Virginia, Washington, and Wyoming. The 10 states that would never have qualified for a loan at all are Hawaii, Iowa, Kansas, Minnesota, Nebraska, North Carolina, North Dakota, South Dakota, Utah, and Wisconsin. In these 10 states, the AFDC caseload rose by an average of 17 percent from 1989 to 1992.

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#### APPENDIX: What Do We Spend on "Welfare?"

Recent arguments that federal "welfare" spending is both excessive and ineffective sometimes have relied on a few highly publicized but questionable assertions that the federal government has spent \$5.3 trillion on "welfare" programs since 1964 without decreasing poverty and that the typical family in the Aid to Families with Dependent Children (AFDC) program receives \$15,000 in benefits per year. This analysis examines these assertions about welfare spending in detail. It focuses on three issues: (1) the current level of spending on programs targeted to low-income people and the extent to which these programs conform to the popular definition of "welfare;" (2) the total amount spent on low-income programs during the past few decades and the effect of this spending; and (3) the benefits received by the typical family on AFDC.

While all agree the AFDC system is in need of substantial reform, it is important that misconceptions about "welfare spending" not drive the policy debate.

## KEY FINDINGS

## TOTAL SPENDING ON MEANS-TESTED PROGRAMS

- According to the Congressional Research Service, total federal spending on programs targeted on low-income people totaled \$208 billion in 1992. The CRS list includes programs that do not provide cash or cash-like assistance, such as Head Start and education and training programs. Many of the programs listed provide services and benefits to families with incomes above the poverty line.
- Total spending on AFDC recipients represents a small proportion of entitlement spending and total federal spending. In 1994, spending on AFDC, food stamp benefits for AFDC families, and Medicaid spending for AFDC recipients totaled about five percent of entitlement spending and about three percent of total federal spending.
- Spending on non-medical means-tested programs is not responsible for the projected long-term growth in entitlement spending and the budget deficit. The Bipartisan Commission on Entitlement and Tax Reform projected that spending on low-income entitlements excluding Medicaid would remain a constant and very small fraction of the economy after the year 2000.

## WHAT DOES IT MEAN TO HAVE SPENT "\$5 TRILLION" ON "WELFARE PROGRAMS" SINCE 1964?

- Robert Rector of the Heritage Foundation has stated in congressional testimony that "Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged." In order to arrive at the \$5.3 trillion figure, "welfare spending" must be broadly defined to include spending on all means-tested programs, even those programs that confer a significant amount of benefits on families above the poverty line.
- Even if one accepts Rector's definition of "welfare spending," his figure suggests that 16 percent of total federal spending over the past 30 years has been spent on means-tested programs. Isolating the AFDC program, since 1964 spending on AFDC totaled less than 1.5 percent of federal outlays.
- Rector's suggestion that "welfare spending" has accomplished little, as evidenced by his claim that the poverty rate has remained virtually unchanged, misses several key points. First, between 1964 and 1973, when a strong economy was coupled with more generous antipoverty programs, the poverty rate fell from 19 percent to 11 percent. Second, the upward drift in the poverty rate over the past 15 years appears primarily to reflect changes in the economy—most notably, declining wages. Third, the official poverty rate data only measures cash income. It does not include benefits from poverty programs that provide benefits in-kind such as Medicaid, and food and housing programs. Yet the bulk of the increase in antipoverty spending in recent decades has been in the in-kind programs. These programs cannot be said to have failed in reducing poverty when they are not counted in measuring poverty.

## WHAT IS THE VALUE OF BENEFITS PROVIDED TO AFDC FAMILIES?

- In 1994, the average AFDC family of three was eligible for a maximum of \$415 per month, or \$4,980 per year, in cash assistance. Combined AFDC and food stamp benefits for the average AFDC family of three was \$664 per month (about \$8,000 a year), or about two-thirds of the poverty line.
- About three-quarters of families receiving AFDC do not live in subsidized housing. These families must pay for food, clothing, shelter, and transportation with a family income that averages between \$8,000 and \$9,000 per year for a family of three, depending on whether the family also receives benefits through the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), the school lunch and breakfast programs, and the Low-Income Home Energy Assistance Program (LIHEAP). When one factors in the average amount that AFDC families that do receive housing assistance appear to save on housing costs, even these families remain below the poverty line.

## TOTAL SPENDING ON MEANS-TESTED PROGRAMS

According to the Congressional Research Service (CRS), federal, state and local governments spent a total of \$290 billion in 1992 on programs that target their benefits or services on low-income people. Federal spending on these programs totaled \$208 billion, or about 1 percent of total federal outlays. The programs on the CRS

list include cash assistance, medical aid, nutrition assistance, education funding, housing assistance, job training, and energy aid.

The largest component of the federal spending on low-income programs was medical aid, mainly composed of Medicaid. Medical aid comprised 38 percent of federal spending on means-tested programs. With the exception of the earned income credit which is growing as a result of the expansion passed in the 1993 Omnibus Reconciliation Act Medicaid expenditures are expected to grow faster between 1994 and 1999 than any other means-tested entitlement program. Non-medical related spending on means-tested programs totaled \$129 billion in 1992, or nine percent of total federal spending.

While the CRS list provides useful information on expenditures for low-income programs, the programs included in its analysis go far beyond the popular image of "welfare." The list includes many programs that provide services, not income assistance, to low-income people. Programs such as the Job Training and Partnership Act (JTPA) and Head Start do not provide cash, food, housing, or similar aid to help poor families purchase basic necessities.

Many of the programs on the CRS list serve people who do not receive AFDC, including the working poor. In fact, many of the recipients of these programs are in low- or moderate-income households whose incomes are above the poverty line. For example, in tax year 1996, the earned income credit will provide benefits to families whose incomes fall below \$28,600 or about 177 percent of the poverty line for a family of four. Similarly, the WIC program provides nutrition assistance to recipients whose family incomes equal up to 185 percent of the federal poverty line. And reduced-price school meals are provided only to children from families with incomes between 130 percent and 185 percent of the poverty line. Poor children do not receive them.

The CRS list includes programs that are both entitlements and discretionary. Entitlement programs provide benefits to anyone who meets the eligibility criteria while discretionary programs are only able to serve as many eligible individuals as resources appropriated to the programs allow.

#### LOW-INCOME ENTITLEMENT SPENDING

As Table 1 indicates, the federal government spent \$177 billion in 1994 on means-tested entitlement programs.<sup>1</sup> Table 1 also shows (for programs for which such data are available) the percentage of spending in each program that goes to families receiving AFDC and to elderly and disabled people. Most of this spending did not go to AFDC families. Of note:

- Only about 16 percent of Medicaid spending the largest means-tested entitlement program—is spent on health care for AFDC recipients. The average cost of Medicaid services for a child receiving AFDC is only about one-quarter the cost of caring for an elderly Medicaid recipient and about one-seventh the cost of caring for a disabled individual.
- Spending on AFDC (including AFDC benefits, JOBS, emergency assistance, Title IV-A child care, and the portion of child support enforcement costs attributable to AFDC families), food stamp benefits for AFDC families, and Medicaid spending on AFDC families constitute only about five percent of total entitlement spending and about one-quarter of means-tested entitlement spending.
- Spending on low-income elderly and disabled persons constitutes a much higher percentage of total means-tested entitlement spending, about 46 percent.<sup>2</sup>

<sup>1</sup> Congressional Budget Office, "The Economic and Budget Outlook: Fiscal Years 1996-2000," January 1995.

<sup>2</sup> To determine the proportion of food stamp benefits that went to elderly and disabled persons and AFDC recipients, data from *Characteristics of Food Stamp Households, Summer 1992* issued by the U.S. Department of Agriculture was used. Data on the distribution of Medicaid expenditures are from the Urban Institute report, "Medicaid Expenditures and Beneficiary Trends, 1988-1993" by John Holahan, David Liska, and Karen Obermaier. The Food Stamp data do not indicate the amount of food stamps that go to elderly and disabled individuals. Instead, the data indicate the value of food stamp benefits that go to households including an elderly or disabled person. Thus the full value of food stamp benefits going to these households are included in the calculation of the proportion of food stamp benefits that go to elderly and disabled people. This leads to an overstatement of the proportion of food stamp benefits that go to these individuals. However, the estimated proportion of food stamp benefits going to elderly and disabled persons represents only 4 percent of the estimated total value of means-tested entitlement benefits going to elderly and disabled people. Similarly, the entire value of food stamps that go to households that also receive AFDC is included in the calculation to determine the proportion of food stamp benefits going to AFDC families. Because some households that receive AFDC include some members who are not a part of the AFDC unit, this also leads to an overstatement of the proportion of food stamp benefits going to AFDC families. Finally, it should be noted that benefits

It also is important to consider the extent to which growth in means-tested entitlements is projected to contribute to the overall growth in entitlement spending. The Bipartisan Commission on Entitlement and Tax Reform estimated that by 2030, total entitlement spending would grow from 12 percent to 21 percent of Gross Domestic Product.<sup>3</sup> This growth is driven primarily by Social Security, Medicare and Medicaid, not non-medical means-tested programs such as AFDC or food stamps.

- Social Security spending is projected to rise from about 4.8 percent of GDP in 1994 to 6.7 percent in 2030 while Medicare spending is projected to rise from about 2.3 percent of GDP to 7.7 percent.
- Medicaid, which is means-tested, also is expected to rise as a percentage of GDP because health care costs are expected to continue to grow rapidly. In 1994, Medicaid spending totaled 1.2 percent of GDP and is projected to rise to 3.1 percent by 2030.
- The Commission projected, however, that after 2000, spending on non-medical means-tested entitlement programs would grow at the same rate as the economy, remaining at about 1.5 percent of GDP (see Figure 1).<sup>4</sup> There are reasons to believe that this overstates the actual size of these programs. For example, the Congressional Budget Office estimates that the sub-category of entitlements other than Social Security, health care, and federal retirement programs will shrink as a percentage of GDP from 2000 to 2005.

These figures make clear that thoughtful reform is needed to control the costs of entitlement spending. It is a mistake, however, to look toward non-medical means-tested entitlements as the culprit of long-term entitlement growth.

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going to elderly and disabled people are not wholly independent of benefits going to AFDC families. An AFDC household could include a member who receives SSI. In such a case, the family member that receives SSI would not be included in the AFDC unit and, therefore, would not actually be an AFDC recipient, but the family would receive income from both the AFDC and SSI programs. Furthermore, a household that includes an AFDC unit might also include an elderly or disabled person who might be part of the food stamp unit.

<sup>3</sup>The Gross Domestic Product is a measure of the size of the overall economy.

<sup>4</sup>The Bipartisan Commission on Entitlement and Tax Reform did not compute a separate estimate of the growth rate of non-medical means-tested entitlement spending. The Commission did project that all entitlements other than Social Security, Medicare, Medicaid, and federal retirement benefits would grow at the same rate as the economy after 1999. In 1994, non-medical means-tested entitlement spending comprised 60 percent of spending on entitlements other than Social Security, Medicare, Medicaid, and federal retirement payments.



Table 1: Federal Means-Tested Entitlement Programs - 1994

Means-Tested Entitlements	Benefit or Service Provided	Population Served	1994 Federal Spending	Program Spending as a % of Total Entitlement Spending	Program Spending as a % of Total Federal Outlays	% of Program Spending That Goes To AFDC Recipients	% of Program Spending That Goes To The Elderly and Disabled
Medicaid	health care coverage	AFDC and SSI recipients Low-income children "Medically Needy" persons	\$82 billion	10.4%	5.6%	16%	72%
Food Stamps	in-kind nutrition assistance	Households with incomes below 130% of poverty	\$25 billion	3.2%	1.7%	54%	13%
SSI	cash aid	Poor elderly and disabled	\$24 billion	3.0%	1.6%	0% *	100%
Family Support	cash aid (AFDC), child support enforcement, child care, JOBS	Poor families with children	\$17 billion	2.2%	1.2%	93%	0% *
EIC** (refundable portion only)	refundable tax credit	Primarily families with children that have incomes below \$25,300 (in tax year 1994)	\$12 billion	1.4%	0.8%	data not available	data not available
Child Nutrition	school lunches, school breakfasts, child care feeding, etc	Children with incomes below 185% of the poverty line	\$7 billion	0.9%	0.5%	data not available	0%
Other	veteran's pensions, student loans, and other smaller programs		\$9-billion	1.1%	0.6%	data not available	data not available
<b>Total:</b>			\$177 billion	22%	12%	Estimate: 25%-33%	Estimate: 49%-52%

\* Note: An SSI recipient can not also receive AFDC. However, a family may include both AFDC and SSI recipients. For example, in a three person family, two people may be part of an AFDC case while the third receives SSI due to that individual's disability.

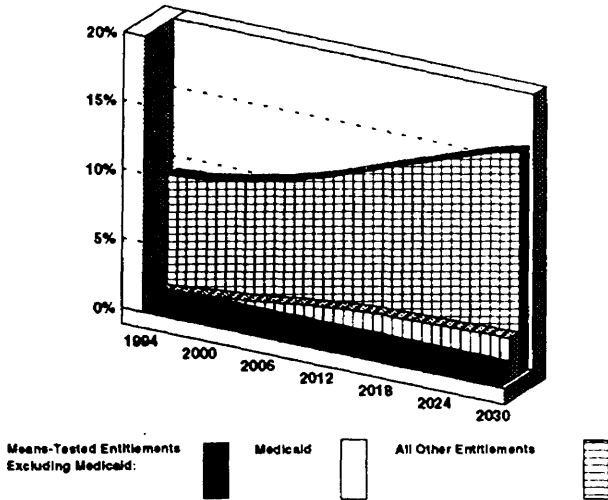
\*\*Note: The earned income credit was expanded under the 1993 Omnibus Budget Reconciliation Act. In Tax Year 1996, the expansions will be fully phased-in. Because most EIC recipients receive their credit after filing their annual tax returns, the majority of the budgetary impact of the EIC is felt in the fiscal year following the tax year. By FY 1997, the refundable portion of the EIC is projected to cost \$23 billion.

SOURCE: Author's calculations based on data from the Congressional Budget Office "The Economic and Budget Outlook: Fiscal Years 1996-2000," March 1995

## DISCRETIONARY SPENDING ON LOW-INCOME PROGRAMS

Just as spending on means-tested entitlements is not the source of the projected growth in federal spending, neither is spending on discretionary programs for low-income people. In 1995, about \$63 billion was appropriated for low-income discretionary programs about one-eighth of total discretionary appropriations. These include education, nutrition, health, employment, and housing programs that target their services or benefits on low- and moderate-income people.

FIGURE 1:  
FEDERAL ENTITLEMENT SPENDING AS A PERCENT OF THE ECONOMY  
1994 - 2030



SOURCE: Center on Budget and Policy Priorities calculations based on data from the Bipartisan Commission on Entitlement and Tax Reform and the Congressional Budget Office, January 5, 1995.

Overall support for these programs is well below what it was prior to the budget cutbacks of the early 1980s.<sup>5</sup>

While funding for low-income programs has decreased overall, the need for the programs has increased. Since 1981, the number of poor people needing assistance has risen. In 1993, the most recent year for which data are available, 39.3 million Americans lived in poverty, 7.5 million more than in 1981. While the number of poor people may have edged down somewhat since 1993, it is certain to be well above the 1981 level.

One way to measure the extent to which funding for low-income discretionary programs has kept pace with need is to consider the ratio of spending on these programs to the number of poor people. (Many of these programs serve low-income people whose incomes are well above the poverty line. Therefore, such a comparison is only illustrative.) The increase in the number of people living in poverty, coupled with the reductions in funding for low-income non-entitlement programs, has resulted in a sharp reduction in funding per poor person. Between 1981 and 1995,

<sup>5</sup>Total appropriations for low-income non-entitlement programs are 39 percent below fiscal year 1981 levels, after adjusting for inflation. Much of this decline, however, results from reductions in appropriations for low-income housing programs. Because housing programs "spend-out" their appropriated funds over many years, this drop in appropriations has not resulted in a reduction in outlays on housing assistance programs. When housing programs are removed from the comparison, the overall reduction since 1981 in appropriations for low-income non-entitlement programs is seven percent.

funding for low-income, non-entitlement programs other than housing programs fell by about 25 percent per poor person.<sup>6</sup>

#### WHAT DOES IT MEAN TO HAVE SPENT "\$5" ON "WELFARE PROGRAMS" SINCE 1964?

In congressional testimony presented on January 13, 1995, Robert Rector of the Heritage Foundation stated that "Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged . . ."<sup>7</sup>

To come to a figure of \$5.3 trillion, "welfare spending" has to be broadly defined to include any means-tested program, including programs in which a significant amount of the benefits go to families above the poverty line. As noted earlier, such a definition goes far beyond the common conception of "welfare." Furthermore, when considering what such a figure means, it is important to place it in context.

- Between 1964 and 1994, the federal government spent a total of more than \$31 trillion (in 1993 inflation adjusted dollars). Total GDP over that period equaled almost \$143 trillion.<sup>8</sup>
- Even if one accepts Rector's definition of "welfare spending," his figure suggests that 16 percent of total federal spending—and 4 percent of total GDP—over the past 30 years was spent on means-tested programs.
- Combined federal spending since 1964 on AFDC, Medicaid, SSI, and the major nutrition entitlement programs totaled about \$2 trillion. While this is a large dollar amount, it amounts to less than 1.5 percent of total GDP and about 6.6 percent of total federal outlays over that period.<sup>9</sup>
- Spending on AFDC alone over this 30 year period totaled less than 1.5 percent of federal outlays.

Rector also suggests that this spending has been of little worth because he claims the official poverty rate has remained virtually unchanged since the War on Poverty began. This statement is problematic for several reasons.

First, a large fraction of this spending consists of programs that assist families without increasing their cash incomes. Since non-cash benefits are not counted in the official measurement of poverty, the effects of these programs do not show up in the poverty statistics. This, therefore, provides no evidence that such programs are ineffective. For example, programs like food stamps help families purchase food but do not reduce officially measured poverty. Similarly, Medicaid does not increase a recipient's cash income, but it does provide an important service and should not be considered a "failure" because it does not affect the official poverty statistics.

Moreover, many programs that assist low-income people were not designed to foster self-sufficiency or help families work their way out of poverty. For example, Medicaid does not provide skills training for recipients; rather, it provides health care coverage for many people who could not otherwise afford it. Medicaid should not be expected to reduce poverty rates directly.

The WIC program provides another example of a highly successful means-tested program that does not directly reduce the official poverty rate. The WIC program provides coupons for specific foods to low-income pregnant and postpartum women, infants and children under age five. To be eligible for WIC, low-income women, infants and children must be found to be at nutritional risk for medical or dietary reasons. WIC is widely regarded as one of the most successful of all federal programs. A multi-year, national evaluation conducted by the U.S. Department of Agriculture during the Reagan Administration found that WIC markedly reduces infant deaths, low birthweight, and premature births. WIC also is associated with higher immunization rates and increased use of prenatal and pediatric care.<sup>10</sup>

<sup>6</sup>For this analysis, the 1993 poverty population—the last year for which data are available—was used when considering the level of 1995 discretionary funding per poor person.

<sup>7</sup>Robert Rector, Testimony before the Subcommittee on Human Resources of the Ways and Means Committee, U.S. House of Representatives, January 13, 1995.

<sup>8</sup>In this section, all dollars are presented in 1993 dollars using the GDP implicit price deflator. By using 1993 dollars, the numbers are comparable to those used in Rector's testimony.

<sup>9</sup>The Congressional Budget Office mandatory spending category entitled "Family Support" was used for the calculation of total AFDC spending. The Family Support category includes AFDC cash payments as well as the child support enforcement program, emergency assistance, child care expenditures for AFDC recipients, and the "at-risk" child care program which provides child care subsidies to low-income working families.

<sup>10</sup>While Medicaid and WIC do not reduce poverty directly, these programs may reduce poverty in the long-run. For example, by improving the health status of children, these programs may enable children to learn more effectively and to grow up to be more productive workers. It is impossible to predict what the poverty rate would be today if such programs had not been implemented.

