

**TESTIMONY OF SHARON DALY
VICE PRESIDENT FOR SOCIAL POLICY
ON S. 685, THE “STRENGTHENING WORKING FAMILIES ACT OF 2001”**

Mr. Chairman, Senator Kyl, and members of the Finance Subcommittee on Social Security and Family Policy: My name is Sharon Daly, and I serve as Vice President for Social Policy at Catholic Charities USA. I would like to thank you for the opportunity to testify before this Committee on the challenges facing working families in America. Catholic Charities USA is the national association of more than 1,400 independent local Catholic Charities agencies and institutions with more than 250,000 staff members and volunteers. In 1999, Catholic Charities' programs served nearly 10 million people of all religions – or of no religion – and of every racial, ethnic and social background.

The Events of September 11, 2001

Mr. Chairman, I was originally scheduled to testify before this Committee in support of the “Strengthening Working Families Act of 2001” on September 12, 2001, the day after the attacks on our nation that occurred in New York, Arlington, and Pennsylvania. I received your original invitation while I was attending the Catholic Charities USA Annual Meeting, which brought together over 900 staff members from Catholic Charities agencies throughout the country. Each year at our Annual Meeting, we hold a hearing, modeled after Congressional hearings, to give our membership an opportunity to educate us about the problems facing the individuals and families coming through their doors for assistance. And the single most important theme that resonated throughout all of the testimony we heard this year is that our nation’s public policy is failing working families.

Of course, in the days following September 11th, so many things changed. Since the terrorist attacks, Congress and the Administration have had to turn their attention to the pressing issues of national security, of disaster response, and lately, of whether or not to pass economic stimulus legislation. Many of our Catholic Charities agencies have been heavily involved in disaster response efforts in their communities. As a result, we are fully aware of the importance of focusing on the urgent national security needs and economic challenges facing our nation in the wake of the terrorist attacks that occurred on September 11th.

Indeed, Catholic Charities USA and our member agencies are committed to doing everything we can to help aid in the nation’s efforts to recover from the terrible attacks that were inflicted on this country on September 11th. First and foremost have been our efforts to provide grief counseling to those who were either victims of the attacks, or lost loved ones to the terrorists’ activities. Helping families get through this tragedy emotionally and spiritually is where we believe we can have the greatest impact in the immediate aftermath of this disaster.

Our agencies have also been helping victims and their families recover from the devastation and its impact across the nation by providing assistance with burial services,

emergency cash, food, clothing, and shelter, job placement and other services their communities may need.

Our agencies are also preparing to meet the long-term needs of those affected by the attacks. This includes not only those who were injured in the immediate attacks, and the families of those killed, but also those who have lost their livelihoods as a result of the attacks. From recent immigrants who cleaned buildings in New York that no longer exist, to airline workers among the 100,000 who have been laid off, the ripple effects of this disaster will be felt far beyond the epicenter of the attacks.

So while much has changed since September 11th, many things remain the same. Notably, the urgent domestic needs that Catholic Charities agencies gathered to discuss last month – including the need for an adequate minimum wage, for more child care assistance, for the production of affordable housing, and for the provision of health care to the uninsured – still exist. In fact, in many cases, these domestic needs will be exacerbated by the economic downturn that appears to be deepening since the September 11th attacks. Low wage workers (those who make at or just above the minimum wage) are the first to feel the impact of an economic downturn, and are the least able to withstand its effects. Accordingly, it is more important now than ever for Congress to take steps to aid the working poor.

The Working Poor

Mr. Chairman, last August marked the five-year anniversary of welfare reform. As numerous policymakers and pundits have reminded us, since the creation of the TANF block grant, welfare caseloads have plummeted, and 60 percent of those who are leaving the welfare rolls are employed.

Last month, the Census Bureau released new figures showing that, overall, the nation's poverty rate declined to 11.3 percent in 2000, its lowest level since 1974, and poverty among families with children declined almost twice as rapidly as poverty among families with no children. In light of the increased number of people at work, and the decline in the official poverty rate, it is natural to expect that Catholic Charities agencies would experience far less demand for their services.

Unfortunately, the opposite is true. Every day, Catholic Charities staff provide help to parents who labor in backbreaking jobs that make life easier for all of us, yet still cannot afford to put food on the table after spending so much of their income on rent and child care. They clean our houses and our office buildings. They care for our children in understaffed day care centers, or for our parents in nursing homes and long term care facilities. They stock the shelves in our supermarkets. They harvest our food in the fields, get meat and poultry to market in the slaughterhouses, and prepare food and serve it in restaurants and cafeterias. They have provided the difficult and often backbreaking labor that has played a large role in creating and sustaining this nation's recent economic boom.