Also of note, some programs that do provide cash assistance provide benefit levels so low that they reduce the severity of poverty but do not lift households out of poverty. The average AFDC family of three receives maximum benefits equal to 42 percent of the poverty line. Even if one uses an unofficial measure of poverty that considers the value of noncash assistance such as food stamps, free school lunches, and housing aid in addition to cash assistance such as AFDC or SSI, these combined benefits often are not enough to lift the poor above the poverty line. For example, only about 18 percent of the poor were lifted above the poverty line by cash assistance, food stamps, and housing aid in 1992.<sup>11</sup> These programs, however, reduced the depth of poverty for many more poor people. In fact, these benefits reduced the "poverty gap"—the total amount by which the incomes of poor families fall below the poverty line by some 42 percent in 1992.<sup>12</sup>

In addition, it is not accurate to portray the poverty rate as remaining "virtually unchanged" since the War on Poverty began. When strong economic growth, leading to real wage growth across the income distribution, was coupled with more generous antipoverty programs, poverty did respond. Between 1964 and 1973, the poverty rate fell from 19 percent to 11 percent, and the number of poor people dropped by more than 13 million.

Since 1977, however, the poverty rate has drifted upward. In 1977, some 11.6 percent of the population was poor. In 1993, the poverty rate stood at 15.1 percent. The years 1977 and 1993 are appropriate years to compare because they came at similar points in the economic cycle.

The major factor behind the upward drift in poverty appears to be fundamental shifts in the economy and not excessively generous anti-poverty programs. Since the late 1970s, falling wages and declining job opportunities for lower-skilled workers contributed to rising poverty rates.<sup>13</sup>

- In 1979, some 12.1 percent of full-time year-round workers earned too little to lift a family of four out of poverty (1977 data are not available). By 1993, some 16.2 percent of these workers had earnings this low. The average hourly wages for non-supervisory jobs also fell by 14 percent from 1977 to 1993, after adjusting for inflation.
- Similarly, in 1993, the proportion of families with children in which the head of the household worked but the family was still poor stood at 11.4 percent; by contrast, in 1977, some 7.7 percent of such families were poor.

In addition to declining labor market prospects for those at the bottom of the income spectrum, changes in family structure have contributed to the increase in poverty. Female-headed families were both a larger proportion of all families and of poor families in 1993 than in the late 1970s. At the same time, however, the effect of the growing number of female-headed families on poverty trends in the past 20 years is sometimes exaggerated. During this period, the average size of female-headed families became smaller and poverty also increased among two-parent families. As a result of these and other trends, the proportion of poor people living in female-headed families has remained fairly steady since the late 1970s. Census data show that 37.2 percent of all poor people lived in female-headed families in 1977. In 1993, this figure had increased only modestly to 39.4 percent.

A weaker safety net also has contributed to the rise in poverty for some groups. In 1993, fewer than one in every seven children who were poor before receipt of government benefits was lifted from poverty by cash benefits.<sup>14</sup> In 1979, nearly one in five children who was poor before receipt of cash benefits were lifted from poverty by them. (These data are not available for 1977.)

<sup>11</sup> In this analysis, the value of food stamps and housing assistance are considered income. This is not the way the official poverty statistics are calculated by the Census Bureau. The data presented on the antipoverty effectiveness of means-tested programs are based on information in the 1994 *Green Book*, U.S. House of Representatives, Committee on Ways and Means, pp. 1171-2.

<sup>12</sup> The poverty gap is calculated by adding together the amount by which every poor person's income falls below the poverty line.

<sup>13</sup> For discussions of the importance of declining wages and increased income inequality on poverty rates, see "Why Were Poverty Rates So High In The 1980s," Rebecca Blank in *Poverty and Prosperity in the USA in the Late 20th Century*, Demitri Papadimitriou and Edward Wolff, eds., and "Do Today's High Poverty Rates Reflect Economic or Demographic Changes," Sheldon Danziger and Peter Gottschalk, presented at the Association for Public Policy Analysis and Management, Annual Research Conference, October 1994.

<sup>14</sup> This decline in the proportion of children raised from poverty by government benefits is likely to reflect the combined effect of benefit reductions and wage erosion. Declining wages left many working families with children further below the poverty line, thus reducing the chances that the combination of wages and government benefits would lift them to the poverty line.

## WHAT IS THE VALUE OF BENEFITS PROVIDED TO AFDC FAMILIES?

There is often confusion surrounding the issue of the value of benefits families on AFDC receive, with some claiming that these families receive typically receive benefits totaling \$15,000. The income most recipients have to meet their basic needs is, in fact, modest, leaving families well below the poverty line.

- In 1994, the average AFDC family of three was eligible for a maximum of \$415 per month, or \$4,980 per year, in cash assistance.<sup>15</sup> Nearly three-quarters of all AFDC families included three or fewer members.
- Most AFDC families also receive food stamps. A family of three that received \$415 in AFDC benefits would receive about \$249 in food stamps.<sup>16</sup>
- Together, an average AFDC family of three receives a maximum of \$664 per month, or \$7,968 per year, in food stamp and AFDC benefits. This represents two-thirds of the poverty line.
- Average AFDC and food stamp benefits combined have fallen by more than one-quarter over the past two decades and have now receded to the level of AFDC benefits alone in 1960, before the food stamp program was created.

AFDC recipients, however, do receive other benefits and services in addition to food stamps. Most notably, AFDC recipients are "categorically eligible" for Medicaid.

Medicaid provides an important service to AFDC families. However, it is inappropriate to count Medicaid costs as "income" for families on AFDC. Medicaid payments go to doctors and hospitals, not AFDC recipients, and cannot be used to meet basic expenses such as food, shelter and clothing. Furthermore, a family that has numerous medical problems and, consequently, produces higher Medicaid costs for the government does not have more "income" with which to pay rent than a similar family receiving AFDC that does not have such high medical expenses. Including Medicaid in the calculations of the income available to AFDC recipients would be inconsistent with how other health assistance is described; most employed individuals do not consider the value of their employer-provided health care coverage when stating their income level. And few favor including the value of such coverage in their taxable income.

In addition to Medicaid, some AFDC families receive nutrition assistance through the WIC program, the School Lunch Program, the Low-Income Home Energy Assistance Program (LIHEAP), and subsidized housing. Unlike Medicaid (which provides medical insurance), these programs are more like cash assistance they help families meet monthly budgets. But benefits in WIC, the school lunch program, and LIHEAP are modest. And while housing benefits are larger, most AFDC families do not receive them. Only one-quarter of AFDC recipients receive housing assistance. AFDC recipients may participate in other programs, such as education or training programs, but these do not typically provide cash or cash-like assistance.

The three-quarters of families receiving AFDC who do not receive housing assistance must pay for food, clothing, shelter, and transportation with a family income that averages between \$8,000 and \$9,000 per year for a family of three, depending on whether the family receives WIC, free school meals, and LIHEAP. When one factors in the average amount that AFDC families receiving housing assistance appear to save on housing costs, even these families remain below the poverty line.<sup>17</sup>

## CONCLUSION

While many point to government spending on low-income programs as the cause of rising entitlement costs and budget deficits, non-medical means-tested programs

<sup>15</sup> This was calculated by taking the weighted average of the maximum AFDC benefit levels for a family of three in each state in 1994. The number of AFDC families with three members in each state in 1992 (the last year for which the data are available) was used as the weight. The weighted median maximum AFDC benefit for a family of three was a very similar \$420 per month. The weighted average of the maximum AFDC benefit for a family of three is higher than the maximum benefit in the median state. In the median state, the maximum AFDC benefit for a family of three equals \$366. The weighted average figure is higher because a number of larger states such as California have higher-than-average benefit levels. Furthermore, the higher a state sets the AFDC maximum benefit level, the more families will meet the eligibility criteria.

<sup>16</sup> This figure was calculated using the average shelter deduction for food stamp households that also receive AFDC.

<sup>17</sup> An average AFDC family of three that received housing assistance would pay an estimated \$100 per month for housing related costs. The average U.S. household with income between \$5,000 and \$10,000 spends \$345 per month on housing. Thus, at first glance the housing assistance appears to effectively increase the family's income by \$245. However, because food stamp benefits are partially determined by a family's housing costs, the food stamp benefits of a typical AFDC family of three that receives housing assistance would be reduced so that the housing assistance effectively raises an AFDC family's income by an estimated \$206 per month.

are not exploding in cost nor do they provide excessive benefits to poor families. Nearly all agree that the welfare system needs fundamental reform, but misperceptions about "welfare" spending should not drive the policy debate.

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PREPARED STATEMENT OF ORRIN G. HATCH

I would like to thank you, Mr. Chairman, for scheduling this series of hearings on welfare reform. The subject of welfare reform is a complex one with a myriad of consequences for so many Americans, and it deserves a thorough examination.

If there is one thing that every member of Congress agrees on, it is that there is something wrong with the current welfare system. It is severely broken and needs to be fixed. The welfare system today is destructive. It destroys self-esteem, families, and personal responsibility. These are hardly, in my view, positive outcomes of public policy.

Today we are here to focus on what the broad policy goals of welfare reform should be. I believe that the overriding goal of welfare reform must be the protection of our children and our families. Any welfare system must support the American family and facilitate that family's transition from dependence to self-sufficiency. The goal of our welfare system should not be to provide a permanent means of support for succeeding generations in the same family. If this often lamented cycle of poverty continues, we will have failed miserably in our reform efforts.

To do this, we must design a welfare system that is transitional. We should design a system that measures success in terms of families and individuals becoming tax payers, not tax recipients. We should focus on outcomes, not process and paperwork.

In looking to help American families become self-sufficient, we should emphasize work and preparation for work, including education, training, and job placement services. And, we should not ignore the need for support systems such as child care.

We must also design a system that will effectively deliver services and set priorities for a demographically diverse nation. I believe that in the past, we have sorely underestimated the ability of states to develop effective approaches. I do not believe that Washington bureaucrats and politicians can address the needs of Utah's low income citizens better than Utahns can. I just do not believe it. And, I think it is time we trusted our state leaders enough to turn over the resources to them to try.

Mr. Chairman, again, I want to thank you for embarking on this methodical examination of our current policies and delivery systems. I look forward to working with you and the members on both sides of this committee to develop legislation that will get back to what welfare reform means—strengthening our families and assisting them to become self-sufficient and independent. I look forward to developing a system that will help recipients to stand on their own two feet, not one that simply encourages codependence on government programs.

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PREPARED STATEMENT OF LAWRENCE M. MEAD

I am a Professor of Politics at New York University and, currently, a visiting professor at the Woodrow Wilson School at Princeton University. I have been researching and writing about welfare reform and welfare employment programs for about twenty years. I am pleased to testify in these crucial hearings on the future of welfare in America. I am also delighted to see Republicans in the seats of power in Congress for the first time in forty years.

Below, I describe what I take to be the main problems with welfare and what Washington should do about them. I understand "welfare" to mean chiefly Aid to Families with Dependent Children (AFDC), the main federal-state family welfare program. I think that raising work levels among adult recipients is the most feasible goal for reform, and that the best way to accomplish this is to reform the Job Opportunities and Basic Skills Training Programs (JOBS), the welfare employment program already attached to AFDC.

I sympathize with the current proposals of House Republicans to curb AFDC eligibility and limit time on the rolls, but these would cut welfare rather than use the program, as it could be used, to improve the lifestyle of the seriously poor. I oppose proposals to block-grant welfare to the states, as the effect could be to disestablish JOBS and remove the chief pressure to reform now bearing on the states. While some states would reform on their own, liberal states with the largest caseloads, such as New York and California, probably would not. Welfare reform—if it is to be serious—must be led from Washington.

## WHAT IS THE WELFARE PROBLEM?

For most people, in and out of government, two things are most worrisome about welfare—the extent of dependency and the fact that many of the recipients are long-term.

The welfare rolls has recently grown rapidly. After 15 years of stability, the number of AFDC recipients jumped 29 percent between 1989 and 1993. Today, about 14 million people or 5 million families live on AFDC.[1] Welfare would not be worrisome if people stayed on the rolls only briefly, to recover from disruptions such as divorce or the loss of employment. Indeed, about half the people who ever go on welfare are off it within two years. However, the recipients on the rolls at a given time tend to be long-term. Over half of them are due to spend 10 or more years on welfare, if one counts repeated spells.[2]

The growing prevalence of dependency, and prolonged dependency, seem to be due in turn mostly to two other forces:

- Unwed pregnancy: 53 percent of AFDC mothers in 1992 had never been married, a rate far above the average for the population.
- Nonwork: When surveyed, only 6 percent of AFDC mothers report working, even part time, a rate far below the norm for mothers, including single mothers.[3]

Unwed pregnancy is the main social force driving the recent increase in the rolls, whereas the earlier "welfare boom" of the 1960s and early 1970s was due more to a breakdown of the stigma surrounding welfare, to the willingness of more mothers who were already eligible to claim their benefits. It is mothers who go on welfare before marriage, especially as teenagers, who are the likeliest to stay on the rolls for years. Lack of steady employment is what chiefly differentiates welfare mothers from single mothers not in poverty, most of whom work full-year and full-time.[4]

If welfare mothers had commonly been married, worked regularly for a living alongside welfare, and stayed on welfare only briefly, AFDC would hardly be controversial. It is because the facts are otherwise that the welfare debate focuses mostly on reducing unwed pregnancy and raising work levels.

Other welfare issues are less pressing. Conservatives say that welfare is costly—but the expense is minor alongside that of Social Security and other middle-class programs, especially if one omits Medicaid, the large welfare health program, whose spending goes mostly to the elderly. Conservatives also point to "fraud and abuse," the fact that some recipients are ineligible and some benefits are overpaid—but, due to the federal "quality control" campaign, the overpayment rate was only 5 percent in 1991,[5] far below what prevailed twenty years ago during the previous welfare explosion.

Some liberals, on the other side, make an issue of inadequate benefits, the fact that AFDC in most states leaves welfare families well below the poverty line. But low income is itself largely the product of the same forces that drive AFDC, especially nonwork. It is commonly thought that poor families are forced onto welfare by the loss of breadwinners. But among the black poor, who include most long-term welfare recipients, most families are poor before the parents split up as well as after, simply because the parents seldom work regularly.[6]

The public wants policymakers to focus on unwed pregnancy and work issues. Studies show that most Americans seek to help the needy, but they oppose the "abuses" associated with welfare, especially unwed pregnancy and nonwork by welfare adults. People want to help families in distress provided the adults show that they are "deserving," above all by seeking to work. To the voters, the welfare issue is about morals, not economics. Americans are not offended by the cost of welfare per se, but neither will they approve further redistribution to the needy unless more poor adults work regularly. In fact, they are willing to spend more on welfare than we do, but only if doing so will turn it into a work program.[7] Voters endorse the idea of a social contract—of demanding obligations such as work from the able-bodied in return for aid. This ideal has animated most welfare reform thinking for the last decade.[8]

## REDUCING UNWED PREGNANCY

But can the forces behind growing welfare be stemmed? Conservative analysts say that unwed pregnancy is the greatest evil in welfare, the cause not only of dependency but other social ills.[9] On all sides, people call for a "family policy" that would solve this problem.

But we have no such policy. The great fact is that neither policymakers nor researchers have found any incentive, benefit, or other intervention that can do much to cut the unwed pregnancy rate. Experimental family programs, even the most intensive, show little impact on unwed childbearing among young welfare mothers,

the group most responsible for growing dependency. It is much easier to keep these mothers in school or put them to work than it is to keep them from getting pregnant.[10]

Some conservatives respond that it is hopeless to deter pregnancy as long as unwed mothers are assured of welfare. They advocate the abolition of welfare or, at least, denial of support to unwed mothers. But advocates of this view have not shown that the welfare system much to do with the rate of unwed pregnancy. The level of welfare benefits does affect dependency among eligible women, but influences on illegitimacy are slight. Studies from the 1980s do show stronger effects than earlier research, but the effects are still small.[11] It is possible that the total abolition of welfare would change behavior more, but there is no way to know this in advance.

There is even less reason to think that time limits would deter illegitimacy. To the disadvantaged teens most at risk of dependency, two years is an eternity. The distant knowledge that one cannot draw aid forever is unlikely to deter them from the risky sexual behavior that now gets them in trouble. Most likely, the effects of cuts and time limits would be, not to reduce unwed pregnancy or raise work levels, but to cause unwed mothers to seek out sources of support other than welfare or steady employment. They would probably live with other family members and, in many cases, cases money from illegal sources such as drug dealing.[12]

Cuts and time limits are also politically risky. They conflict with the humanitarian side of the public mind mentioned above. According to polls, most Americans oppose ending aid if it would mean taking children away from mothers. And while a majority support a two-year limit on aid, they do so only if it is clear that the recipients could support themselves by working. Indeed, if the recipients work, most people feel that aid need not be time-limited. The public much prefers to turn welfare into a work program rather than cut it back.[13]

Nonetheless, I still have some sympathy with cuts and time limits. Welfare is in crisis. Radical change is essential. Government may need to underline the value of personal responsibility through curbing aid even if the deterrent effect is doubtful. Most states have capital punishment because people feel it is justified for heinous offenses, even though one cannot show that it reduces crime. I only say that the likely effects of cuts and time limits will be symbolic. Congress should not expect sharp reductions in female-headedness, and it should expect opposition from some voters and well as advocacy groups.

#### WORK REQUIREMENTS

To demand that adult recipients work is a better way to reform welfare. It fits public attitudes, and it is something we know how to do. These are reasons why, for most of the last generation, "welfare reform" has largely meant adding work requirements to AFDC. Congress first voted work requirements in 1967 and has since strengthened them several times, most recently in the Family Support Act (FSA) of 1988.

Some analysts say that it is tougher to put the welfare poor to work today than previously because, in the last twenty years, real wages have not grown much, incomes have become more unequal, and real earnings have fallen for the unskilled. But the loss of earnings is mostly among men with high school education or less, and their problem results from a decline in working hours as well as lower wages. Wages among low-skilled women have not fallen, and they are the key group for reforming welfare. The greater losers from recent trends have been higher-skilled workers, who have more difficulty today securing jobs that pay a middle-class income.

What poor people need to escape poverty is mainly to work steadily at some legal job. Stagnant wages have lowered the cost of workers to employers, and this helps to explain why job creation in the last generation has been prodigious, outpacing the growth in the labor force. This means that jobs probably could be found for as many welfare adults as the nation desires to work, provided they enter the labor force gradually.[14]

Liberal analysts say that available jobs may not get a family off welfare or out of poverty, but they exaggerate how often this occurs. If welfare mothers worked full-time at the wages they could command, over three-quarters would leave welfare, meaning AFDC plus Food Stamps, and most of these would also escape poverty. Even working half-time, a more realistic level, a third would leave welfare.[15] The majority of welfare mothers who leave the rolls already do so through working.[16] and it appears that many more could do so.

The cry is that we have to "make work pay," but work already "pays." If it did not, going to work would not reduce dependency and poverty as it does. The main



economic problem for poor adults is low working hours, not low wages. There were 2 million adults who worked full-year and full-time in 1992 and still were poor, but there were 14 million who did not work at all.[17] Even if working poverty were more common, the first solution would still be to raise work levels among the poor. For once they were working, government would be much more ready to help them. While welfare is unpopular, Congress loves to help out struggling working people; in recent years it has raised the minimum wage (again under consideration this year), the Earned Income Tax Credit, and child care subsidies.

The key to raising work levels on welfare is reforming the JOBS program, the welfare employment structure now linked to AFDC. Evaluations of JOBS and predecessor programs show that they raise the earnings of their clients by as much as 49 percent, but only small reductions in dependency result, in part because the gains are from such a low base.[18] Liberals conclude that there is little point in making recipients work. Some conservatives conclude that work tests only pay homage to the work ethic, that government must do something more drastic—such as ending welfare or putting children in institutions—if it is to overcome poverty.[19]

I think the effect of work programs has been underestimated. I recently analyzed the determinants of the growth in state AFDC caseloads between 1989 and 1993. Much of that growth was driven by rising unwed births and the economic recession of those years. The same period, however, saw the implementation of JOBS. According to my estimate, AFDC growth in the average state over 1989–93 was reduced by:

- One percentage point for every percent of welfare adults that a state had active in the JOBS program in 1991.
- Another three-quarters of a point for every point by which the active share rose during 1991–3.

A tough JOBS program appears to be one reason why Wisconsin has reduced its welfare rolls, despite generous welfare benefits.[20] Very likely, JOBS has operated to restrain welfare growth nationwide.

Work programs also have positive effects at the level of the individual. It is good for the development of low-income children if their mothers work, notwithstanding the loss of childrearing time.[21] Welfare requirements like JOBS have even been shown to reduce unwed childbearing,[22] the very problem that most family intervention problems have failed to affect. So enforcing work would serve both the chief goals of welfare reform.

Also, the evaluations of work programs ask mainly how much economic gain they produce. The public wants welfare adults to work as a value in itself, whether or not economic gains result. From this viewpoint, the main goal of reform is simply to raise the level of activity among the adults—the share that are working, looking for work, or preparing for work in some way. This the programs achieve. When work programs of the 1980s were evaluated, recipients subject to them were found to be working, looking for work, or engaged in education or training at at least twice the rate of equivalent clients subject to earlier programs.[23]

#### HIGH-PERFORMING WORK PROGRAMS

I conclude that the best single thing Congress can do to reform welfare is to strengthen work requirements further. Research suggests that high-performing welfare employment programs emphasize:

- High participation: clients must participate actively in the program, not simply sign up.
- Actual work or looking for work, as against education or training.
- Tight administration, with clients closely supervised and sanctioned if uncooperative.[24] In a recent study of JOBS in Wisconsin, I found that the highest-performing counties:
- Minimized the delay between a client going on welfare and being referred to JOBS.
- Enrolled high proportions of recipients referred to JOBS, not allowing them to drop out.
- Placed high proportions of participants in motivational training and job search.
- Downplayed education and training in advance of work.
- Enforced these rules with case managers who followed up on clients closely.
- Minimized the use of government jobs.

In Kenosha County, the most exemplary program in the state, over a third of the caseload still on welfare is working, and participants do not normally undertake education or training until they are working part-time. Yet because of its high enrollment, the program still has more clients in remediation than lower-performing counties.

Most analysts say that JOBS must choose between placing many people in available jobs and training them for better ones. The first course gets people working, but only the second can get them permanently off welfare.[25] But in Wisconsin counties I visited, the high performers in job entries also did well on job quality. This is because, for the disadvantaged, simply working at available jobs is usually worth more for getting a better job than education or training. Most welfare recipients have done too poorly in school to improve their skills much in the classroom. Employers are more concerned that they show a steady work history, even if it is in low-paying positions.[26]

It is true that programs that place more clients in jobs achieve marginally worse rates of pay and retention in these jobs than programs that stress remediation, but the effects are weak alongside the power of work demands to generate sheer numbers of job entries. Work-oriented Kenosha combines work with training and achieves both job quantity and quality, while programs that aim at "better" jobs show no comparable power to achieve job entries. In California, work-oriented Riverside outperforms by most measures Alameda and Los Angeles, which spend much more on education and training.[27]

It is also said that welfare reform must cost more than welfare does now. But this is true only if, as the Clinton welfare plan recommends, one spends unnecessary sums on public jobs, training, or child care. Efficient programs such as Riverside stress placement in available jobs with a minimum of extras. They save significant sums of money for government as well as performing better than skills-oriented programs.

#### IMPROVING WORK PROGRAMS

JOBS in most localities is a long way from the Kenosha or Riverside model now. Congress' main goal during this reform effort should be to improve it. Neither the Clinton nor House Republican proposals is sufficient.

In JOBS, regulations demand that clients be assigned activities at least half-time and attend 75 percent of their assigned hours to be counted as participants. That level of effort seems practicable. However, for purposes of calculating state participation rates, the base is only the employable adults, who are 44 percent of all welfare adults, and a state may include recipients involved for less than 20 hours provided the average is 20. By the official measure, the average state participation rate was 23 percent in 1993, but the average rate of all welfare adults meeting the official participation standard was only 10 percent.[28]

The standard for state participation is too low. FSA mandates 20 percent on a monthly basis in 1995. That level translates into a majority of clients over a year, well above the participation levels achieved prior to JOBS. But it is well below potential. While the average state participation rate was 23 percent in 1993, Kenosha achieved 50 percent as early as 1990.[29]

The form of participation downplays actual work. FSA stipulates that recipients be assessed for employability prior to looking for work and does not mandate upfront job search. It creates presumptions that welfare mothers under 20 who have not completed high school will be put in educational activities in preference to work, even if they have dropped out of school. Partly for these reasons, JOBS programs in some states have diverted many recipients into remediation before they ever sought work. Cities like New York have spent massively on education and training with little to show for it.

The Clinton proposal would raise the participation floor in JOBS to 50 percent using the existing participation measure, much its most constructive provision. However, it seeks mainly to limit the time recipients can draw aid without working to two years. What if anything the recipients would have to do before then is left largely to states, so the connection of work and welfare remains loose. The Clinton plan says that the "job-ready" must look for work up front, but who is job-ready is left to the states. The big cities could go on allowing vast numbers to pursue higher credentials, usually to little good, in place of working. The plan also exempts recipients born before 1972. The Clinton plan does not match its own rhetoric about "ending welfare as we know it."

The work provisions of the Republican Personal Responsibility Act have shifted during deliberations in the House. The rules were weakened at the behest of governors seeking the block-granting of welfare, then toughened again. Currently, 50 percent of AFDC adults and 90 percent of adults in two-parent AFDC families would have to be in "work or related programs" by 2003. The hours demanded for participation would rise from 20 in 1996 to 35 by 2003.[30]

The participation rate is defined on a basis of all welfare adults, not just the "employable." This avoids the sophistries of the current participation measure, an im-

provement. I believe the 50 and 90 percent goals are feasible for localities by 2003 provided that "work and related programs" is defined to include remediation as well as actual employment in public or private jobs. On the other hand, those terms must not be understood so broadly as to include activities or statuses that make no demands on the recipients, or the work test could turn out to be no tougher than now.

A 35-hour standard for participation is, I believe, too tough for welfare adults other than parents in two-parent families. Perhaps most welfare mothers could get off welfare if they worked full-time, but that is more effort than government can expect, given that the mothers are usually disadvantaged and have child care responsibilities. Half time is more realistic, but this means that the majority of mothers will need some ongoing supplementation even if they work.

Both the Clinton and Republican plans seek to enforce a time limit by guaranteeing work, but a guarantee is impracticable. The Clinton plan can assure work only by exempting much of the caseload and providing government jobs to the rest, at great expense. The Republican work program would not be limited to public jobs, but states would still have to guarantee work to recipients for a year if eligibility were time-limited before five years. The difficulties of that could prevent making the work test real for much of the caseload.

Better to require the employable, not literally to work, but to work or look for work, both of which involve serious demands. This way, employment is not strictly required, but neither must it be guaranteed, and the pitfalls of large-scale government jobs are avoided. No doubt, it would be difficult to send large numbers of recipients out looking for jobs and monitor their compliance, but I judge from talking to JOBS staff that this is easier than running a vast public jobs network.

#### IMPROVEMENTS IN JOBS

I would make the following changes in JOBS, and to achieve these should be the main goals of the current round of reform. For state programs I would:

- Reduce the time permitted between initial receipt of welfare and the referral of adults to JOBS to no more than a month.
- Eliminate up-front assessment and replace it with up-front job search for all adult recipients other than teen mothers still in school.
- Eliminate the presumptions in favor of remediation rather than work for teen mothers who have dropped out of school.
- Change the participation measure to the percent of all welfare adults active in JOBS and raise the general participation floor to 50 percent, with several years of phase-in, with participation to include actual work, work search, and authorized remediation.
- Set standards for what shares of this participation must be devoted to actual work and work search, as against remediation. Higher work levels would be demanded of states with low unemployment and with high proportions of their population on AFDC. Details here should be left to regulations.
- Develop other performance measures for the quantity and quality of the jobs achieved through JOBS., with some tie to funding, to create incentives for states to get recipients entirely off welfare.
- Abandon the current requirement that 55 percent of JOBS funds be spent on certain disadvantaged subgroups of recipients. Such labels do not well predict who is employable, and targeting becomes less important as participation levels rise.

For recipients, I would:

- Require that they work or look for work half-time for as long as they are on welfare. Job search would last until clients were working at least half-time, and would resume any time they left a job.
  - Recipients with newborn children would be assigned to some form of local, unpaid community service until the child turned 1, but it would still be half-time and monitored. For children born while on welfare, this period, as in the Clinton plan, would be shortened to 12 weeks.
  - Recipients who failed to find work within 8 weeks would be assessed and assigned either to renewed job search, unpaid work, or elementary remediation if essential to any available employment.
  - The only total exemption would be for recipients to establish eligibility for the disability programs and leave AFDC.
- Impose this requirement as soon as mothers went on welfare in most cases. I would allow a grace period of six months for mothers who were widowed, divorced, or separated, but not unwed mothers.

- Allow education or training beyond the elementary only for those working at least half-time. The only exception would be for teen mothers still in high school.
- Strengthen the sanction for noncompliance with JOBS to the termination of the entire welfare grant, as for other welfare offenses, not just the offender's share of the grant.

#### BLOCK-GRANTING WELFARE

I am uncomfortable with dismantling national standards for welfare to the extent House Republicans propose. I do not see a mandate in the recent election to do this. The voters asked to make government more responsive and more functional, not to devolve it to the local level. To improve welfare, I believe, requires changing the federal role, not abandoning it.

Arguments for devolution exaggerate the degree of control Washington now has over welfare. States already control benefit levels in AFDC, and federal regulations mostly have to do with quality control, child support, and work requirements.

The main effect of block grants would be to disestablish the JOBS program, which has been the major force pushing states with large caseloads to reform. Money for JOBS would be included in the block grant along with money for benefits, and benefits would no longer be an entitlement to eligibles. It is possible that Congress and state legislatures would continue to fund AFDC fully so that all eligibles were covered. Congress has done this with Food Stamps. Otherwise, JOBS funds could well be eaten up by rising benefit needs. It would then be impossible to implement a serious work policy, whatever work rules remained in federal law.

The devolution of welfare would not serve conservative values as some Republicans think. Permissive versions of welfare are entrenched in a number of states and cities, most notably New York. To eliminate national standards, even to curb funding, would not end this liberal welfare, but perpetuate it, albeit with less federal support. Perhaps remaking welfare locally is the responsibility of states, but the voters have failed to achieve that in New York, due to liberal lobby groups, an impacted bureaucracy, and the influence of liberal politicians entrenched in the legislature.[31] Albany continues to fund welfare policies that are probably more lavish and certainly more permissive than New Yorkers want.[32] I doubt even the recent election of a Republican governor and a Republican mayor of New York can change this. Much the same appears to be true in California, Massachusetts, and other affluent states.

To change welfare, ordinary New Yorkers need help from Washington—the sort of tough work standards I have recommended. Republicans are too used to thinking that federal domestic policies must inevitably be liberal. The GOP has held the White House for most of the last generation, and has achieved growing power in Congress. While the whole government has not yet fallen into Republican hands, it is twenty five years since federal social policy was unambiguously liberal. Many Democrats are starting to think that, as national policies have turned right, their best chance of preserving a liberal social policy is at the state and local level.

The nation may be returning to the situation at the beginning of the century, when Republicans also ruled Washington and the Progressive movement worked to expand social programs in states and cities. The welfare state expanded from the local level to the nation only when Democrats took over Washington in 1932. Now that Republicans again hold national power, they should use it to chasten the overblown welfare systems of liberal states—not take the heat off by getting rid of national welfare policy.

In practical ways, much of the implementation of a national welfare policy can be devolved to localities, and to nonprofit and even proprietary as well as government agencies. To do that is part of what "reinventing government" requires.[33] It is the standards, not the administration, of welfare that must be national. It is by changing these rules, above all, that Washington can turn welfare into a work program, which is what Americans want.

Decisions about who is eligible for aid and what they must do for it are not obscure matters beneath the notice of Washington, like where to put a post office or how much to spend on local schools. They express part of what one gets and gives by being an American. They amount to an operational definition of citizenship. Requirements like work tests enforce the common obligations that, as much as common rights, constitute what Americans understand as equality.[34] Decisions about such norms must be national.

Americans, to judge from polls, want to help the needy wherever they live, not only in their own communities. In return, they want these needy to adhere to common civilities, such as work, wherever they live. Americans must have a practical

and a moral objection to the fact that a million people subsist on welfare in New York City, even if they do not live there. To express this sort of popular will, a national welfare policy is indispensable.

The stakes are ultimately spiritual. The religious traditions of Americans, though diverse as to creed, agree that the individual is a child of God. From that follows immeasurable dignities and responsibilities, even beyond those of citizenship. Americans are called by their Creator to live out meaningful lives, obeying timeless principles and fulfilling their personal destinies. Welfare policy cannot express ultimate beliefs, but it must embody an image of the individual that is at least consistent with this heritage. It must honor the person. Not to help people in distress or not to expect them to function in minimal ways in return for support is deeply to dishonor them. The nation can express such convictions only if a national welfare policy endures.

A division lies at the heart of conservatism. Does one question government, or use it for conservative ends? Traditionally, Republicans have opposed federal power, seeking to free society and the economy from unjustified constraints. As long as the national government was liberal, to do this was only prudent. But now that liberalism is in retreat, antigovernment conservatism squanders an opportunity. The leading challenge of America today no longer is to preserve the free economy, crucial though that is. Rather, it is to defend order against the social problems linked to the seriously poor—crime, school failure, drug addiction, as well as dependency. Ordinary Americans want values such as the work ethic and law-abidingness upheld by public as well as private authorities. When they say they want government to work better, this above all is what they mean.

It is time for Republicans to claim the other half of their tradition—to use national power as appropriate to uphold social values. In doing this, they follow the great governmental conservatives in their own past—Alexander Hamilton, Abraham Lincoln, Theodore Roosevelt. Even Ronald Reagan used government as well as curbing its pretensions. It was Reagan, and after him George Bush, who are chiefly responsible for the welfare employment programs we have today, which still afford our best hope of transforming welfare. The way forward in welfare is to continue that reform tradition, and not to abandon it.

#### ENDNOTES

<sup>1</sup> U.S. Congress, House, Committee on Ways and Means, *Overview of Entitlement Programs: 1994 Green Book* (Washington, DC: U.S. Government Printing Office, July 15, 1994), p. 395.

<sup>2</sup> Mary Jo Bane and David T. Ellwood, *Welfare Realities: From Rhetoric to Reform* (Cambridge, MA: Harvard University Press, 1994), pp. 30–40.

<sup>3</sup> U.S. Congress, *1994 Green Book*, pp. 401–2. Some research finds that welfare mothers work more than they admit, but the level is still well below that of single mothers not on welfare.

<sup>4</sup> U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States: 1991*, Series P-60, No. 181 (Washington, DC: U.S. Government Printing Office, August 1992), pp. xiv–xv.

<sup>5</sup> U.S. Congress, *1994 Green Book*, p. 425.

<sup>6</sup> Mary Jo Bane, "Household Composition and Poverty," in *Fighting Poverty: What Works and What Doesn't*, ed. Sheldon H. Danziger and Daniel H. Weinberg (Cambridge, MA: Harvard University Press, 1986), chap. 9.

<sup>7</sup> Lawrence M. Mead, *The New Politics of Poverty: The Nonworking Poor in America* (New York: Basic Books, 1992), pp. 57–61.

<sup>8</sup> Lawrence M. Mead, *Beyond Entitlement: The Social Obligations of Citizenship* (New York: Free Press, 1986).

<sup>9</sup> Charles Murray, "The Coming White Underclass," *Wall Street Journal*, October 29, 1993, p. A14.

<sup>10</sup> Rebecca A. Maynard, "The Effectiveness of Interventions Aimed at Reducing the Incidence of Teenage Pregnancy and Mitigating the Consequences of Early Childbearing" (Philadelphia: University of Pennsylvania, Graduate School of Education, October 5, 1994).

<sup>11</sup> Robert Moffitt, "Incentives Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature* 30 (March, 1992): 27–31. One excellent recent study, M. Anne Hill and June O'Neill, "Underclass Behaviors in the United States: Measurement and Analysis of Determinants" (New York: City University of New York: Baruch College, Center for the Study of Business and Government, August 1993), pp. 79, finds effects on unwed pregnancy only for whites.

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*Poverty, and the Underclass* (Cambridge, MA: Harvard University Press, 1992), chap. 6.

<sup>13</sup>Maureen Dowd, "Americans Like G.O.P. Agenda But Split on How to Reach Goals," *New York Times*, December 15, 1994, p. A24; Richard Lacayo, "Down on the Downtrodden," *Time*, December 19, 1995, p. 32; Peter G. Gosselin, "GOP Returns to Hard Line on Welfare," *Boston Globe*, January 14, 1995, p. 6; Richard L. Berke, "Poll Finds Public Doubts Key Parts of G.O.P.'s Agenda," *New York Times*, February 28, 1995, pp. A1, A21.

<sup>14</sup>Demetra Smith Nightingale and Robert H. Haveman, eds., *The Work Alternative: Welfare Reform and the Realities of the Job Market*, Washington, DC: Urban Institute Press, 1995), chs. 3-4.

<sup>15</sup>Charles Michalopoulos and Irwin Garfinkel, "Reducing the Welfare Dependence and Poverty of Single Mothers By Means of Earnings and Child Support: Wishful Thinking and Realistic Possibility" (Madison: University of Wisconsin, Institute for Research on Poverty, August 1989), Mary Jo Bane and David T. Ellwood, "The Dynamics of Dependence: The Routes to Self-Sufficiency" (Cambridge, MA: Urban Systems Research and Engineering, June 1983), p. 57.

<sup>16</sup>Kathleen Mullan Harris, "Work and Welfare Among Single Mothers in Poverty" (Chapel Hill: University of North Carolina, Department of Sociology, November 1992), pp. 18-19.

<sup>17</sup>U.S. Department of Commerce, Bureau of the Census, *Poverty in the United States: 1992*, Series P-60, No. 185 (Washington, DC: U.S. Government Printing Office, September 1993), table 14.

<sup>18</sup>Judith M. Gueron and Edward Pauly, with Cameran M. Lougy, *From Welfare to Work* (New York: Russell Sage Foundation, 1991), pp. 26-30; James Riccio, Daniel Friedlander, and Stephen Freedman, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, September 1994).

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<sup>20</sup>Lawrence M. Mead, "The New Paternalism in Action: Welfare Reform in Wisconsin" (Milwaukee: Wisconsin Policy Research Institute, January 1995). The figures given for JOBS' effects represent slight revisions of those in the paper.

<sup>21</sup>Deborah Lowe Vandell and Janaki Ramanan, "Effects of Early and Recent Maternal Employment on Children from Low-Income Families," *Child Development* 63 (1992): 938-49.

<sup>22</sup>Robert D. Plotnick, "Welfare and Out-of-Wedlock Childbearing: Evidence from the 1980s," *Journal of Marriage and the Family* 52 (August 1990): 735-46.

<sup>23</sup>Mead, *New Politics of Poverty*, pp. 167-8.

<sup>24</sup>Lawrence M. Mead, "Should Workfare Be Mandatory? What Research Says," *Journal of Policy Analysis and Management* 9, no. 3 (Summer 1990): 400-4; idem, "The Potential for Work Enforcement: A Study of WIN," *Journal of Policy Analysis and Management* 7, no. 2 (Winter 1988): 264-88.

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<sup>26</sup>Mead, "New Paternalism in Action."

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<sup>29</sup>Michael Wiseman, "Sample Family Support Act Job Opportunity and Basic Skills Training (JOBS) Participation Data (Revised)" (Madison: University of Wisconsin—Madison, La Follette Institute of Public Affairs, November 24, 1991).

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<sup>31</sup>Lawrence M. Mead, "Kicking New York's Dependency Habit," *City Journal*, vol. 1, no. 4 (Summer 1991): 41-9.

<sup>32</sup>Richard J. Behn and Douglas Muzzio, *Empire State Survey: New Yorkers on the Limits of Welfare* (New York: Empire Foundation and Lehrman Institute, 1994).

<sup>33</sup>David E. Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).

<sup>34</sup>Mead, *Beyond Entitlement*, chs. 10-11.