Yet despite all their hard work, they cannot make ends meet. Last year, requests for emergency food assistance nationwide, including at Catholic Charities agencies, were up 30 percent, mostly from the working poor. According to our front line caseworkers, the typical family coming to us for emergency food assistance is a parent working at or even \$1 or \$2 above the minimum wage. Each month, after paying rent, utilities and child care costs, and arranging transportation to and from her job (often far from where she lives), she has no money left to put food on the table. And that's a good month. If she gets sick, for example, and has unpaid medical bills, or loses time off work, she will get behind in the rent.

The experience of our local agencies may seem difficult to reconcile with the generally positive economic news of the past eight years, especially the poverty statistics I cited above. How can it be that working families have had to come to churches and charities for food in the midst of the strongest economy that this country has ever seen? How can so many families be living so close to the edge when the nation's poverty rate fell to its lowest level since 1979, and when poverty among African Americans (22.1 percent) and female-headed households (24.7 percent) were at their lowest levels ever?

This phenomenon is easier to understand if you look closely at the official definition of poverty, and compare that with what it really takes a family to live, factoring in the actual costs of the basic expenses: rent, utilities, child care, transportation to work, and of course, food. The fact is, parents aren't earning enough to cover these basic expenses and make ends meet without government assistance. And, unfortunately, government assistance has often been missing or inadequate.

The Ford Foundation Report recently published an article titled: "The Real Cost of Living: Self-Sufficiency May be the Next Frontier for U.S. Welfare Reform." The Self-Sufficiency Standard is a tool that has been designed to more accurately measure the amount of income a family needs to survive, taking into account *actual, local costs* for basic needs like adequate housing, food that meets minimum nutrition levels, child care and transportation to work. While I don't actually like the term "self-sufficiency" – no one in society is truly "self-sufficient" – the measurement makes an important point. The federal poverty guidelines, which are based on the premise that a family's primary expense is food, are no longer an accurate measure of what a family needs to survive without assistance from government or private charities. Today's families spend the bulk of their income on housing and child care.

The article features the story of a low-wage mother of two young children, working 50 hours per week at \$8.50 per hour – or \$18,000 a year – yet struggling to make ends meet. Under the standard federal poverty measurement, this young mother is well over the threshold of \$14,630 for a family of three. Yet she walked into her local Catholic Charities agency in Allentown, Pennsylvania, for emergency food assistance. She would need to earn \$14.98/hour – almost double her current wage – to meet her family's basic needs without assistance. This example illustrates precisely the reason there is such a disconnect between the glowing accounts about reductions in child

poverty and unemployment in the past five years, and the actual struggles of working parents who are truly living on the edge.

Addressing this growing disparity must be of primary concern to the federal government because, without government action, the situation will only get worse. Throughout the 1980s and 1990s, the richest one percent of Americans saw their wealth grow by an average of \$414,000 – an increase of 157 percent – while the poorest 20 percent of Americans saw their average wealth decrease by \$100.¹ While those at the top of the economic ladder are thriving, working parents are finding it impossible to provide for their families. As the U.S. Conference of Catholic Bishops stated in its Pastoral Letter, *Economic Justice for All*:

The obligation to provide justice for all means that the poor have the single most urgent economic claim on the conscience of the nation . . . to see a loved one sick is bad enough, but to have no possibility of obtaining health care is worse. To face family problems . . . can be devastating, but to have these lead to the loss of one's home and end with living on the streets is something no one should have to endure in a country as rich as ours.

The poor cannot be helped only through private charitable giving or private volunteer efforts, though these are important components in any just society. Our Catholic teaching tells us that it is the also the responsibility of *society, acting through government*, to assist and empower the poor, the disadvantaged, the disabled, and the unemployed. The principle of subsidiarity is an important component of Catholic social teaching, but it does not mean that the federal government should cede responsibility for the poor. Rather, the principle of subsidiarity acknowledges that many challenges facing the poor are *national* in scope, will be beyond the capabilities of private charities, or even local and state governments, to address, and can best be remedied by federal legislation. The factors that make it so difficult for working parents to provide for their families – working for less than a living wage, a shortage of affordable housing and quality child care, and a lack of access to health care – are national problems that require a national solution.