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## PREPARED STATEMENT OF ROBERT RECTOR

## INTRODUCTION

The War on Poverty has failed. It has been thirty years since President Lyndon Johnson launched his "unconditional war." But in most respects, the problems of the poor, the underclass and the inner city have actually gotten worse, not better, in the subsequent years.

This failure is not due to a lack of spending. In 1993, federal, state and local governments spent \$324 billion on means-tested welfare programs for low income Americans. Welfare now absorbs 5% of GDP up from 1.5% in 1965 when the War on Poverty began. Though Johnson declared that "the days of the dole are numbered," welfare now involves an ever expanding share of the population. Today nearly one out of seven American children is enrolled in AFDC with Uncle Sam's welfare check serving as a surrogate father.<sup>1</sup> About half of the children currently on AFDC will remain on welfare for over ten years.<sup>2</sup>

Swollen AFDC rolls are in turn a response to rising illegitimacy; two out of three black children in the U.S. are now born out of wedlock, up from around 25% when the War on Poverty began. Rapid increases in illegitimacy are also occurring among low income whites; the illegitimate birth rate among white high school drop-outs is 48%. Overall, over 30% of American children are now born to single mothers.

The core feature of the U.S. welfare system, and its central problem, is that it subsidizes and thus promotes self-destructive behavior. Specifically, the welfare system promotes: non-work, illegitimacy, and divorce. Welfare, insidiously, creates its own clientele; by undermining work ethic and family structure, the welfare state generates a growing population in "need of aid." Welfare bribes individuals into courses of behavior which in the long run are self-defeating to the individual, harmful to children, and, increasingly, a threat to society.

A dramatic reform, reversing the trends of the last thirty years, is required. Real reform would convert welfare from a one way hand-out into a system of mutual responsibility in which welfare recipients would be given aid but would be expected to contribute something back to society for assistance given. A reformed system must strongly discourage dependency and irresponsible behavior and encourage constructive behavior. It must firmly control soaring welfare costs which are slowly bankrupting the nation. Finally, and most importantly, welfare reform must reduce the illegitimate birth rate in the U.S. and promote the formation of stable two parent families. Any "reform" which does not dramatically reduce the illegitimate birth rate will not save money and will fail to truly help America's children and society.

True reform must be based on four specific goals:

- (1) Controlling costs and providing state flexibility;
- (2) Establishing Sensible Workfare;
- (3) Reducing Illegitimacy;
- (4) Fostering Moral and Cultural Renewal.

## THE SCOPE OF THE WELFARE STATE

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

(1) *Sustaining Living Standards Through Cash and Non-Cash Transfers.* Federal and state governments provide cash aid, food, housing and medical assistance. These programs are intended to directly raise an individual's material standard of living. Such aid directly substitutes for the private sector income which the welfare recipient is presumed to be incapable of earning for him or herself.

(2) *Promoting Self-Sufficiency.* A smaller number of government programs are intended to increase the cognitive abilities, earnings capacity and living skills of lower income persons. Typical programs in this category would include government job training programs for low skilled individuals or special education programs targeted at disadvantaged persons.

(3) *Aiding economically distressed communities.* The federal government also provides aid to governments in low income or economically distressed areas. The

<sup>1</sup> U.S. House of Representatives, Committee on Ways and Means, 1993 *Green Book: Background Material and Data on Programs within the Jurisdiction of the Committee on Ways and Means*, (Washington, D.C.: U.S. Government Printing Office, 1993) p. 688.

<sup>2</sup> *Ibid.*, p. 714.

nominal intent of this aid is to broaden the economic opportunities within the community and thereby indirectly to benefit low-income persons who live there.

#### *Targeted, Categorical, and Means-Tested Programs*

An additional criterion for defining the welfare state is that welfare programs are individually means-tested, community targeted, or categorical. Community targeted programs provide assistance to communities which either have a high percentage of poor and low income persons or are "economically distressed." Categorical welfare programs provide aid to specific disadvantaged or needy groups such as migrant farm workers, homeless persons, or abandoned children.<sup>3</sup>

"Individually means-tested" programs also provide aid directly to low income and poor persons. A wide variety of government programs such as cash, food, housing and medical care can be "means-tested." Roughly 95 percent of total welfare spending takes the form of means-tested aid directly to individuals. Means-tested programs restrict eligibility for benefits to persons who have "means" (i.e. non-welfare income) below a certain level. Individuals who have non-welfare income above a specified cut off level cannot receive aid. Thus, Food Stamps and public housing are "means-tested" programs, because benefits are limited to lower income persons. By contrast, Social Security and public schools are not "means-tested."<sup>4</sup>

#### *Total Welfare Spending*

Total federal and state spending on welfare programs was \$324.3 billion in FY 1993. Of the total, \$234.3 billion or 72% comes from federal funding and \$90 billion or 28% comes from state or local funds. But these figures significantly understate the role of the federal government in welfare. Many federal welfare programs require a state government contribution; in order for individuals within a state to receive aid from these federal programs, the state government must match or pay a certain share of federal spending in the state on that program. Out of the total of \$90 billion in state and local welfare spending described in this paper fully \$78.6 billion takes the form of state and local contributions to federally created welfare programs. Of total welfare spending of \$324 billion, only \$11.4 billion or 3.5% is spending for independent state welfare programs.<sup>5</sup>

#### *Categories of Welfare Spending*

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

*Cash Aid.* The federal government operates eight major means-tested cash assistance programs. Many state governments also operate independent cash programs termed General Assistance or General Relief. Total cash welfare spending by federal and state governments reached \$71.5 billion in FY 1993.

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

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

<sup>3</sup> Although a categorical program will not have formal financial means-test (as described in the main text), the nature of the group served as well as the method of operating the program will result in the bulk of assistance going to low income persons.

<sup>4</sup> Some programs such as Guaranteed Student Loans are formally means-tested but the means-test or income cut off is so high that the program benefits mainly the middle class. Despite the means-test, such programs should not be considered part of the welfare system, and have not been included in the programs listed or spending totals calculated for this paper.

<sup>5</sup> Comprehensive figures on independent state and local welfare spending are difficult to obtain. It is possible that there is as much as \$10 to \$15 billion dollars in independent state and local welfare spending which is not included in this report. However, even if this extra state and local spending were included in the spending totals, the welfare system would still be overwhelmingly federal in structure.



**Medical Aid.** The federal government runs 8 medical programs for low income persons. Many states operate independent medical General Assistance programs. Total medical aid equalled \$155.8 billion in FY 1993.<sup>6</sup>

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

**Education Aid.** The federal government runs 10 programs providing educational assistance to low income persons, disadvantaged minorities, or low-income communities. Total spending equalled \$17.3 billion in FY 1993.

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

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

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

A list of specific programs is provided at the end of the paper.

### *The Growth of the Welfare State*

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

- In constant dollars federal, state and local governments now spend 9 times as much on welfare as in 1964 when the War on Poverty was beginning. Welfare spending per capita in constant dollars is seven times as high as in 1964.
- After adjusting for inflation welfare spending per capita today is five times as high as during the Great Depression when a quarter of the work force was unemployed.
- Welfare spending is absorbing an ever greater share of the national economy. In 1964 welfare spending equalled 1.23 percent of Gross Domestic Product. By 1993, spending had risen to 5.1 percent of GDP; This was a record high, exceeding the previous peak set during the Great Depression.
- Welfare spending in FY 1991, FY 1992, FY 1993 exceeded defense spending for the first time since the 1930's.
- There are repeated claims that Ronald Reagan "slashed" welfare spending. In reality welfare spending grew during the 1980's, after adjusting for inflation. In 1993, per capita welfare spending in constant dollars was 43 percent higher than when President Reagan took office in 1980.
- Contrary to some claims the growth in welfare spending has not been limited to medical aid. In constant dollars, per capita cash, food and housing aid is now 31 percent higher than in 1980 and 4.6 times higher than in 1964.
- Since the onset of the War on Poverty, the U.S. has spent over \$5.3 trillion on welfare. But during the same period, the official poverty rate has remained virtually unchanged; dependency has soared; the family has collapsed and illegitimacy has skyrocketed. And crime has escalated in direct proportion to the growth in welfare spending.

### GOAL 1: CONTROLLING WELFARE COSTS AND PROVIDING STATE FLEXIBILITY

The U.S. welfare system may be defined as the total set of government programs explicitly designed to assist poor and low income Americans. The federal government currently runs at least 76 interrelated and overlapping means-tested welfare programs.<sup>7</sup> Many states operate independent state programs in addition to the federal programs. The welfare system includes: cash aid programs; food programs; medical aid programs; housing aid programs; energy aid programs; jobs and training

<sup>6</sup> this figure includes the share of Medicare which goes to persons with incomes below the poverty level at a total cost of \$15.5 billion. These funds largely represent the "Medicaid buy in to Medicare" by which the Medicaid system pays the premiums for poor persons to enable them to enroll in and receive benefits from Medicare.

<sup>7</sup> Welfare programs included in this discussion include means-tested welfare programs as well as a small number of federal programs targeted to economically depressed communities. Means-tested programs are available only to poor and low income Americans. For example, Social Security is not means-tested but Food Stamps is. For a list of major means-tested programs and spending figures contact Will Lauber at the Heritage Foundation (202-546-4400). See also testimony by Robert Rector before the Subcommittee on Human Resources of the House Ways and Means Committee on January 13, 1995.

programs; targeted and means-tested education programs; social service programs; and urban and community development programs. Total federal and state spending on means-tested welfare programs was \$324.3 billion in FY 1993. Of the total, \$234.3 billion or 72% comes from federal funding and \$90 billion or 28% comes from state or local funds.

The welfare state, after remaining at low levels through the 1950's and early 1960's, has undergone explosive growth since the onset of the War on Poverty. In inflation adjusted terms, welfare spending has grown in every year except one since the mid-sixties. In constant dollars federal, state and local governments now spend 9 times as much on welfare as in 1965 when the War on Poverty was beginning. Welfare spending per capita in constant dollars, is five times as high as in 1965.<sup>8</sup>

From the start of the War on Poverty in 1965 to the present, welfare spending has cost the taxpayers \$5.3 trillion in constant 1993 dollars. This is greater than the cost of defeating Germany and Japan in World War II, after adjusting for inflation.

Moreover, there is not even the faintest glimmer of "light at the end of the tunnel" for the end of the War on Poverty. According to the Congressional Budget Office total annual means-tested welfare spending will rise to \$538 billion and 6 percent of GDP by 1999. By that year the U.S. will be spending more than two dollars on welfare for each dollar spent on national defense. While a major portion of the projected growth of welfare spending is for medical services, other programs will show steady growth as well. For example, spending on cash, food, and housing programs are projected to grow by over a third during the next five years.

*Solution: End Welfare Entitlements, Convert Separate Means-tested Programs into a Welfare Block Grant, and Cap the Growth of Welfare Spending at the Rate of Inflation.*

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

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

Similarly the entitlement nature of Medicaid should be eliminated. Medicaid and other means-tested medical programs should be converted into a single medical block grant for the states which would increase at the rate of medical inflation. Block granting medical and non-medical means-tested programs and restricting the growth in funding to the respective rates of inflation would save roughly \$150 billion over the next five years.

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

While such a block grant approach would give the state governments infinitely more flexibility than the current system, we should not have a system of "zero responsibility block grants." The use of federal block grant funds must be governed by a few basic moral and structural principles established at the federal level. These principles are discussed in goals two, three, and four below.

#### GOAL 2: REQUIRING WORK

The growth of the welfare state has coincided with a decline in labor force attachment. In 1960, among the lowest income quintile of population, nearly two thirds of households were headed by persons who worked. By 1991 this figure had fallen

<sup>8</sup> Welfare spending per capita measures total welfare spending divided by the full U.S. population.

to around one third, and only 11 percent had household heads who worked full time throughout the year. Part of this decline in employment can be attributed to the increasing number of retired elderly households in this income group, but an equally important factor is the decline in labor force participation among non-elderly heads of households.

For a growing number of poor Americans, the existence of generous welfare programs makes not working a reasonable alternative to long-term employment. During the late 1960s and early 1970s, social scientists at the Office of Economic Opportunity (OEO) conducted a series of controlled experiments to examine the effect of welfare benefits on work effort. The longest running and most comprehensive of these experiments was conducted between 1971 and 1978 in Seattle and Denver, and became known as the Seattle/Denver Income Maintenance Experiment, or "SIME/DIME."<sup>9</sup>

Advocates of expanding welfare had hoped that SIME/DIME and similar experiments conducted in other cities would prove that generous welfare benefits did not adversely affect work effort. Instead, the SIME/DIME experiment found that every \$1.00 of extra welfare given to low-income persons reduced labor and earnings by \$0.80.<sup>10</sup> The significant anti-work effects of welfare benefits were shown in all social groups including single persons, married women, single mothers, and husbands. The results of the SIME/DIME study are directly applicable to existing welfare programs: Nearly all have strong anti-work effects like those studied in the SIME/DIME experiment.

Recent research by Dr. June O'Neill of Baruch College in New York city has confirmed that higher welfare benefits increase the number of individuals who leave the labor force and enroll in welfare. A 50 percent increase in monthly AFDC and Food Stamp benefit levels was found to lead to a 75 percent increase both in the number of women enrolling in AFDC and in the number of years spent on AFDC.<sup>11</sup> In other words increases in benefits' value causes a dramatic expansion in welfare caseloads.

Another extremely important research discovery by Dr. O'Neill is that high AFDC benefits reduce the employment of young adult men in a community even though few, if any, of these men are direct beneficiaries of AFDC payments. High AFDC benefits were found to reduce the employment of young adult men in a community by some 50 percent. The high AFDC benefit levels apparently affect the work behavior of young men in two ways. First, high benefits reduce the probability of marriage and thereby reduce the necessity for a young man to work to support a family. Second, it is likely that many young single men who are boyfriends to single mothers on AFDC indirectly share in the mother's welfare benefits; higher benefits thereby reduce the male's need for work.<sup>12</sup>

#### *Solution: Establish Serious But Sensible Workfare and Recognize the Failure of Job Training Programs*

Welfare should not be a one way hand-out; at least some welfare recipients should be required to perform community service in exchange for benefits received. However, workfare programs can quickly degenerate into an expensive boondoggle. Workfare can reduce welfare costs and caseloads, but only if it is properly targeted. Proper targeting means that workfare should be focused on those welfare recipients who are most employable.

Therefore workfare requirements should be imposed initially on able-bodied, non-elderly single persons on welfare, followed by fathers in two parent families on welfare and absent fathers who fail to pay child support for welfare children.<sup>13</sup> After

<sup>9</sup> SRI International, *Final Report of the Seattle-Denver Income Maintenance Experiment, Vol. 1, Design and Results*, (Washington, D.C.: SRI, May, 1983).

<sup>10</sup> Gregory B. Christiansen and Walter E. Williams, "Welfare Family Cohesiveness and Out of Wedlock Births," in Joseph Peden and Fred Glahe, *The American Family and the State* (San Francisco: Pacific Institute for Public Policy Research, 1986), p. 398.

<sup>11</sup> M. Anne Hill and June O'Neill, *Underclass Behaviors in the United States: Measurement and Analysis of Determinants* (New York City: City University of New York, Baruch College, August 1993), research funded by Grant No. 88ASPE201A, U.S. Department of Health and Human Services.

<sup>12</sup> *Ibid.*

<sup>13</sup> For example, modest work requirements on males in the Food Stamp program have been shown to significantly reduce welfare rolls, cutting welfare cost by nearly a third and immediately saving several dollars in welfare expenditures for every dollar spent operating the work program. See data on the San Diego Food Stamp workfare program in U.S. Department of Agriculture, Food and Nutrition Service, Office of Analysis and Evaluation, *Food Stamp Work Registration and Job Search Demonstration: Final Report*, Contract No. 53-3198-0-85, July 1986, pp. 169, 251.

workfare has been put in operation for the preceding groups, those single mothers on AFDC who do not have pre-school children should be required to work.

High daycare expenses mean that putting a single mother with a young child to work in a community service work program costs roughly two to three times as much as requiring a mother with an older child to work. Because work programs inevitably operate within fixed budgets, an emphasis on workfare participation by mothers with younger children leads to a sharp reduction in the total number of persons who will be required to work. But around half of AFDC single mothers do not have any pre-school children under age five. Workfare should be imposed on single mothers with younger children under five only after most mothers with older children have been required to work. (However, if an AFDC mother gave birth to an added child after her initial enrollment in AFDC, that child would not exempt her from work requirements even if the child were under age 5. This rule is needed to prevent mothers from having additional children to escape the work requirement.)

Efforts to promote self-sufficiency also must take into the record of complete failure in government training programs. A popular panacea in the welfare debate is to provide education and job training to welfare recipients to enable them to obtain "good jobs" and become self-sufficient. Unfortunately, despite over three decades of experience the government has never been able to run training programs which raise the wage rates of welfare recipients by more than a tiny amount. For example, the U.S. Department of Labor recently completed a controlled scientific evaluation of its massive Job Training Partnership Act (JTPA) program. Labor's own evaluation of JTPA showed the program had little effect on the wages of trainees. The average hourly wage of female trainees was raised by 3.4 percent; the hourly wages of males were not increased at all.<sup>14</sup>

The complete lack of effectiveness of government training programs is especially salient given the very low cognitive ability levels of many mothers on AFDC. A recent study by Child Trends, Inc. finds that mothers in the Aid to Families with Dependent Children program have significantly lower math and verbal abilities than other women of the same ethnic group who were not enrolled in welfare programs. When all U.S. women are ranked according to basic math and verbal skills, over half of welfare mothers are found to have cognitive skill levels placing them in the bottom 20 percent of the overall population. The study states: "The average aptitude or achievement scores of welfare mothers are significantly below the mean of even the lowest of the occupational classes."<sup>15</sup> The government can do little if anything to alter these cognitive skill levels.

The very low cognitive abilities of welfare mothers coupled with the impotence of government educational and training programs and the cost of child care underscore the futility of reform schemes aimed narrowly at making unwed mothers employed and self-sufficient. Rather than reforms aimed at enabling single mothers to "go it alone," what is needed are more fundamental changes aimed at reducing illegitimacy and restoring marriage. Throughout history societies have understood a basic truth: raising children is a difficult and expensive task which generally requires the efforts of the mother and father bound by the commitment of marriage. It is very difficult for a single parent to devote the great time and emotional effort needed to raise a child while also working to support the family. The importance of marriage and the contribution of both parents is intensified in the case of parents with low personal skills and earning capacity.

### GOAL 3: COMBATTING ILLEGITIMACY

Welfare's most ominous feature is its corrosive effect on family structure, driving up illegitimacy which in turn is a powerful factor contributing to almost all other current social problems. President Clinton himself has acknowledged that family disintegration is a leading cause of crime in the U.S.<sup>16</sup> The President has also ad-

<sup>14</sup> U.S. Department of Labor, Employment and Training Administration, *The National JTPA Study: Title II-A Impacts on Earnings and Employment at 18 Months*, Research and Evaluation Report 93-C, Washington, D.C., U.S. Department of Labor, 1993.

<sup>15</sup> Nicholas Zill, Kristin Moore, Christine Ward, and Thomas Stief, *Welfare Mothers as Potential Employees: a Statistical Profile Based on National Survey Data*, February 25, 1991, Child Trends, Inc., 2100 M Street N.W., Suite 610, Washington, D.C. 20037.

<sup>16</sup> Transcript of Presidential Remarks, Office of the Press Secretary, the White House, "Remarks by the President to the 86th Annual Holy Convocation of the Church of God in Christ," Mason Temple Church of God in Christ, Memphis Tennessee, November 13, 1993.

mitted that welfare plays a strong role in promoting illegitimate births and single parent families.<sup>17</sup>

The onset of the War on Poverty directly coincided with the disintegration of the low-income family—the black family in particular. At the outset of the Second World War, the black illegitimate birth rate was slightly less than 19 percent. Between 1955 and 1965 it rose slowly, from 22 percent in 1955 to 28 percent in 1965. Beginning in the late 1960s, however, the relatively slow growth in black illegitimate births skyrocketed—reaching 49 percent in 1975 and 68 percent in 1991. If current trends continue, the black illegitimate birth rate will reach 75 percent in ten years.<sup>18</sup> Rapid increases in illegitimacy are also occurring among low income whites; the illegitimate birth rate among white high school drop-outs is 48%. Overall, 30% of American children are now born to single mothers.

Scientific research confirms that welfare benefits to single mothers directly contribute to the rise in illegitimate births. Recent research by Dr. C.R. Winegarden of the University of Toledo found that half of the increase in black illegitimacy in recent decades could be attributed to the effects of welfare.<sup>19</sup> Research by Shelley Lundberg and Robert D. Plotnick of the University of Washington shows that an increase of roughly \$200 per month in welfare benefits per family causes the teenage illegitimate birth rate in a state to increase by 150 percent.<sup>20</sup> Dr. June O'Neill's research has found that, holding constant a wide range of other variables such as income, parental education, and urban and neighborhood setting, a fifty percent increase in the monthly value of AFDC and Food Stamp benefits led to a 43 percent increase in the number of out of wedlock births.<sup>21</sup>

The collapse of family structure in turn has crippling effects on the health, emotional stability, educational achievements, and life prospects of low-income children. Children born out-of-wedlock, when compared to those in intact families, are almost twice as likely to exhibit anti-social behavior. They are a quarter to fifty percent more likely to manifest behavioral problems such as anxiety, depression, hyperactivity, or dependence.<sup>22</sup> In regard to more extreme disorders, children deprived of a two-parent home are two to three times more likely to need psychiatric care than those in two-parent families.<sup>23</sup> And they are more likely to commit suicide as teenagers.

When compared to adolescents from two parent families, adolescents from single parent families are likely to begin sexual activity at younger age, thereby increasing the chances of having a child out-of-wedlock as a teenager.<sup>24</sup> Absence of a father also increases the probability that a child will use drugs.<sup>25</sup>

Because the father plays an important role in a child's cognitive development, children in single-parent families score lower on IQ tests and other tests of mental ability.<sup>26</sup> Children in single-parent families are three times as likely to fail and repeat a year in grade school than are children in intact two-parent families.<sup>27</sup> They are almost four times more likely to be expelled or suspended from school.<sup>28</sup> In all respects, the differences between children raised in single-parent homes and those

<sup>17</sup> National Broadcasting Company, Inc., NBC Nightly News, December 3, 1993, 6:30-7:00 PM. Presidential interview with Tom Brokaw.

<sup>18</sup> U.S. Department of Health and Human Services, National Center for Health Statistics. Note: The black illegitimate birth rate is available only from 1969 on. The pre-1969 black illegitimate birth rates were calculated using the very similar "non-white" rate.

<sup>19</sup> C.R. Winegarden, "AFDC and Illegitimacy Ratios: A Vector Autoregressive Model," *Applied Economics*, March 1988, pp. 1589-1601.

<sup>20</sup> Shelley Lundberg and Robert D. Plotnick, "Adolescent Premarital Childbearing: Do Opportunity Costs Matter?" June 1990, a revised version of a paper presented at the May 1990 Population Association of America Conference in Toronto, Canada.

<sup>21</sup> Hill and O'Neill, op. cit.

<sup>22</sup> Deborah Dawson, *Family Structure and Children's Health: United States 1988*, Data from the National Health Survey, Series 10: No. 178, (Hyattsville Maryland: U.S. Department of Health and Human Services, Centers for Disease Control, National Center for Health Statistics, June 1991).

<sup>23</sup> Dr. Deborah A. Dawson, "Family Structure and Children's Health and Well-being: Data from the 1988 National Health Interview Survey on Child Health," presented at the Annual Meeting of the Population Association of America, Toronto, May 1990, Table 5.

<sup>24</sup> Brent C. Miller and Kristin A. Moore, "Adolescent Sexual Behavior, Pregnancy and Parenting: Research Through the 1980's" *Journal of Marriage and the Family*, November 1990, p. 1028.

<sup>25</sup> Nicholas Davidson, "The Daddy Dearth," *Policy Review*, Winter 1990, p. 43.

<sup>26</sup> Marybeth Shinn, "Father Absence and Children's Cognitive Development," *Psychological Bulletin*, Vol. 85, No.2 (1978), pp. 295-324.

<sup>27</sup> Dawson, 1991, op. cit.

<sup>28</sup> Ibid.

raised in intact homes are profound, and the stark differences persist even if single-parent homes are compared to two-parent homes of similar income level.<sup>29</sup>

But the greatest tragedy is that children from broken homes, when grown to adulthood, will pass the same problems on to their own children. Weakened in their own development, children from single-parent homes are markedly less likely to be able to establish a stable married life when they become adults. Young white women raised in single-parent families are 164 percent more likely to bear children out of wedlock themselves and 111 percent more likely to have children as teenagers. If these women do marry, their marriages are 92 percent more likely to end in divorce than are the marriages of women raised in two-parent families. Family instability and its attendant problems are passed on to future generations.<sup>30</sup> And being raised in a single-parent family also triples the probability that a child will become a welfare recipient as an adult.

One of the most visible and dramatic consequences of family break up is the increase in crime. Recent research by Douglas Smith and Roger Jarjoura shows the greater the percentage of single parent families with children in a neighborhood, the higher the rates of violent crime and burglary. In striking contrast, the percentage of low income families in a neighborhood was not related to the crime rate. The authors conclude that the higher crime rates in black neighborhoods is largely caused by the greater number of single parent families, not by the lower income of blacks.<sup>31</sup>

Dr. June O'Neill's excellent research on underclass behaviors confirms the linkage between crime and single parent families. Using data from the National Longitudinal Survey of Youth, O'Neill found that young black men raised in single parent families were twice as likely to engage in crime activities when compared to black men raised in two parent families, even after holding constant a wide range of variables such as family income, urban residence, neighborhood environment, and parent's education. Growing up in a single parent family in a neighborhood with many other single parent families on welfare triples the probability that a young black man will engage in criminal activity.<sup>32</sup>

Dr. O'Neill's research also shows that high welfare benefits are linked to high crime rates among young black men. Holding constant a wide range of social and economic variables such as urbanization, neighborhood, family background, and income—O'Neill found that a 50 percent increase in the monthly dollar value of combined Food Stamp and AFDC benefits led to a 117 percent increase in the crime rate among young black men.<sup>33</sup> A reasonable interpretation of this finding is that higher welfare benefits lead to an erosion of family structure, work ethic, and general social norms and thus to higher crime within the community.

*Solution: Limit Federal Welfare to Unwed Mothers, Establish a National Family Cap Policy, and Promote Abstinence*

The present welfare system, by paying young women to have children out of wedlock, encourages them in a course of action that in the long-term proves self-defeating to the mothers and harmful to both the children and society. Placing millions of single mothers in work and training programs, will have little positive effect for society as long as the illegitimate birth rate remains over 30 percent.

The well-being of American children requires policy changes which will not only reduce illegitimacy and promote marriage, but will also encourage potential parents to defer child-bearing until both the mother and the father have acquired the education, job skills, and personal maturity needed to financially support a family and properly nurture children. Above all, it is imperative to eliminate the wide array of programs which subsidize and encourage young, poorly educated girls to have children out-of-wedlock in the first place.

It has been a tragic mistake for the government to pay money to seventeen year old girls on the condition that they have children out-of-wedlock. The government should begin to address the illegitimacy problem by ending the disastrous present policy of giving direct AFDC and Food Stamp benefits to unmarried mothers under age 21. Applied prospectively, this limit would almost certainly result in a sharp and substantial drop in future illegitimate births.

However, the government should not simply abandon aid to future children born out-of wedlock; federal AFDC and Food Stamp funds which are currently given directly to unwed mothers under age 21 should be converted into an earmarked fund

<sup>29</sup> Dawson, op. cit.; Davidson, op. cit.

<sup>30</sup> Irwin Garfinkel and Sara S. McLanahan, *Single Mothers and Their Children: A New American Dilemma* (Washington, D.C.: The Urban Institute Press, 1986) p. 31.

<sup>31</sup> Douglas Smith and G. Roger Jarjoura, "Social Structure and Criminal Victimization," *Journal of Research in Crime and Delinquency*, February 1988, pp. 27-52.

<sup>32</sup> M. Anne Hill and June O'Neill, op. cit.

<sup>33</sup> Hill and O'Neill, op. cit.

for the states. State governments could use the funds to develop innovative new policies for assisting those teenagers who continue to have children out of wedlock. Such policies could include promoting adoption and supporting the mothers in tightly supervised group homes, but federal funds could no longer be used to simply give conventional welfare benefits to teen mothers.

The limitation on benefits should apply to all children born to young unwed mothers one year or more after the date of enactment of the legislation. Three years after enactment the age limit would be raised: AFDC and Food Stamp benefits would no longer be available to women under age 25 who, in future years, have children out-of-wedlock. The funds which ordinarily would have gone to these mothers would again be provided to state governments as earmarked grants.

Out-of-wedlock births are primarily a tragedy of the young; two-thirds of all children born out-of-wedlock are born to women under 25. Tragically, out-of-wedlock birth and single parenthood are quickly becoming a normal "life style option" among young women in many communities in the U.S. This proposed policy change would eliminate much of the welfare aid which supports and encourages this self-defeating and ultimately socially costly behavior. By initially focusing on younger unwed mothers, the policy would seek to reduce illegitimacy first among those mothers with the least prospects for supporting and successfully raising children. Eventually, however, federal direct payments to unwed mothers at all ages should be eliminated. (It should be noted that the proposed limitation applies only to federal funds. Any state which wished to continue to give direct cash welfare to young unmarried mothers would be free to do so with its own funds.)

A related reform should be to establish a national family cap. Under the current welfare system, if a mother enrolled in AFDC bears additional children she receives an automatic increase in her AFDC and Food Stamp benefits. There is no reason to provide expanded welfare benefits to single mothers who have additional illegitimate children after they are already dependent on welfare. Recently, the state of New Jersey enacted a reform which eliminated the automatic increase in welfare benefits when a welfare mother gave birth to another child. Scientific evaluation conducted for the state of New Jersey demonstrates a 19 to 29 percent drop in births among unmarried welfare mothers during the first year following the enactment of the family cap policy.

The federal government should also promote abstinence education as one aspect of an overall plan to reduce illegitimacy. Scientific experiments have shown that strong sexual abstinence curricula substantially change teenagers' attitudes toward early sexual activity. Among girls taking abstinence courses, pregnancy rates have been reduced by over 40% when compared to girls who have not taken the sex abstinence classes.<sup>34</sup> By contrast, programs promoting contraception may increase pregnancy rates.

Finally, the federal government should also encourage states to aggressively experiment with abstinence related programs which provide cash rewards to at-risk women for avoiding out-of-wedlock pregnancy. Such programs should be strictly limited to women who have a very high probability of becoming unmarried mothers and should be scientifically evaluated to ensure that they have a cost effective impact in reducing illegitimacy.<sup>35</sup>

#### GOAL 4: REINFORCING WELFARE REFORM WITH MORAL AND CULTURAL RENEWAL

Serious welfare reform, as outlined above, is a necessary step in dealing with the problems of the underclass and family disintegration—but it is not sufficient. Welfare programs, by subsidizing self-destructive behavior have played a huge role in promoting underclass problems. But welfare is not the sole cause of these burgeoning problems: changing cultural values and norms concerning sexual behavior, marriage, work, respect for others, and self control have also played a heavy role.<sup>36</sup>

<sup>34</sup> U.S. Department of Health and Human Services, Office of Adolescent Pregnancy Programs, *Final Report O.A.P.P. #000816-05, 1985-1990*, p. 8.

<sup>35</sup> Programs which provide rewards for pregnancy prevention should be limited to women who have a high probability of becoming unmarried mothers, specifically: women who have below average math and verbal skills, who were themselves born out-of-wedlock and who received AFDC as children. Such an illegitimacy prevention program might be structured as follows: an at risk girl could be enrolled in a prevention program at age 17 and informed that if she behaved responsibly and avoided pregnancy for the next four years she would receive a \$4,000 reward. If the young woman avoided pregnancy, in each subsequent year a \$1000 would be placed in an escrow account. If the young women completed the full four year period without becoming pregnant outside of marriage she would receive the funds in the escrow account. If, however, she became pregnant at any point during the four years, all the escrow funds would be forfeit.

<sup>36</sup> Myron Magnet, *The Dream and the Nightmare: the Sixties' Legacy to the Underclass*, (New York: William Morrow and Company, 1993).

Those seeking a comprehensive solution must look beyond reforming welfare programs and into the broader culture.

The plight of the underclass is rooted in behavior; behavior in turn is molded by the cultural values and norms of low income communities and the larger society. For the problems of the underclass to be solved, there must be a dramatic change in behavior which, in turn, will require an enormous shift in underlying norms and values. Policy makers must seek to reanimate, within low income communities, the ethical principles which are the foundation of successful society.

It is a chasm of values and behavior which today separates the underclass and the chronically poor from the American middle class. Quite simply, there are three rules for escaping from poverty in America: 1) finish high school; 2) get a job, any job, and stick with it; 3) do not have children outside of marriage. Those who abide by these rules of middle-class existence will not be chronically poor in the U.S. Those who violate these rules are very likely to be trapped at the margins of our society. They and their children will disproportionately become a burden and eventually a threat to the very society which supports them.

Policy makers seeking to reestablish sound norms and values within vulnerable groups could do well to look to reforms of the past. Few people realize that 19th century America fought several Wars on Poverty which, in contrast to the 20th century version, were quite successful. These historic anti-poverty efforts were headed by non-governmental institutions, primarily churches, who saw poverty as emanating from behavior and individual character.<sup>37</sup> They took as their central task the molding of character and self-discipline within vulnerable low income communities. Typical of these earlier anti-poverty efforts was the Young Mens Christian Association, YMCA, established as an instrument to combat urban crime. The YMCA saw its mission as molding the moral character of the young: it successfully undertook a struggle to win the hearts and minds of inner city youth of the 19th century.

The lessons of the past are clear. Efforts to tackle underclass problems in the previous century succeeded because they were spearheaded by value-laden Protestant, Catholic and Jewish religious institutions. By contrast, efforts to fight urban poverty in the 20th century have failed in a large part because they relied on "value free" government programs.

In grappling with the burgeoning problems of family disintegration, crime, and dependence, we must fully utilize all the vital resources within society. History, common sense and research all show that there is one neglected institution which is ideally suited to lead this struggle of moral renewal in low income communities and across the nation: the church. Research by Dr. Richard Freeman of Harvard University shows that black inner-city youth who have religious values are forty-seven percent less likely to drop out of school, fifty-four percent less likely to use drugs and fifty percent less likely to engage in criminal activities than those without religious values.<sup>38</sup> Religious belief and practice have also been shown to greatly reduce pre-marital sexual activity among adolescent girls.<sup>39</sup> Studies also show that young people who attend church have a positive affect on the behavior of other youngsters in their immediate neighborhood. The effect of young people motivated by religious values is the exact opposite of the heavily publicized negative peer pressure exerted by street gangs who suck the young into lives of aimless violence and alienation.<sup>40</sup>

The church is thus our strongest weapon in the war against family disintegration, crime, drugs and despair in low income communities. Churches can clearly succeed in tackling these problems where government has failed. Rather than relegating the churches to the social periphery, we must unleash their energy, permitting them to play a much greater role in educating and molding the character of youth.

#### *Solution: Promote School Choice*

The key to harnessing the church's untapped social strength is another crucial public policy issue: school choice. Federal education funds should be converted into block grants with at least a portion ear-marked for pilot choice programs in impoverished urban areas.

<sup>37</sup> Marvin Olasky, *The Tragedy of American Compassion*, (Washington, D.C.: Regnery Gateway, 1992).

<sup>38</sup> Michael Novak, *The New Consensus on Family and Welfare*, (Washington, D.C.: American Enterprise Institute, 1987), p.34.

<sup>39</sup> Brent C. Miller and Kristin A. Moore, "Adolescent Sexual Behavior, Pregnancy, and Parenting: Research through the 1980s," *Journal of Marriage and the Family*, November 1990, pp. 1029-1030.

<sup>40</sup> Anne C. Case and Lawrence F. Katz, "The Company You Keep: the Effects of Family and Neighborhood on Disadvantaged Youths," National Bureau of Economic Research Working Paper N. 3705, May 1991.



Under the pilot program, poor parents should be given vouchers equivalent to the sum which is spent "educating" their children in the public schools. The parents would be free to use the voucher to place their children into a school of their own choice, including private religious schools. If voucher plans were put in place in large cities, dozens of high quality private religious schools would immediately spring up in each city operating as adjuncts of urban churches. Many low income parents, struggling to save their sons and daughters from the social tide of violence, drugs, and sexual promiscuity, would be overjoyed to place their children under the firm moral tutelage of such church-related schools. And each school in turn would function as a focal point of moral renewal emanating into the surrounding community.

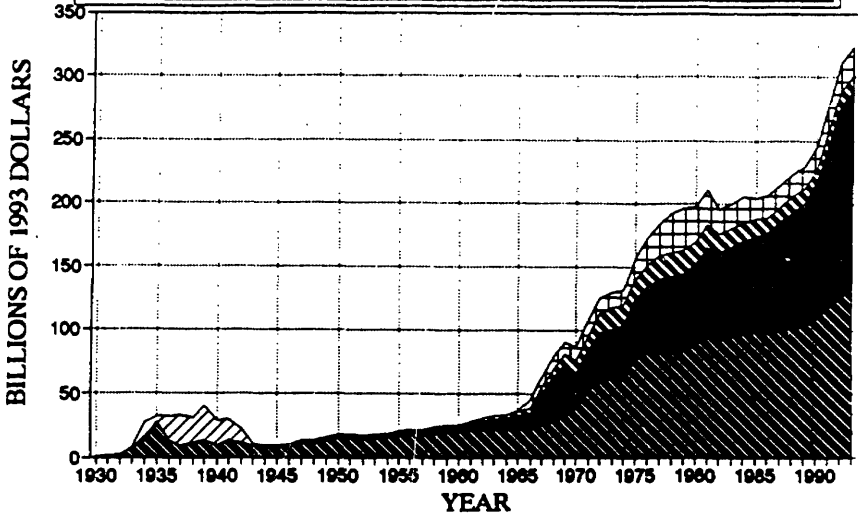
Liberals will argue that providing parents with vouchers which can be used in religious schools violates the First Amendment prohibition on establishment of religion. This is untrue. The Supreme Court has clearly ruled in *Mueller v. Allen* and *Witters v. Washington State Department of Services for the Blind*, that vouchers or tax credits can be spent for religious education without creating constitutional problems. Just as a widow can place her Social Security check in the collection plate of a church or synagogue, or a veteran can use funds from the GI bill to go to seminary without violating the constitutional provisions against state-established religion, a poor parent may use education vouchers to place a child in a religious school. As long as the parent, not the government, decides where the voucher funds will be spent, the government has neither advanced nor hindered a particular religion, and there is no violation of the religious establishment clause of the First Amendment.<sup>41</sup>

To combat the growing problem of the underclass, we need a multi-dimensional policy which harnesses all the vital forces in our society. But in the war against poverty and violence, our most effective social weapon, the church, presently lies dormant. Unlike Bill Clinton, Al Gore, and Jesse Jackson who are wealthy enough to send their children to private schools, poor parents are left with the inert monopoly of the public schools, institutions which can no longer adequately teach simple reading, let alone serve as the focal point for moral transformation within underclass communities. In grappling with the problems of dependence and the underclass, education voucher programs for low income parents are an indispensable complement to welfare reform.