Recommendations for Reform

I. Congress Should Pass S. 685, The Strengthening Working Families Act

S. 685, the “Strengthening Working Families Act of 2001,” contains six distinct initiatives that would greatly contribute to the living standards of the working poor. I would like to thank you, Mr. Chairman, for cosponsoring this legislation introduced by Senators Bayh and Snowe, and also cosponsored by Senators Daschle, Rockefeller, Graham, Bingaman, Kerry, Lieberman, Dodd, Kohl, Carper, Clinton, Johnson, Landrieu, and Lincoln. Catholic Charities USA has long supported a number of the provisions

¹ “Pathbreaking CBO Study Shows Dramatic Increases in Income Disparities in 1980s and 1990s: An Analysis of CBO Data,” Isaac Shapiro, Robert Greenstein, and Wendell Primus, Center on Budget and Policy Priorities, Revised May 31, 2001.

included in this legislation, including provisions to promote responsible fatherhood, ensure child support is paid to families first, expand the Earned Income Tax Credit, and restore the Social Services Block Grant.

Title I – Promoting Responsible Fatherhood: Title I of the Strengthening Working Families Act would fund programs, including faith-based and community programs, designed to promote and sustain marriage, to encourage non-custodial parents to become more involved in the lives of their children, and to provide job training and other services to help non-custodial parents contribute to the support of their children. As a general matter, children raised with the involvement of both parents develop fewer behavioral problems, perform better in school, and experience higher levels of sociability. We strongly support programs that seek to increase the number of fathers who are involved in their children’s lives, and applaud your efforts to devote additional federal resources to fill this critical need.

On the subject of fatherhood and marriage, however, I would encourage this Committee to consider an additional fact: for the past 60 years, state and federal welfare policies have discriminated against married couples and two parent families. If we are serious about promoting marriage, Congress should require states to remove the barriers to TANF eligibility for two parent families.

Title II – Child Support Distribution to Families First: At Catholic Charities USA, we believe that the primary goal of the child support system should be to ensure that children receive adequate support from their parents. For that reason, we strongly support legislation allowing states to “pass through” child support payments directly to custodial parents and their children. If fully implemented, such provisions could result in more than \$1 billion per year in additional income for children on the edge of poverty. By passing S. 685, Congress could ensure that child support paid by non-custodial parents, primarily fathers, reaches the children on whose behalf it is paid, and can give low-income families the help they need to succeed without welfare.

Under current law, a family receiving cash assistance under the Temporary Assistance to Needy Families (TANF) program is required to assign to the state its right to child support payments during the assistance period. This can be discouraging for non-custodial parents who pay support for their children, only to see the money retained by the state instead. In addition, it can make the challenge of leaving the TANF program that much more difficult for needy families. S. 685 would address these problems by giving states the flexibility to “pass through” child support payments directly to custodial parents and their children. For families who are struggling to become self-sufficient, child support payments can provide a critical boost. Indeed, studies have shown that when households headed by single mothers receive child support payments, their poverty rate drops from 33 percent to 22 percent.²

² Testimony of Vicki Turetsky, Senior Staff Attorney, Center for Law and Social Policy, before the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, May 18, 2000.

S. 685 would also ensure that, once a family has left welfare, all child support is paid to the family first. In 1999, a record \$1.3 billion in past-due child support was collected through the tax refund intercept program. Under current law, these funds are retained by the state and federal government to satisfy assigned child support arrearages; only after those debts have been paid does the family receive any share of the funds. S. 685 would provide that all funds, including tax intercept funds, go first to satisfy obligations to families who are no longer receiving welfare.

I know that these child support provisions are not without their detractors, particularly among those who are concerned about the revenue that will be lost to states if a child support pass through system is implemented. But at a time when so many families, including single parent households, will be facing loss of income because of increasing unemployment, we at Catholic Charities are more concerned with shoring up revenue lost to those households, and those children. I hope that Congress will at a minimum consider enacting the federal tax refund intercept portion of the child support legislation this year, perhaps as part of an economic stimulus package.

I would also like to mention one other provision that we are pleased has been included in Title II. Title II contains language to give private agencies performing child protection services equal access to funds to train child welfare workers. Under current law, Title IV-E of the Social Security Act provides an enhanced match rate of 75 percent of the costs of providing short-term training for workers in state-run child welfare programs. Specifically, Title IV-E provides the enhanced match for funds spent to train state or local government employees, employees of private child welfare agencies that provide institutional care, and current or prospective foster or adoptive parents.

Unfortunately, current law fails to recognize that, in some states, private agencies, including Catholic Charities agencies, care for the majority of children in the welfare system. In Illinois, for example, three out of every four children in the foster care system are cared for by private agencies.

We believe it is essential that workers in private agencies have access to Title IV-E training funds when they are performing the same services as workers in state and local agencies. For that reason, we strongly support legislation that will allow all state-approved child welfare agencies to access federal funds to train their workers, and we thank the sponsors of S. 685 for including this provision in the legislation.

Title III – Earned Income Tax Credit Expansion for Larger Families: Title III of the Strengthening Working Families Act would increase the Earned Income Tax Credit (EITC) for low-income families with three or more children and simplify the EITC rules, thus improving taxpayer compliance and reducing error rates. The EITC is the only individual tax credit that provides a federal payment when a filer's tax credit exceeds income tax liability, lifting 2.6 million children out of poverty while encouraging work. Because it is available only to households with earnings, it contributes greatly to the economic well-being of low-income working families.

Yet, while middle income and affluent families get the full benefit of the personal exemption for all of their children, low-income working parents receive the EITC for only a maximum of two children. Child poverty rates are significantly higher among families with three or more children (28.6 percent) than families with two children (12.4 percent).³ Given the EITC's proven role in lifting families out of poverty, expanding the credit for families with more than two children is an important step in addressing this problem.

Mr. Chairman, I would also note that the EITC still contains a marriage penalty. We appreciate the provisions that Congress included in the recent tax cut legislation to provide some relief for married couples who qualify for the EITC. The provisions in the recent tax cut legislation will allow married couples to remain eligible for the EITC with incomes up to \$1000 more than under current law. That amount will increase to \$3000 more than the current level by 2008. Further increasing the phaseout range for married couples to claim the EITC would provide assistance to even more low-income families.

Title IV – Restoration of the Social Services Block Grant: I am particularly pleased that S. 685 contains provisions to restore the Social Services Block Grant (SSBG) to \$2.38 billion, the level promised to states in the 1996 welfare law. One of the most distressing legislative developments of the past five years was the action Congress took to cut the SSBG program by one-third, and transfer the budget authorization to the highway bill. *This is truly incomprehensible!*

The Social Services Block Grant is the primary source of federal funds for community groups and religious agencies to provide counseling, social services and other help to working families. SSBG funds are typically used for programs such as foster care, child abuse prevention, aid for pregnant teens, transportation for people with disabilities, and services for the elderly.

At our recent Annual Meeting, Catholic Charities of Chicago testified about the programs they run with SSBG funds, which include their highly successful programs for pregnant and parenting teens. These programs have reduced infant mortality rates to 2 out of 1000 births, improved average birth-weights of infants to 6.8 pounds, and dramatically improved high school graduation rates. Fully 90 percent of the program participants go on to graduate from high school, compared to the 50 percent graduation rate for students generally in the Chicago Public Schools. Are these the individuals we want to bear the burden of building our highways?

Local Catholic Charities agencies that rely on these funds have had to scramble to find ways to continue providing services in the face of SSBG cuts, and unfortunately that task has become increasingly difficult. Unless SSBG funding is reinstated at \$2.38 billion – the level promised to the states in 1996 when TANF legislation was passed – significant cuts in services for the most vulnerable among us are likely.

³ “Should EITC Benefits be Enlarged for Families with Three or More Children,” Center on Budget and Policy Priorities, July 10, 2000.

Title V – Encouraging Employer-Sponsored Child Care: Catholic Charities USA agrees with the need for Congress to do more to ensure access to quality child care services. Next to the lack of affordable housing, our agencies report that that lack of affordable, quality child care is a critical obstacle to success in retaining a job and advancing in the workplace. While TANF requires mothers receiving welfare assistance to get and maintain employment, less than 15 percent of eligible families receive day care subsidies.

There are a number of factors that make it difficult for low-income families to find or afford quality child care. Parents lacking job experience or skills frequently have to accept jobs on weekends or the night shifts, when office buildings need to be cleaned or fast food positions need to be staffed. Child care during these non-traditional hours is woefully scarce, and parents often must turn to substandard substitutes. State subsidy rates are below the local fair market rates. Inadequate subsidies deprive parents of genuine options in choosing day care providers, keep poor children out of existing quality child care programs, and limit providers' ability to attract qualified staff with adequate salaries or improved benefits. Child care workers are seriously underpaid; the average salary is \$14,000. These low salaries also often don't include benefits and contribute to a high rate of staff turnover, which is difficult on the children in care. The inability to attract and retain quality workers to care for our nation's children is a problem that must be addressed. And, finally, there are not enough child care dollars to serve all who are eligible for assistance.