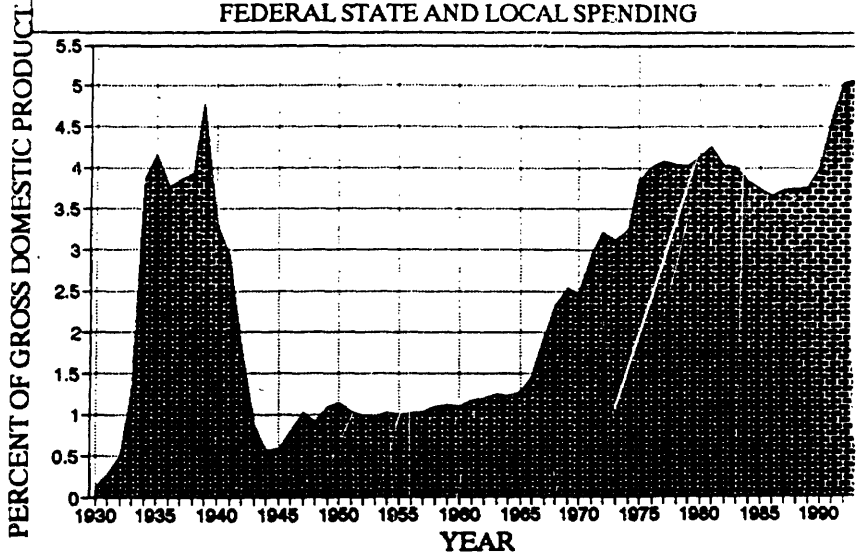
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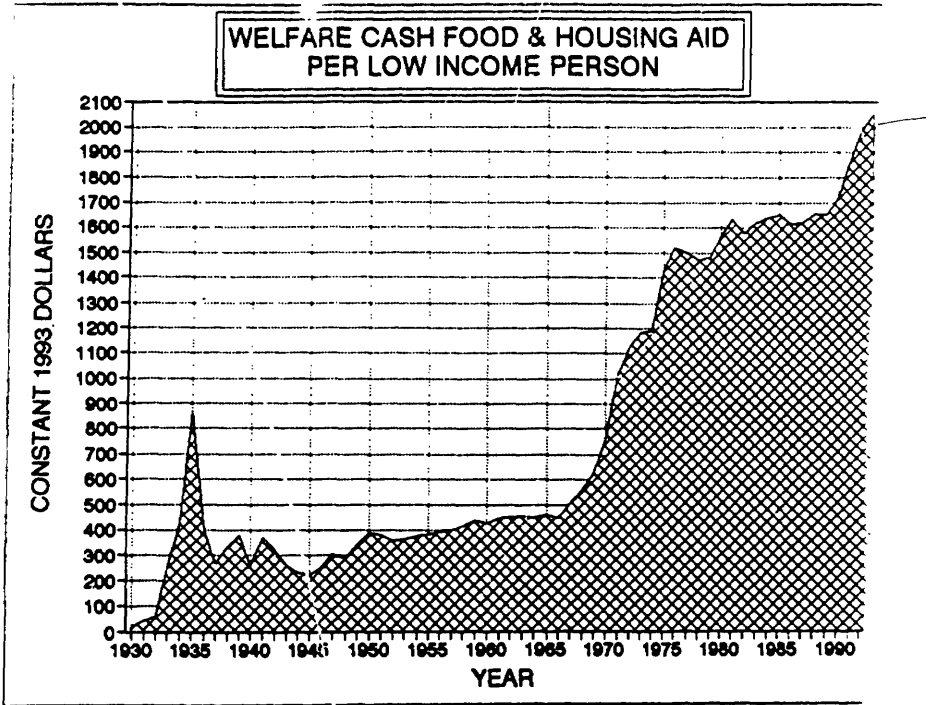
<sup>41</sup> See Clint Bolick, "Choice in Education: Part II—Legal Perils and Legal Opportunities," *Backgrounder* 809, (Washington, D.C.: The Heritage Foundation, February 18, 1991), p. 8.

## WELFARE SPENDING BY PROGRAM TYPE FEDERAL STATE AND LOCAL



- |                      |             |                      |
|----------------------|-------------|----------------------|
| CASH FOOD HOUSING    | MEDICAL AID | EDUCATION & TRAINING |
| SERVICES & URBAN AID | WORK RELIEF |                      |

**TOTAL WELFARE SPENDING AS SHARE OF GD  
FEDERAL STATE AND LOCAL SPENDING****ALL PROGRAMS**



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

## THE U.S. WELFARE SYSTEM

### MEANS-TESTED ASSISTANCE PROGRAMS AND AID TO ECONOMICALLY DISTRESSED COMMUNITIES

#### CASH AID

CASH 01) Aid to Families with Dependent Children  
Budget Account Number: 75-1501-0-1-609  
FY 1993: federal \$13,767.2 million state \$11,426.8 million

CASH 02) Supplemental Security Income  
Budget Account Number: 75-0406-0-1-609  
FY 1993: federal \$22,642 million state \$3,300 million

CASH 03) General Assistance: Cash  
Budget Account Number: none  
FY 1993: state \$3,340 million (estimate)

CASH 04) Earned Income Tax Credit  
Budget Account Number: 20-0906-0-1-609  
FY 1993: federal \$13,663 million

CASH 05) Foster Care: Title IV E  
Budget Account Number: 75-1545-1-1-506  
FY 1993: federal \$2,532.4 million state \$1,779.352 million

CASH 06) Assistance to Refugees and Cuban/Haitian Entrants  
Budget Account Number: 75-1503-0-1-609  
FY 1993: federal \$65.122 million

CASH 07) Emergency Assistance to Needy Families with Children  
Budget Account Number: 75-1501-0-1-609  
FY 1993: federal \$202.19 million state: \$202.19 million

CASH 08) Adoption Assistance  
Budget Account Number: 75-1545-1-1-506  
FY 1993: federal \$273.382 million state \$155.828 million

CASH 09) General Assistance to Indians  
Budget Account Number: 14-2100-0-1-452  
FY 1993: federal \$106.114 million

#### MEDICAL AID

MEDICAL 01) Medicaid  
Budget Account Number: 75-0512-0-1-551  
FY 1993: federal \$75,744 million state \$56,051 million

MEDICAL 02) General Assistance: Medical Care  
Budget Account Number: none  
FY 1993: state \$5,204 million (estimate)

MEDICAL 03) Indian Health Services  
Budget Account Number: 75-0390-0-1-551  
FY 1993: federal \$1,495.454 million

MEDICAL 04) Maternal and Child Health Services Block Grant  
Budget Account Number: 75-0350-0-1-550  
FY 1993: federal \$664.530 million state \$423.6 million

MEDICAL 05) Community Health Centers  
Budget Account Number: 75-0350-0-1-550  
FY 1993: federal \$558.808 million

MEDICAL 06) Medical Assistance to Refugees and Cuban/Haitian Entrants  
Budget Account Number: 75-1503-0-1-609  
FY 1993: federal \$98.043 million

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

**MEDICAL 08) Medicare for Persons with Incomes Below the Federal Poverty Threshold**  
 Budget Account Number: None  
 FY 1993: federal \$ 16.800 million

#### **FOOD AID**

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

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

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

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

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

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

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

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

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

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

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

#### **HOUSING AID**

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

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

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

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

**HOUSING 05) Section 515 Rural Rental Housing Loans**

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

FY 1993: federal \$ 857 million

**HOUSING 06) Section 21 Rural Rental Assistance Payments**

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

FY 1993: federal \$393.2 million

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

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

FY 1993: federal \$62.033 million

**HOUSING 08) Section 101 Rent Supplements**

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

FY 1993: federal \$55.1 million

**HOUSING 09) Indian Housing Improvement Grants**

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

FY 1993: federal \$19.922 million

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

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

FY 1993: federal \$11.330 million

**HOUSING 11) Section 514 Farm Labor Housing Loans**

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

FY 1993: federal \$16.299 million

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

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

FY 1993: federal \$11.142 million

**HOUSING 13) Section 516 Farm Labor Housing Grants**

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

FY 1993: federal \$15.936 million

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

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

FY 1993: federal \$23 million

**HOUSING 15) Public Housing Expenditures by State Governments**

Budget Account Number: none

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

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

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

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

**ENERGY 02) Weatherization Assistance**

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

FY 1993: federal \$182.368 million

**EDUCATION AID****EDUCATION 01) Pell Grants**

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

FY 1993: federal \$6,098.572 million

**EDUCATION 02) Head Start**

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

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

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

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

FY 1993: federal \$6,139.868 million

**EDUCATION 04) Supplemental Educational Opportunity Grants**

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

FY 1993: federal \$588.106 million

**EDUCATION 05) Chapter One Migrant Education Program**

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

FY 1993: federal \$302.777 million

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

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

FY 1993: federal \$388.165 million

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

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

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

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

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

FY 1993: federal \$61.628 million

**EDUCATION 09) Follow Through**

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

FY 1993: federal \$8.478 million

**EDUCATION 10) Even Start**

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

FY 1993: federal \$90.122 million

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

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

FY 1993: federal \$1,691.7 million

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

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

FY 1993: federal \$849.412 million

**TRAINING 03) Job Corps (JTPA-IV)**

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

FY 1993: federal \$949.287 million

**TRAINING 04) Senior Community Service Employment Program**

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

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

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

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

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

**TRAINING 06) Foster Grandparents**

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

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

**TRAINING 07) Senior Companions**

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

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

**TRAINING 08) Migrant and Seasonal Farm Workers Training Program**

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

FY 1993: federal \$78.303 million

**TRAINING 09) Indian and Native American Employment and Training Program**

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

FY 1993: federal \$61.871 million

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

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

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



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

**SERVICES 03) Leral Services Corporation**  
 Budget Account Number: 20-0501-0-1-752  
 FY 1993: federal \$36.463 million

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

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

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

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

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

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

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

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

#### **COMMUNITY AND DEVELOPMENT AID**

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

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

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

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

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

PROJECTED WELFARE SPENDING	AMOUNTS IN MILLIONS				
	1994	1995	1996	1997	1998
TOTAL FEDERAL AID	252,111	278,039	298,031	324,017	348,793
TOTAL STATE AID	101,714	111,189	121,797	134,136	147,484
TOTAL AID	353,825	389,228	419,828	458,152	496,277

## CASH

	BUDGET CODE	1994	1995	1996	1997	1998	1999
		AMOUNTS IN MILLIONS					
<b>CASH AID- FEDERAL</b>		54,921	60,490	64,597	71,771	78,248	86,973
AFDC	75-1501-0-1-609	18,478	17,042	17,566	18,022	18,589	19,208
BSI	75-0408-0-1-609	24,856	24,483	24,477	29,338	32,122	35,052
Earned Income Tax Credit	20-0905-0-1-609	10,810	13,348	18,507	20,065	20,838	21,670
Foster Care/Adoption Assistance	75-1545-1-1-508	3,025	3,355	3,787	4,048	4,371	4,710
Cash Assistance to Refugees	75-1503-0-1-609	120	125	129	132	136	139
General Assistance to Indiana	14-2100-0-1-452	132	145	151	165	180	195
<b>CASH AID- STATE</b>		34,186	34,828	38,891	37,888	38,064	38,638
AFDC	75-1501-0-1-609	12678.74	14144.0	14578.0	14958.28	15428.0	15941
BSI	75-0408-0-1-609	5177.79	5141.43	5140.17	5180.98	5245.82	5300.82
General Assistance- Cash	none	3,528	3,728	3,840	4,163	4,399	4,648
Foster Care/Adoption Assistance	75-1545-1-1-508	1724.25	1812.33	2141.48	2307.85	2481.47	2684.7
<b>CASH AID (COMBINED FEDERAL &amp; STATE)</b>		79,107	95,318	103,488	109,659	116,312	125,611

## MEDICAL

	BUDGET CODE	1994	1995	1996	1997	1998	1999
<b>MEDICAL AID- FEDERAL</b>		196,837	118,287	133,619	148,888	164,887	184,748
Medicaid	75-0512-0-1-551	85,852	96,199	108,119	120,627	135,362	151,050
Indian Health Services	75-0380-0-1-551	1,639	1,645	1,745	1,801	1,856	1,919
Maternal & Child Health Services	75-0350-0-1-550	687	688	688	710	733	756
Community Health Centers	75-0350-0-1-550	524	598	627	645	682	681
Medical Assistance for Refugees	75-1503-0-1-609	136	143	146	151	154	159
Migrant Health Centers	75-0350-0-1-550	51	56	61	63	65	67
Medicare for Persons w/ Incomes Below Poverty L	75-0511-0-1-550	17,648	18,914	22,233	24,662	27,252	30,113
<b>MEDICAL AID- STATE</b>		89,844	77,697	84,377	96,838	108,838	126,293
Medicaid	75-0512-0-1-551	83530.48	71197.3	80008.1	89485.98	100168	111777
General Assistance- Medical Care	none	5,584	5,992	6,429	6,898	7,402	7,942
Maternal & Child Health Services	75-0350-0-1-550	438.68	427.52	440.32	454.4	469.12	483.84
<b>MEDICAL AID (COMBINED FEDERAL &amp; STATE)</b>		286,681	195,984	218,006	245,726	273,725	311,041

## FOOD

	BUDGET CODE	1994	1995	1996	1997	1998	1999
<b>FOOD AID- FEDERAL</b>		38,398	36,448	37,631	39,328	41,148	42,908
Food Stamps	12-3505-0-1-605	24,270	24,740	25,350	26,420	27,640	28,740
Child Nutrition	12-3538-0-1-605	7,014	7,447	7,928	8,424	8,928	9,461
WIC	12-3510-0-1-605	3,179	3,289	3,378	3,488	3,581	3,657
Emergency Food Assistance	12-3635-0-1-551	122	123	128	130	133	137
	12-3350-0-1-550						
Nutrition Program for the Elderly	75-0142-0-1-508	608	629	645	661	678	698
Needy Families Food Distribution	12-3503-0-1-605	71	85	78	74	76	78
Commodity Supplemental Food Program	12-3512-0-1-605	113	107	110	113	118	119
Special Milk Program	12-3502-0-1-605	18	18	18	18	18	18
<b>FOOD AID- STATE</b>		1823.98	1863.89	1891.88	1867.91	1732.98	1801.18
Food Stamps	12-3505-0-1-605	1456.2	1484.4	1521	1585.2	1656.4	1724.4
	12-0350-0-1-550						
Nutrition Program for the Elderly	75-0142-0-1-508	66.88	69.18	70.95	72.71	74.58	76.78
<b>FOOD AID (COMBINED FEDERAL &amp; STATE)</b>		40,222	38,312	39,523	41,196	43,081	44,709

	BUDGET CODE	1994	1995	1996	1997	1998	1999
<b>HOUSING AID- FEDERAL</b>		22,677	25,018	24,442	27,484	28,066	28,812
Section 8 Lower-Income Housing	96-0164-0-1-604	17,303	19,589	21,181	22,059	23,075	24,128
Low-Rent Public Housing	96-0163-0-1-604	2,633	2,552	2,724	2,787	2,872	2,949
Rural Housing Assistance	12-2061-0-1-371						
Section 236 Interest Reduction Payments	12-4141-0-3-371	1400	1468	1354	1183	971	250
Section 528 Rural Rental Assistance Payments	96-0148-0-1-604	666	645	625	625	624	624
Section 231 Rural Rental Assistance Payments	12-0137-0-1-604	390	451	495	542	591	645
Section 233 Homeownership Assistance	96-0148-0-1-604	50	62	60	21	13	4
Section 101 Rent Supplements	96-0129-0-1-604	57	58	61	83	84	86
Indian Housing Improvement Grants	14-2301-0-1-452	132	145	151	106	189	195
Section 523 Rural Housing Self-Help Assistance	12-2066-0-0-604	11	12	12	13	14	14
Section 518 Farm Labor Housing Grants	12-2004-0-1-604	12	13	16	11	12	12
Section 533 Rural Housing Preservation Grants	12-2070-0-1-604	23	23	23	24	25	25
<b>HOUSING AID- STATE</b>		1,846	3,227	3,647	4,121	4,487	5,262
Public Housing Expenditures	none	2,856	3,227	3647	4121	4657	5262
<b>HOUSING AID (COMBINED FEDERAL &amp; STATE)</b>		25,633	28,245	28,089	31,605	32,797	34,174

## MEANS-TESTED EDUCATION

	BUDGET CODE	1994	1995	1996	1997	1998	1999
<b>EDUCATION AID- FEDERAL</b>		18,704	17,602	18,288	18,781	19,293	19,811
Pell Grants	91-0200-0-1-502	8,114	6,398	6,843	7,035	7,222	7,416
Head Start	75-1536-0-1-506	3,015	3,320	3,448	3,638	3,633	3,731
Title I Grants for Educationally Deprived Children	91-0900-0-1-501	6,141	6,316	6,490	6,667	6,846	7,028
Supplemental Educational Opportunity Grants	91-0200-0-1-502	583	585	600	617	633	650
Chapter 1 Migrant Education	91-0900-0-1-501	304	308	313	321	330	339
TRIO Programs	91-0201-0-1-502	390	414	428	440	462	484
State Student Incentive Grants	91-0200-0-1-502	72	73	75	77	79	82
Even Start	91-0900-0-1-501	85	91	94	96	99	101
<b>EDUCATION AID- STATE</b>		825.76	903	936.28	981.5	987.28	1014.78
Head Start	75-1536-0-1-506	753.75	830	861.25	884.5	908.25	932.75
State Student Incentive Grants	91-0200-0-1-502	72	73	75	77	79	82
<b>EDUCATION AID (COMBINED FEDERAL &amp; STATE)</b>		17,830	18,405	19,224	19,763	20,280	20,826

## ENERGY

	BUDGET CODE	1994	1995	1996	1997	1998	1999
<b>ENERGY AID- FEDERAL</b>		1,332	2,182	1,684	1,726	1,778	1,814
Low-Income Home Energy Assistance	75-1502-0-1-606	1,135	1,876	1,471	1,506	1,546	1,584
Weatherization Assistance	89-0215-0-1-999	197	206	213	218	224	230
<b>ENERGY AID- STATE</b>		79.48	136.32	102.97	106.86	108.22	110.88
Low-Income Home Energy Assistance	75-1502-0-1-606	79.45	136.32	102.97	105.56	108.22	110.88
<b>ENERGY AID (COMBINED FEDERAL &amp; STATE)</b>		1,411	2,320	1,787	1,833	1,878	1,925

## JOB TRAINING

	BUDGET CODE	1984	1985	1986	1987	1988	1989
<b>JOB &amp; TRAINING- FEDERAL</b>		4,344	4,334	4,330	4,333	4,316	4,911
Training for Disadvantaged Adults & Youth	16-0174-0-1-504	1,043	942	1,014	1,043	1,070	1,080
Summer Youth Employers Program	16-0174-0-1-504	811	814	804	820	854	860
Job Corps	16-0174-0-1-504	800	1,052	1,043	1,084	-1,125	1,150
Senior Community Service Employment	16-0174-0-1-504	300	411	423	434	440	450
<b>JOB</b>	75-1509-0-1-504	790	880	850	850	850	860
Foster Grandparents	44-0103-0-1-508	80	87	78	73	74	75
Senior Companions	44-0103-0-1-508	30	30	31	32	33	34
Migrant & Seasonal Farm Workers Training	16-0174-0-1-504	81	84	87	81	84	87
Native / American Employment & Training Program	16-0174-0-1-504	62	64	60	60	70	72
<b>JOB &amp; TRAINING- STATE</b>		664.77	648.73	637.70	648.36	642.17	678.60
Senior Community Service Employment	16-0174-0-1-504	43.80	48.21	46.33	47.74	48.00	50.38
<b>JOB</b>	75-1509-0-1-504	486.8	533.3	530	570.8	560	582.2
Foster Grandparents	44-0103-0-1-508	18.18	18.41	18.1	18.36	17.62	17.48
Senior Companions	44-0103-0-1-508	6.9	6.9	7.19	7.36	7.36	7.25
<b>JOB &amp; TRAINING AID (COMBINED FEDERAL &amp; STATE)</b>		4,989	4,925	5,106	5,336	5,479	5,993

## MEANS-TESTED SOCIAL SERVICES

	BUDGET CODE	1984	1985	1986	1987	1988	1989
<b>SOCIAL SERVICES- FEDERAL</b>		8,212	8,693	8,660	8,718	8,681	8,633
Social Services Block Grant	75-1834-0-1-508	2,800	2,800	2,800	2,800	2,800	2,800
Community Services Block Grant	75-1504-0-1-508	487	478	488	488	511	528
Legal Services Corporation	20-0501-0-1-743	386	419	431	432	443	450
Emergency Food & Shelter Program	58-0103-0-1-605	130	134	137	141	148	148
Social Services for Refugees	75-1503-0-1-608	81	83	84	86	88	91
Title X Family Planning	75-0350-0-1-630	187	179	188	183	196	204
VIETA	44-0103-1-0-608	41	43	44	46	47	48
Title IIIB Supportive Services	75-0142-0-1-508	308	312	321	328	338	347
Child Care Block Grant	75-1513-0-1-608	636	1,230	1,213	1,191	878	1,068
<b>SOCIAL SERVICES- STATE</b>		2212	2212	2212	2212	2212	2212
Social Services Block Grant	75-1834-0-1-508	2212	2212	2212	2212	2212	2212
<b>SOCIAL SERVICES (COMBINED FEDERAL &amp; STATE)</b>		7,424	7,904	7,988	7,927	7,783	7,835

## COMMUNITY DEVELOPMENT

	BUDGET CODE	1984	1985	1986	1987	1988	1989
<b>DEVELOPMENT AID</b>		4,688	5,186	5,288	5,363	5,333	6,993
Community Development Block Grant	86-0182-0-1-451	3,787	4,273	4,641	4,891	5,142	5,289
Urban Development Action Grants	86-0170-0-1-451	50	35	35	18	7	0
Economic Development Assistance	13-2050-0-1-452	287	353	407	418	429	447
Appalachian Regional Development	46-0200-0-1-452	178	201	228	242	253	267
Legislation Impact Aid	75-1506-0-1-508	686	244	0	0	0	0

## PREPARED STATEMENT OF MICHAEL TANNER

Mr. Chairman, Distinguished Members of the Committee:

It is a pleasure to have the opportunity to appear before you today to address one of the most serious issues facing America today--the need to reform our failed social-welfare system.