In addition to the provisions in S. 685 designed to encourage more employer-sponsored child care, we hope that the Senate will consider the need for an increase in Child Care and Development Block Grant (CCDBG) funding. We are grateful that Congress provided a significant funding increase in the CCDBG for FY 2001. Nevertheless, this increase does not come close to meeting the need. We urge Congress to increase the FY 2002 CCDBG budget by \$1 billion. This increase should be part of an annual Congressional commitment to narrowing the gap between the children who receive CCDBG aid and the number who need it. And CCDGB funds must be used to address the urgent need for more child care facilities to provide non-traditional hours of service. Since child care facilities are often inaccessible and unaffordable for people who are poor, families living in poverty are forced, in many cases, to settle for substandard child care arrangements.

Finally, Congress should pass the "Child Care Quality Incentive Act" (S. 1000/H.R. 2097). This legislation, introduced by Senator Jack Reed and Representative Sanford Bishop, provides incentives for states to increase quality, including tools to allow states to attract and retain qualified staff; provide salary increases and benefits to child care workers; maintain healthy environments in child care centers; and purchase basic supplies and educational materials.⁴

The Relationship Between SSBG and Child Care: Mr. Chairman, while we are still on the subject of child care, I would like to emphasize the relationship between the

⁴ S. 1000 currently has 7 cosponsors, while H.R. 2097 has 68 cosponsors.

Social Services Block Grant (SSBG) and adequate child care assistance. The SSBG Annual Report on Expenditures and Recipients for 1999 reports that:

Twelve and a half million individuals in the country received services that were funded at least partially by the SSBG...Child day care, with the support of SSBG, served the largest number of recipients. Forty three states reported SSBG expenditures for child day care; 2.62 million children received day care services supported at least partially by the SSBG. In other words, nearly half of all child recipients (6.8 million [54 percent] of all recipients of the 1999 SSBG) received child day care services. **Expenditures of \$397 million for child day care, the largest category of SSBG expenditures**, accounted for 13 percent of all SSBG expenditures.

In light of the critical need for child care, this report only underscores the need to restore SSBG funding to its rightful level.

Title VI – Child Welfare: S. 685 would reauthorize and provide \$200 million in additional funds this year, and \$1 billion over 5 years, for the Safe and Stable Families program. Funds provided under the Safe and Stable Families program can be used by states for four distinct purposes: family preservation services for children and families that are at risk or in crisis; community-based family support services to help prevent abuse or neglect; time-limited family reunification services; and adoption promotion and support activities.

Unfortunately, funding for Title IV-B services has not been significantly increased since the program was enacted in 1980, despite the growing need for services. Consider for example that, in recent years, the Federal government has placed increased emphasis on the adoption of children out of foster care. The Department of Health and Human Services just reported that almost 50,000 children were adopted from public welfare agencies in FY 2000, an almost 10 percent increase over the 46,000 adoptions in FY 1999, and an almost 39 percent increase over the 36,000 adoptions in FY 1998. We think it is incredibly positive that children are able to be adopted into loving families, rather than languish in foster care. At the same time, however, our agencies stress that these families will often need the support of post-adoptive services to ensure that the adoptions are successful. Post-adoptive services are one of a number of crucial activities funded by the Safe and Stable Families program, all of which will benefit greatly from the additional \$200 million in funds proposed for fiscal year 2002.

S. 685 would also provide an additional \$60 million per year for education and training vouchers for youth aging out of foster care. Each year, 20,000 young people leave the foster care system. We owe it to these children to help them obtain the education and other skills they will need to live productive lives.

We also support the additional improvements included in S. 1503, the bipartisan “Promoting Safe and Stable Families Amendments Act of 2001,” introduced in the Senate last week by Senators Rockefeller and DeWine, and cosponsored by Senators Breaux, Snowe, Landrieu, Bond, Levin, Craig, Graham, Lieberman and Johnson. This bill mirrors the legislation proposed in August by the Bush Administration, and is based on proposals that the President first outlined in his campaign. Most notably, the bill would support the President's efforts to establish a program for the mentoring of children whose parents are incarcerated. The President has called for spending \$67 million on this program, a relatively modest amount considering the urgent need.