In discussing welfare reform it is important to understand the magnitude of the failure that has been our welfare policy. Our welfare system is unfair to everyone: to taxpayers who must pick up the bill for failed programs; to society, whose mediating institutions of community, church and family are increasingly pushed aside; and most of all to the poor themselves, who are trapped in a system that destroys opportunity for themselves and hope for their children.

Since the start of the "war on poverty" in 1965, the United States has spent more than \$3.5 trillion trying to ease the plight of the poor. Yet, today, the poverty rate is actually slightly higher than when we started.

If it was merely a question of wasted money, there would be cause for concern, but no crisis. After all, the money that the government has wasted on welfare pales in comparison to what it wastes on many other programs. However, the real welfare crisis lies in what the system is doing to our society.

Consider some of the results of our welfare system:

#### *Illegitimacy*

In 1960 only 5.3 percent of births were out of wedlock. Today nearly 30 percent of births are illegitimate. Among blacks, the illegitimacy rate is nearly two-thirds. Among whites, it tops 22 percent. There is strong evidence that links the availability of welfare with the increase in out-of-wedlock births.

Having a child out of wedlock often means a lifetime in poverty. Approximately 30 percent of all welfare recipients start because they have an out-of-wedlock birth. The trend is even worse among teenage mothers. Half of all unwed teen mothers go on welfare within one year of the birth of their first child; 77 percent are on welfare within five years of the child's birth. More than half of AFDC, Medicaid, and food stamp expenditures are attributable to families begun by a teen birth.

The non-economic consequences of the increase in out of wedlock births are equally stark. There is strong evidence that the absence of a father increases the probability that a child will use drugs and engage in criminal activity. Nearly 70 percent of juveniles in state reform institutions come from fatherless homes.

Social scientists may dispute the degree of linkage between welfare and illegitimacy, but the vast majority agree that there is some connection. Even William Galston, President Clinton's Deputy Assistant to the President for Domestic Affairs, says that the welfare system is responsible for at least 15 to 20 percent of the family disintegration in America. Others, such as Charles Murray, attribute as much as 50 percent of illegitimacy to welfare. I believe that any objective look at the available literature on this topic indicates a strong correlation between the availability of welfare and out-of-wedlock births.

Of course women do not get pregnant just to get welfare benefits. It is also true that a wide array of other social factors has contributed to the growth in out-of-wedlock births. But, by removing the economic consequences of a out-of-wedlock birth, welfare has removed a major incentive to avoid such pregnancies. A teenager looking around at her friends and neighbors is liable to see several who have given birth out-of-wedlock. When she sees that they have suffered few visible consequences (the very real consequences of such behavior are often not immediately apparent), she is less inclined to modify her own behavior to prevent pregnancy.

Proof of this can be found in a study by Professor Ellen Freeman of the University of Pennsylvania, who surveyed black, never-pregnant females age 17 or younger. Only 40% of those surveyed said that they thought becoming pregnant in the next year "would make their situation worse."<sup>1</sup> Likewise, a study by Professor Laurie Schwab Zabin for the *Journal of Research on Adolescence* found that: "in a sample of inner-city black teens presenting for pregnancy tests, we reported that more than 31 percent of those who elected to carry their pregnancy to term told us, before their pregnancy was diagnosed, that they believed a baby would present a problem. . ."<sup>2</sup> In other words, 69 percent either did not believe having a baby out-of-wedlock would present a problem or were unsure.

<sup>1</sup> Ellen Freeman et al., "Adolescent Contraceptive Use: Comparisons of Male and Female Attitudes and Information," *American Journal of Public Health*, August 1980, p. 795.

<sup>2</sup> Laurie Schwab Zabin, Nan Marie Astone and Mark Emerson, "Do Adolescents Want Babies? The Relationship Between Attitudes and Behavior," *Journal of Research on Adolescence* 3, no. 1 (1993): 69.

Until teenage girls, particularly those living in relative poverty, can be made to see real consequences from pregnancy, it will be impossible to gain control over the problem of out-of-wedlock births. By disguising those consequences, welfare makes it easier for these girls to make the decisions that will lead to unwed motherhood.

Current welfare policies seem to be designed with an appallingly lack of concern for their impact on out-of-wedlock births. Indeed, Medicaid programs in 11 states actually provide infertility treatments to single women on welfare.

### *Dependence*

While the average stay on welfare remains relatively short, nearly 65 percent of the people on welfare at any given time will be on the program for eight years or longer. Moreover, welfare is increasingly intergenerational. Children raised in families on welfare are seven times more likely to become dependent on welfare than are other children. Professors Richard Vedder and Lowell Galloway of the University of Ohio, found that, if you compare two individuals with incomes below the poverty level, an individual who does not receive welfare is two and a half times more likely to be out of poverty the next year than an individual who receives welfare.<sup>3</sup>

### *Crime*

The Maryland NAACP recently concluded that "the ready access to a lifetime of welfare and free social service programs is a major contributory factor to the crime problems we face today."<sup>4</sup> Welfare contributes to crime by destroying the family structure and breaking down the bonds of community. Moreover, it contributes to the social marginalization of young black men by making them irrelevant to the family. Their role has been supplanted by the welfare check.

Given this record of failure, I recommend that Congress

- In the long-term, Congress should end all federal funding of welfare. In the short-term, Congress should end the entitlement status of welfare and return control of welfare programs to the states with as few strings as possible. Congress should resist the temptation to impose conservative mandates on the states in lieu of liberal mandates.
- Begin the transition from government welfare to private charity by creating a dollar-for-dollar tax credit for contributions to private charity.
- Make adoption easier. This includes eliminating barriers to transracial adoption, including repeal of the Metzenbaum amendment passed last year.
- Tear down tax and regulatory barriers to economic growth and entrepreneurship, particularly in high poverty areas.

### *End federal welfare programs*

Congress should avoid the temptation to try to "reform" the welfare system. There is no evidence that any of the reforms currently popular with either liberals or conservatives will be able to fix the system's fundamental flaws.

In particular, Congress should be skeptical of proposed "workfare" schemes. The workfare concept is largely based on the stereotyped belief that welfare recipients are essentially lazy, looking for a free ride. Not only is there no evidence to support such stereotypes, but outside of certain defined subgroups such as AFDC-UP recipients, there is no evidence that workfare programs work.

The Manpower Demonstration Research Corporation conducted a review of workfare programs across the country and found few, if any, employment gains among welfare participants. Economists at the University of Chicago's Center for Social Policy Evaluation reviewed the major studies of workfare and welfare-to-work programs and found a consensus in the literature that "mandatory work experience programs produce little long term gain."<sup>5</sup>

Moreover, workfare jobs are not inexpensive. It is estimated that it will cost at least \$6,000 over and above welfare benefits for every workfare job created. This represents a great deal of expense for very little gain.

At the same time, Congress should be equally skeptical of proposals for increased job training. Again, there is little evidence that job training programs actually work. A study by the General Accounting Office of 61 job training programs in 38 states concluded that the programs "are helping recipients find only dead-end jobs, and are failing to give the poor the education and training they need to advance."

<sup>3</sup> Richard Vedder and Lowell Galloway, "The War on the Poor," Institute for Policy Innovation, Lewisville, Tex., June 1992.

<sup>4</sup> John L. Wright, Marge Green, and Leroy Warren Jr., "An Assessment of Crime in Maryland Today," Maryland State Conference of Branches, NAACP, February 1994.

<sup>5</sup> James Heckman, Rebecca Roselius, and Jeffrey Smith, "U.S. Education and Training Policy: A Reevaluation of the Underlying Assumptions Behind the 'New Consensus,'" American Enterprise Institute, Washington, DC, March 7, 1994, pp. 33-34.

Several job training programs have been particularly notable failures. The Federal Job Training Partnership Act was designed to boost the earnings of high school dropouts. But a study in 1992 reported that those who had enrolled in the program earned 8 percent less than those with no training. A study of the "Jobstart" training program, which operated in 13 communities across the country found that the program generated only "statistically insignificant" increases in earnings among participants. As Fred Doolittle, director of Jobstart explains, "education and training alone, as traditionally offered within the [federal job training program], are not enough to make a real difference in these young people's lives. Of 5,000 Baltimore area participants in the Agriculture Department's Food Stamp Employment and Training Program, fewer than one percent found jobs through the program.

As the Manpower Demonstration Resources Project concluded the most optimistic evidence from studies of job training programs, from the 1967 Work Incentive (WIN) Program to the 1988 JOBS program, indicates that "caseload reductions have not been dramatic and increases in people's standards of living have been limited."<sup>6</sup>

Given that there is little likelihood that Congress will be able to "fix" the welfare system, it should begin looking to the day when the federal government gets out of the charity business. As a starting point, Congress should certainly end the entitlement status of welfare. However, for the long-term, Congress should begin phasing out federal funding for the entire panoply of welfare programs.

In the short-term, Congress appears to be nearing a consensus to send many welfare programs back to the states in the form of block grants. If Congress decides to take this approach, such block grants should be accompanied by few if any strings. Congress should not attempt to devise a detailed "conservative" welfare program, imposing conservative mandates in lieu of liberal ones. In particular, Congress should avoid mandating work or job training requirements.

#### *Establish a Dollar-for-Dollar Tax Credit for Contributions to Private Charity*

If the federal government's attempt at charity has been a dismal failure, private efforts have been much more successful. America is the most generous nation on earth. We already contribute more than \$125 billion annually to charity. However, as we phase out inefficient government welfare, private charities must be able to step up and fill the void. To help generate increased charitable giving, the federal government should offer a dollar-for-dollar tax credit for contributions to private charities that provide social-welfare services. That is to say, if an individual gives a dollar to charity, he should be able to reduce his tax liability by a dollar. Since current federal welfare spending is equivalent to 41 percent of the revenue generated from personal income taxes (for all major means-tested programs), the credit could be capped at 41 percent of tax liability.

Private charities are able to individualize their approach to the circumstances of poor people in ways that governments can never do. For example, private charities may reduce or withhold benefits if a recipient does not change his or her behavior. Private charities are much more likely than government programs to offer counseling and one-on-one follow-up rather than simply providing a check.

By the same token, because of the separation of church and state, government welfare programs are not able to support programs that promote religious values as a way out of poverty. Yet, church and other religious charities have a history of success in dealing with the problems that often lead to poverty.

And, private charity is much more likely to be targeted to short-term emergency assistance than long-term dependence. Thus, private charity provides a safety net, but not a way of life.

Private charities are also much better able to target assistance to those who really need help. Because eligibility requirements for government welfare programs are arbitrary and cannot be changed to fit individual circumstances, many people in genuine need do not receive assistance, while benefits often go to people who do not really need them. More than 40 percent of all families living below the poverty level receive no government assistance. Yet, more than half of the families receiving means-tested benefits are not poor. Thus, a student may receive food stamps, while a homeless man with no mailing address goes without. Private charities are not bound by such bureaucratic restrictions.

Finally, private charity has a better record of actually delivering aid to recipients. With all the money being spent on federal and state social-welfare programs, surprisingly little money actually reaches recipients. In 1994, for example, federal, state and local government welfare spending averaged \$35,756 for every family of four below the poverty level. Obviously, the poor did not receive anywhere near this

<sup>6</sup>Judith Gueron and Edward Pauly, "From Work to Welfare," Russel Sage Foundation, New York, 1991.

amount of money. In 1965, 70 cents of every dollar spent by the government to fight poverty went directly to poor people. Today, 70 cents of every dollar goes not to poor people, but to government bureaucrats and others who serve the poor. Few private charities have the bureaucratic overhead and inefficiency of government programs.

### *Make Adoption Easier*

Recent discussion of orphanages has largely been a smokescreen designed to obscure the failure of current social welfare policies. The purpose of eliminating welfare is not to force children into orphanages, but to avoid bringing more people into a cycle of welfare, illegitimacy, fatherlessness, crime, more welfare dependency, and more illegitimacy.

Without the availability of welfare, there will be far fewer out of wedlock births and far fewer children born into poverty. For those women who continue to bear children they cannot afford to raise, most will be able to find financial assistance through private charity. Still, a small minority may remain unable to financially support a child. For these women, adoption must be a viable option. This will entail eliminating the regulatory and bureaucratic barriers that restrict adoption today.

Chief among these is the need to remove any restrictions on transracial adoptions. Last year's Metzenbaum Bill was originally designed to accomplish this. However, under pressure from the social welfare industry, the language was amended to actually codify the practice of delaying adoption based on the race of the child and adoptive parents. Such practices by state adoption agencies should be explicitly prohibited.

Second, there should be an earlier termination of parental rights (TPR) for children placed in the foster care system. Parents should have a maximum of 12 months to reclaim custody of their children, after which the child should be eligible for adoption. Children should not remain in the limbo of foster care for years because their biological parents refuse (or are unfit) to resume custody but will not relinquish parental rights.

Third, federal funding of state foster care programs should be restructured to end "per day/per child" funding formulas that create incentives for states to keep children in foster care rather than place them for adoption. In addition, states who are unable to place a child for adoption within 30 days of TPR should be required to notify private adoption agencies within the state of the availability of that child for adoption. States that fail to do so, should receive no federal funding for their foster care programs.

### *Tear Down Barriers to Economic Growth and Entrepreneurism*

Almost everyone agrees that a job is better than any welfare program. Yet, for years this country has pursued tax and regulatory policies that seem perversely designed to discourage economic growth and reduce entrepreneurial opportunities. Government regulations and taxes are steadily cutting the bottom rungs off the economic ladder, throwing more and more poor Americans into dependency.

Someone starting a business today needs a battery of lawyers just to comply with the myriad of government regulations from a virtual alphabet soup of government agencies: OSHA, EPA, FTC, CPSC, etc. Zoning and occupational licensing laws are particularly damaging to the type of small businesses that may help people work their way out of poverty. In addition, government regulations such as minimum wage laws and mandated benefits drive up the cost of employing additional workers. For a typical small business the tax and regulatory burden for hiring an additional worker is more than \$5,400.

Economist Thomas Hopkins estimates that the current annual cost to the economy of government regulations is more than \$500 billion. That is \$500 billion that cannot be used to create jobs and lift people out of poverty.

At the same time taxes have both diverted capital from the productive economy and discouraged job-creating investment. Harvard economist Dale Jorgenson estimates that every dollar of taxes raised by the federal government costs the economy 18 cents, leading to annual loss of \$200 billion per year from our Gross National Product. Moreover, tax rates are already so high that new taxes will cause even greater losses to the economy. Jorgenson estimates, for example, that the 1994 Clinton tax hike will cost the economy more than \$100 billion over 5 years.

These figures do not include the estimated \$600 billion that the American economy loses every year because of the cost of complying with our dizzyingly complex tax system. In 1990 American workers and businesses were forced to spend more than 5.4 billion man-hours figuring out their taxes and filing the paperwork. That was more man-hours than was used to build every car, truck, and van manufactured in the United States.



A 1993 World Bank study of 20 countries found that countries with low taxes had higher economic growth, more investment, greater increases in productivity, and faster increases in living standards than high-tax nations. Perhaps that should be a lesson for the United States. Instead of worrying about how to make poverty more comfortable, Congress should concentrate on tearing down those regulatory and tax barriers that help trap people in poverty.

*Conclusion*

We should not pretend that reforming our social welfare system will come easily or painlessly. In particular, ending government welfare will be difficult for those people who currently use welfare the way it was intended—as a temporary support mechanism during hard times. However, these people—almost by definition—remain on welfare for very short periods of time. A compassionate society can find other ways to deal with the problem of people who need temporary assistance to get through hard times. But our current government-run welfare system is costly to taxpayers and—more important—cruel to the children born into a cycle of welfare dependency and hopelessness.

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## COMMUNICATIONS

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### STATEMENT OF THE NOW LEGAL DEFENSE AND EDUCATION FUND(1)

Women in the United States are disproportionately poor. Ninety percent of families on AFDC are headed by women; nearly half of those receiving general assistance under state-funded welfare programs are women.

Poor women and their children are also identical in many respects to the rest of the population. AFDC families average 1.9 children, the same size as the general population. Further, AFDC recipients are not likely to have a child in order to get additional welfare payments. According to Greg Acs of the Urban Institute, receipt of AFDC has a "quite modest" impact on first births and out-of-wedlock births, while other factors such as education and demographic characteristics are much more likely to significantly affect women's childbearing decisions.[2] Further, Acs notes that the impact of supplemental AFDC for additional children on the decision to bear children is "statistically insignificant." [3] In sum, "welfare simply does not appear to be the underlying cause in the dramatic changes in family structure of the past few decades." [4]

Before rushing to judgment about why women and particularly women of color are more likely to be poor, Congress should examine the real lives of poor women. Rather than punishment masquerading as "tough love," welfare reform should ensure that these women are truly in a position to preserve their families, protect themselves, and move up and out of poverty.

AFDC and the state-level mother's pensions that preceded it were devised to help single women care for their children in the home.[5] The alternatives at the time were poorhouses and orphanages, where children were raised in group settings and in dire poverty. Though the historic purpose of AFDC has sometimes been framed as keeping poor widows out of the workforce [6]—and indeed it was premised on a recognition of the value of mother's caregiving and the need for the state to stand in for the absent male breadwinner—AFDC has never replaced work in women's lives. Mother's pension payments and AFDC benefits were too small to raise a family. The program was frequently administered to deny benefits to poor women of color, who continued to work in low-paying jobs as domestics, seamstresses or transient farmworkers. Today, the Institute for Women's Policy Research reports that about 50 percent of women on AFDC work outside the home either concurrently while receiving benefits, or during frequent stints in the workforce interspersed by short periods on AFDC.[7] And of course, all women on AFDC are involved in caregiving work for their families.

In short, there is little evidence that AFDC has undermined women's work ethic. Indeed, states implementing welfare-to-work programs under the Family Support Act have been unable to keep pace with poor women's demand for job training. In Georgia, for example, the PEACH program had a waiting list of 17,000 AFDC recipients. What has too often been missing from the Family Support Act equation is good jobs, not women interested in working.

Though the AFDC program has not generally supplanted the work ethic, it has served a number of other functions, some of which its original proponents anticipated and some of which they did not. As it was intended to, AFDC has been central to efforts to support children within their families. Further, despite elaborate eligibility and reporting requirements, it has served as an economic safety net for women who, despite admirable gains in the work force, still earn only \$.70 for each dollar earned by a man, and still suffer disproportionately when a marriage or relationship breaks up. Women almost always retain custody of the children, often bearing the sole cost of their upbringing. After a break-up, women must struggle to survive in a work world where women are disproportionately relegated to part-time, low-paying jobs without benefits, where even women who are able to earn enough to feed, clothe and house their families cannot afford childcare costs, and where

most employers still assume the employee's family care responsibilities are handled by a wife at home. Given these realities, it is hardly surprising that American women experience, on average, a 73 percent decline in their standard of living within the first year after divorce.

AFDC permits women to hold their families together in the face of these difficulties. Further, the AFDC safety net serves another crucial function: in this age when violence against women is finally being recognized as a violation of women's civil rights, the AFDC safety net allows women and children to leave abusive relationships before fear for their very lives forces them to flee.[8]

While violence against women has reached epidemic proportions in all sectors of the society, its role in the lives of poor women is devastating—and unfortunately too little known. Indeed, even the General Accounting Office has stated that the extent to which domestic violence inhibits poor women's participation in the job market and in welfare job training and education programs "is generally unknown, and few accepted national estimates are available." [9]

There is, however, some data—and it should certainly give pause to those who believe that welfare should be reformed by cutting these benefits that serve as a lifeline for abused women and children. In Washington, the only state to collect this information, 60 percent of women on public assistance reported sexual and physical abuse as adults, usually by a spouse or boyfriend.[10] Nationally, among all women, the figure is about 20 percent. A preliminary study of the effects of violence on work and family in Humbolt Park, Chicago, conducted by Northwestern University researcher Susan Lloyd, has yielded similar results: sixty percent of the poor women interviewed naming domestic violence and coercion as a factor influencing their lives and their labor force participation.

Violence affects poor women in two critical ways: it makes them poor and it keeps them poor. While remaining in abusive relationships, battered women are often subject to complete control and financial isolation by their batterers. Their economic vulnerability is exacerbated by their need to flee persistent and escalating violence. Women must frequently leave quickly and secretly without time to pack. Women of all income levels must leave everything behind. As a result, many women must escape and hide with very few resources, often consisting only of money that they have managed to scrape together over long periods of time. Fleeing violence under these circumstances, women often experience extreme hardship and poverty. Indeed, approximately half of women in homeless shelters are battered.[11]

Violence against women keeps women poor, as well. A recent study conducted by the Taylor Institute in Chicago is a first step toward demonstrating the ways that violence inhibits or prevents poor women from participating in welfare-to-work programs, and ultimately from obtaining employment.[12] According to the study, 58 percent of women who entered the Chicago Commons West Humbolt Employment Training Center, a welfare-to-work program, between 1993-1994 were current victims of domestic violence. An additional 26 percent were past victims of domestic violence. Again, the results of this study are confirmed by others across the country. The Women's Employment Network in Kansas City, Missouri, reports that 75-80 percent of its participants self-report domestic violence during the course of its program. According to Sue Boyd at the Denver Family Opportunity Program, domestic violence is the "biggest issue for successful transition into the workplace." [13]

The stories of program participants themselves make clear how big a hurdle domestic violence can be for a woman who wants to move out of poverty. Job training participants report that they cannot come to basic skills classes regularly because their attendance provokes violent behavior against them. Staff making home visits to participants who have dropped out of programs find women with visible bruises, black eyes and cigarette burns. One researcher reported that, when she convened a focus group of program administrators to discuss barriers to employment, they overwhelmingly identified violence against women as the major problem. According to a focus group participant, it was "typical" to see a woman come to her first or second training session with a black eye, then drop out of the program entirely.

These realities of women's lives suggest the need for welfare reform proposals that are quite different than those currently under consideration in Congress.

First, rather than focus on measures that punish children for their birth status, sound public policy should focus on alternatives that will provide long-term options for poor women. Our education system fails to fully meet the needs of women and girls, especially those from low-income families. Research shows that most teen parents were performing poorly in school prior to their pregnancy. Poor grades, dropping out, and low self esteem have all been linked to sex-biased stereotypes as well as teen pregnancy. Policymakers should focus on positive programs to encourage women and girls to achieve by providing viable training and job opportunities, the possibility of a college education, and resources to enhance child and youth develop-



ment. Access to non-coercive family planning counselling should also be a component of a comprehensive welfare reform program. Programs that allow women to combine work, welfare and other sources of income as a way of making the transition out of poverty are also promising and should be included in any welfare reform package.[14]

Second, one of the key problems currently facing battered women on AFDC is the risk of sanctions of reduced benefits if they report that they have a partner; the partner's income may, under certain circumstances, be attributed to the woman and her children, even if the partner does not contribute to their household. Reform is clearly necessary to ensure that unfair reporting rules do not serve as a deterring to reporting violence.

Third, welfare-to-work programs should be designed to provide support for women experiencing violence. For example, the Family Support and Education Center in Cecil County, Maryland, persuaded the local domestic violence center to provide services directly at the welfare center job training site. Government can clearly play a constructive role by designing programs that recognize this need.

Finally, continued public assistance support is clearly a necessary part of these efforts to eliminate violence against women. Without this safety net, women and children cannot leave. A lifetime limit of AFDC to five years makes no sense in light of this function of AFDC. Similarly, the "child exclusion" proposals[15] currently being debated in Congress, as well as overall cuts in AFDC levels, will simply frustrate women's ability to flee violence. Faced with choosing between beatings and starvation, women may too often choose beatings, exposing their children to prolonged violence that will only reinforce the cycle in the next generation.

#### ENDNOTES

[1]: NOW Legal Defense and Education Fund is a legal advocacy organization committed to protecting women's rights, founded by members of NOW in 1970. NOW LDEF is committed to fostering positive welfare reform that will enable women and their families to move up and out of poverty.

[2]: Gregory Acs, *The Impact of AFDC on Young Women's Childbearing Decisions*, 14, 21 (The Urban Institute, Washington, D.C., 1993).

[3]: Id. See also William J. Wilson & Kathryn M. Neckerman, "Poverty and Family Structure," in Sheldon H. Danziger & Daniel H. Weinberg, eds., *Fighting Poverty: What Works and What Doesn't* 249 (1986) (comprehensive studies reveal no relationship between receipt of welfare and pregnancy; in fact, several studies indicate that welfare recipients are less likely to get pregnant than non-recipients).

[4]: David Ellwood & Mary Jo Bane, *The Impact of AFDC on Family Structure and Living Arrangements* (Working Paper No. 92A082, 1984). See also Congressional Budget Office, *Sources of Support for Adolescent Mothers* 43 (1990) (studies of the effects of AFDC on the fertility of female teenagers find no evidence that benefit levels encourage childbearing").

[5]: 42 U.S.C. §601.

[6]: See Mimi Abramovitz, *Regulating the Lives of Women* (South End Press, 1989).

[7]: Roberta Spalter-Roth, Heidi I. Hartmann and Linda Andrews, A Report to the Ford Foundation from the Institute for Women's Policy Research, *Combining Work and Welfare: An Alternative Anti-Poverty Strategy* (1993).

[8]: See generally Martha F. Davis and Susan J. Kraham, *Beaten, Then Robbed*, New York Times, Jan. 13, 1995.

[9]: General Accounting Office, *Welfare to Work: Current AFDC Program Not Sufficiently Focused on Employment* 12 (Dec. 1994).

[10]: Washington State Institute for Public Policy, *Over Half of Women on Public Assistance in Washington State Reported Physical or Sexual Abuse as Adults* (Oct. 1993).

[11]: See Joan Zorza, *Women Battering: A Major Cause of Homelessness*, 25 Clearinghouse Rec. 421 (1991).

[12]: Taylor Institute, *Domestic Violence: Telling the Untold Welfare-to-Work Story* (Chicago 1995).

[13]: See Taylor Institute, *Domestic Violence*, at p. 4.

[14]: See generally Manhattan Borough President's Office, Report of the Task Force on Family Violence, *Behind Closed Doors: The City's Response to Family Violence* 79-86 (New York 1993) (describing difficulties facing battered women trying to subsist on public assistance).

[15]: NOW LDEF co-chairs the Child Exclusion Task Force, a coalition of nearly 100 diverse organizations opposed to proposals that would eliminate AFDC benefits for children. That coalition, which includes pro-choice and pro-life groups, children's

rights, civil rights and women's rights organizations, and religious groups, is committed to defeating welfare reform proposals that include a child exclusion. A copy of the Task Force's letter to members of Congress and a list of the Task Force membership is attached.

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### CHILD EXCLUSION TASK FORCE

MARCH, 1995

Dear Member of Congress,

As national, state and local organizations with a diversity of views on many issues, we are united in our efforts to **promote the health and welfare of America's children**. We came together this past year in opposition to welfare reform proposals that would allow states to deny benefits to innocent babies simply because they were born into families receiving AFDC. As the 104th Congress debates welfare reform, more punitive child exclusion proposals have appeared which could endanger the health and welfare of America's children. The following provisions would severely harm the children of already impoverished families:

- WE OPPOSE PROVISIONS THAT WOULD DENY BENEFITS TO CHILDREN SIMPLY FOR BEING BORN INTO FAMILIES RECEIVING WELFARE.
- WE OPPOSE PROPOSALS THAT WOULD DENY BENEFITS FOR CHILDREN WHOSE PATERNITY HAS NOT BEEN OFFICIALLY ESTABLISHED BY THE STATE.
- WE OPPOSE ANY PROVISION THAT WOULD DENY BENEFITS TO THE CHILDREN OF UNMARRIED TEENAGERS.

Our principal concern with excluding children from subsistence welfare benefits is that, if enacted, each of these provisions will *hurt the children* of already impoverished families. Years of social science scholarship makes it clear that people make childbearing decisions for complex and varied reasons. The promise of a tiny incremental gain in welfare benefits is not an inducement to have additional children. Family values will not be advanced by making it more difficult for poor mothers to provide for their children and escape from poverty. Any short-term fiscal savings gained by excluding children from receiving subsistence benefits will be outweighed by the long-term social costs of their impoverishment and the further deterioration of families already in distress.

We urge you to oppose these anti-child, anti-family provisions.

Please contact Martha Davis of NOW Legal Defense and Education Fund at (212) 925-6635, Deborah Lewis, ACLU at (202) 675-2312 if you have questions or need more information.

#### American Civil Liberties Union (ACLU)

#### NOW Legal Defense & Education Fund

Advocates for Youth (formerly The Center for Population Options)	Center for Women Policy Studies
American Association of University Women	Center on Social Welfare Policy and Law
Americans for Democratic Action (ADA)	Child Care Law Center
American Friends Service Committee	Child Welfare League of America
Association for Children for Enforcement of Support, Inc.	Church Women United
Association of Arizona Food Banks	Coalition of Labor Union Women
BPW (USA)	Coalition on Human Needs
Boston Women's Health Book Collective	Connecticut Alliance for Basic Human Needs
Bread for the World	D.C. Rape Crisis Center
California Homeless and Housing Coalition	Eighth Day Center for Justice, Chicago
California Women's Law Center	Equal Rights Advocates
Catholics for a Free Choice	Feminist Majority
Center for Advancement of Public Policy	Feminists for Life
Center for Community Change	Food Research and Action Center
Center for Constitutional Rights	Georgians for Children
Center for Immigrants Rights, Inc.	Institute of Sisters of Mercy of the Americas, Leadership Team
Center for Law and Social Policy (CLASP)	Interfaith Impact
Center for Reproductive Law and Policy	Jesuit Social Ministries National Office
	Justice, Economic Dignity and Independence for Women (Utah)
	Labor Project for Working Families

Legal Assistance Resource Center of Connecticut  
 Los Angeles Coalition to End Homelessness  
 Lutheran Office for Governmental Affairs, ELCA  
 Maryland Food Committee  
 Mennonite Central Committee, WDC  
 Mississippi Human Services Coalition  
 9 to 5: National Association of Working Women  
 NARAL (National Abortion and Reproductive Rights Action League)  
 NOW (National Organization for Women)  
 National Abortion Federation  
 National Association for the Education of Young Children  
 National Association of Child Advocates  
 National Association of Social Workers  
 National Black Women's Health Project  
 National Center for the Early Childhood Work Force  
 National Coalition for the Homeless  
 National Consumers League  
 National Council of Churches  
 National Council of Jewish Women  
 National Council of Senior Citizens  
 National Council on Family Relations  
 National Family Planning and Reproductive Health Association  
 National Jewish Community Relations Advisory Council  
 National Low Income Housing Coalition  
 National Welfare Rights and Reform Union  
 National Welfare Rights Union  
 National Women's Conference Committee  
 National Women's Law Center

NETWORK: A National Catholic Social Justice Lobby  
 Ohio Association of Child Caring Agencies  
 Planned Parenthood Federation of America  
 Pratt Institute Center for Community and Environmental Development (Brooklyn)  
 Project Get Together (Oklahoma)  
 Puerto Rican Legal Defense and Education Fund  
 Religious Coalition for Reproductive Choice  
 Seamless Garment Network, Inc.  
 Service Employees International Union  
 Sigma Gamma Rho  
 Union of American Hebrew Congregations  
 Unitarian/Universalist Association  
 Unitarian/Universalist Service Committee  
 United Auto Workers, The International Union  
 United Church of Christ  
 U.S. Steel Workers  
 Woman Activist Fund  
 WOMEN OF REFORM JUDAISM, The Federation of Temple Sisterhoods  
 Women Lawyers Association of Los Angeles  
 Women Work! The National Network for Women's Employment  
 Women's Economic Agenda Project  
 Women's International League for Peace and Freedom  
 The Women's Law Center, Inc.  
 Women's Legal Defense Fund  
 YWCA of the U.S.A.

STATEMENT OF THE INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

On behalf of over 1.3 million active and retired workers, the International Union, UAW appreciates the opportunity to comment on welfare reform.

The UAW supports efforts for meaningful change in the welfare system. At the same time, we oppose proposals which negatively impact families in need of assistance.

Many proposals being promoted as being about welfare reform are actually only about punishing the poor. They are about denying help to millions of Americans regardless of need or consequence. These proposals are completely void of concern for our nation's poor children, and would result in inflicting further hardships and suffering on our most vulnerable families.

We as caring citizens have a responsibility to help those who are in need. We, as a union, believe in the standard espoused by Hubert Humphrey when he stated that "... the moral test of government is how that government treats those who are in the dawn of life, the children; those who are in the twilight of life, the elderly; and those who are in the shadows of life, the sick, the needy and the handicapped." Many of these proposals fail this "moral test of government."

WELFARE REFORM DEBATE MUST FOCUS ON ENDING POVERTY

Welfare reform offers an opportunity to get at the causes of child and family poverty. Unfortunately, much of the current discussion has not been about ending poverty—it has been about ending welfare.

Talk about ending welfare has revolved around a few common themes. One of them is that people on welfare ought to work. Work and responsibility are among our society's most basic values. We support those values. But we agree with Baltimore's Bishop John Ricard, who chairs the Bishops' committee on violence, when he warns against false choices between individual responsibility and government spending. "There has to be personal responsibility," Bishop Ricard said. "We also believe the society has a responsibility for those who cannot care for themselves."

There are not enough decent jobs for everyone who wants to work. If there were, there would not currently be over 12 million Americans struggling to find full-time work. If individuals cannot find jobs, or are unable to work or are working at subsistence wages, then we as a society have a responsibility to help. This includes basic financial support plus education and training, health care, child care and job opportunities, all of which allow people to help themselves and to provide for their families.

#### PROPOSALS WOULD HURT MILLIONS OF CHILDREN AND FAMILIES

The centerpiece of many proposals offered is to cut welfare rolls by denying needy children and their families assistance. Some suggest that children born to unmarried parents under age 18 should be permanently denied AFDC benefits. They would apply this retroactively so that children born to unmarried parents prior to the establishment of this ban also would be denied benefits. Under some proposals, states would have the option of extending this ban to children born to unmarried parents under age 21.

Others would deny benefits to children born to families already receiving assistance or for whom paternity is not established. It has also been proposed to deny benefits to children born to parents who are legal immigrants. Others have called for needy families to lose benefits after 5 years, with the states having the option to cut off benefits after 2 years. In either case, families would lose benefits even if parents cannot find jobs.

According to the Center on Budget and Policy Priorities, if these proposals were implemented today, at least half of the 5 million families receiving assistance would be without benefits. What would happen to the children under some of these plans? Under these plans, money would be spent building orphanages and promoting adoptions. Children who could not be cared for would be placed in these orphanages or put up for adoption. Such proposals are cruel and heartless.

#### REQUIRED WORK BELOW MINIMUM WAGE WITH NO TRAINING OR CHILD CARE

Work requirements which have been proposed are exceptionally stringent. For example, for families eligible for assistance, all parents would be required to work 35 hours per week, including parents caring for disabled children and infants. Parents would work at jobs that would pay only about half of the federal minimum wage—or \$85 for 35 hours of work.

With these proposals, there has been no suggested increase in funding for job training and education, nor any requirement that states provide training. In fact, states may be forced to divert funds from existing training programs to pay for the 1.5 million work slots mandated under one of these proposals.

Completely absent in these discussions is any provision for child care. If parents are to go to work—or to attend classes—someone else must care for their children. Despite mandated work requirements, there would be no funds available to care for children while parents fulfill their work requirement.

#### CUTTING FUNDS AND REMOVING ENTITLEMENT STATUS WILL DENY NEEDED ASSISTANCE

It has also been proposed that overall spending on AFDC, food stamps and a number of other anti-poverty programs be capped and reduced from current levels. In addition to reducing spending overall, this action would remove the entitlement status from welfare funding and make it discretionary, or subject to the yearly budget process.

Assistance would be given on a first-come, first-served basis instead of helping all who qualify. Families needing help after their state ran out of money would be denied assistance. This proposed change would end the fundamental right to assistance for all who qualify that has been central to our nation's welfare policy since the passage of the Social Security Act.

#### REMOVING FEDERAL STANDARDS WILL SET OFF RACE TO THE BOTTOM AMONG STATES

Under some proposals states could opt out of the federal system and instead receive a fixed annual block grant. Responsibility for assistance to needy families

would be shifted totally to the states and standards set at the federal level would not apply. States would have complete flexibility about how to spend the money, who to serve, and how to administer the program. Increasing states' flexibility could set off a race to the bottom, where states scale back benefits and impose more restrictions to avoid being viewed as being "too generous" toward needy families.

We understand that some Republican governors want a system of block grants with no restrictions on their use of federal money, including whether they could cut spending. If states were allowed to cut welfare spending, the "race to the bottom" would be accelerated as states would try to outdo each other not only in providing the lowest benefit, but in dropping needy families from the rolls.

#### STATES MUST NOT PRIVATIZE PUBLIC FUNCTIONS

Furthermore, with funds fixed, states would be under pressure to, among other things, cut program administration. States may consider turning certain services or systems over to private companies. When functions are transferred to the private sector, accountability and control are reduced. Private companies are accountable only to their owners, not to residents in the state. Services and systems must be kept within the public sector. By doing so, programs will be more responsive to the needs of poor children and their families and accountable to the community as a whole.

#### WELFARE PROPOSALS FAIL MORAL TEST OF GOVERNMENT

As stated at the beginning of our comments, these proposals fail the moral test of government. They are meanspirited. They will only push poor children and their families deeper into poverty. They completely detract from the discussion on how to end poverty and to develop meaningful welfare reform. We totally reject these proposals.

#### GENUINE ANTI-POVERTY STRATEGY

Welfare reform must be part of a broader anti-poverty strategy. Key elements of that strategy include:

- Economic security for all children. This means guaranteed child support benefits which are set high enough to assure that no child lives in poverty.
- Policies to foster economic growth and the creation of good, well-paying jobs.
- Expanded investments in job training and education, including basic skills training for those who need it, along with opportunities to develop advanced skills.
- An increased minimum wage.
- Further improvements in the Earned Income Tax Credit.
- A refundable children's tax credit.
- Improved unemployment insurance protection.
- Universal coverage through comprehensive health care reform.
- Quality child care for working parents and for parents in training programs.
- Improved access to federal nutrition programs.
- Improved opportunities for adequate housing.

Real welfare reform—reform which will bring us closer to ending poverty—is one of the biggest challenges facing our nation. We must marshal the will to meet that challenge.

The UAW appreciates this opportunity to add comments to the discussion on welfare reform. We look forward to working with Members of the Committee on this and other important issues.