The need for adequate resources for family preservation, family support and time-limited reunification services is underscored by the strict time limits for permanency decisions that Congress established in the Adoption and Safe Families Act (ASFA). Under ASFA, the child welfare system must make permanency decisions for any child in foster care for 15 consecutive or 15 of 22 months.⁵ Consider the challenges faced by a mother who, because of a substance abuse problem, cannot properly care for her children and loses them to foster care. Obviously, the successful completion of a substance abuse treatment program is a necessary step for that mother to regain custody of her children, yet treatment resources are far inadequate to meet demand.⁶ We are encouraged by the recognition in S. 1503 of the need to develop treatment models that address the needs of families struggling with substance abuse problems. These provisions are not likely to have much of an impact, however, if funding for the Safe and Stable Families program is not substantially increased.⁷

Mr. Chairman, it is our strong hope that the Finance Committee can act to ensure that the full Senate has the opportunity to pass S. 1503 before the end of the year. Reauthorization of the Safe and Stable Families program, *with the additional programs and resources requested by the Administration*, will renew our commitment to making a difference in the lives of abused and neglected children, children waiting for loving, adoptive families, young people aging out of foster care, and children of incarcerated parents. (Of course, as a technical matter, reauthorization of the program this year is critical because if the program is not reauthorized the funding will no longer be reflected

⁵42 U.S.C. at 675(5)(c), 675(5)(F) (1999). In some states, the timeline for termination of parental rights is even shorter.

⁶Only ten percent of child welfare agencies report that they can successfully find substance abuse programs for mothers and their children who require treatment within thirty days. Source: Child Welfare League of America, *Alcohol and Other Drug Survey of State Child Welfare Agencies*, Washington, DC (1998).

⁷Two other bills pending before the Senate address the need for additional resources to aid families in the child welfare system struggling to overcome substance abuse. Senators Olympia J. Snowe and John D. Rockefeller have introduced S. 484, the “Child Protection/Alcohol and Drug Partnership Act of 2001,” which would provide funding to promote joint activities among federal, state and local child welfare and alcohol and drug abuse prevention and treatment agencies. Senators Orrin Hatch, Patrick J. Leahy, and Joseph R. Biden have introduced S. 304, the “Drug Abuse Education, Prevention, and Treatment Act of 2001,” which would provide additional federal funds for substance abuse treatment programs, including residential treatment centers for women with children.

in the budget baseline, and efforts to reauthorize it in subsequent years will come with a cost.)

As you consider S. 1503, we would ask you to adopt one improvement included in the Safe and Stable Reauthorization bill approved by the House Ways and Means Subcommittee on Human Resources. Specifically, we urge the Finance Committee to allow states to use Safe and Stable Families funds to support programs that allow parents who feel incapable of caring for a newborn child to relinquish custody of that child at a state-approved location shortly after birth. These state-approved locations are staffed by individuals who are qualified to ensure these newborns receive the care that they need. In exchange, as long as the child is relinquished unharmed, parents are protected from prosecution for child abandonment.⁸

Adoption Assistance Payments for Children Adopted through Non-Profit Agencies: S. 1503 also contains language to restoring adoption assistance funds for families who adopt children with special needs through private agencies like Catholic Charities. A number of Catholic Charities agencies across the country facilitate the adoption of special needs children, many of whom have been voluntarily placed with our agencies in the hope that we will find loving, adoptive families to care for them. Until this past January, adoption assistance was available to families adopting special needs children regardless of whether those children were adopted through private or public agencies. Just this past January, the Administration for Children and Families issued a policy restricting adoption assistance funds to only those special needs adoptions processed through state agencies. The policy clarification also specified that, for special needs children voluntarily placed for adoption with public agencies, adoption assistance would *only* be available for those children *adopted out of foster care*.

Such a policy flies in the face of efforts to increase the participation of faith-based organizations in providing adoption and other child welfare services. More important, this policy essentially forces birth parents (who have already made the agonizing decision that their child's life would be better if he or she were raised by a loving, adoptive family) to first relinquish their special needs children into foster care before they can be adopted. Our Catholic Charities agencies tell us that, without a change in the policy (or the statutes governing adoption assistance), they will cease accepting special needs children for adoption because these children may have better luck finding loving, adoptive homes if they are placed with public agencies who may be able to secure adoption assistance for their adoptive families. We strongly support the language in S. 1503 to clarify that adoption assistance funds are available for special needs children adopted through either private or public agencies, regardless of whether the child is voluntarily placed for adoption or removed from his or her home by court order.

Since January, we have been working to encourage HHS to rescind its January policy announcement and restore eligibility for adoption assistance funds for families

⁸ This provision is based on H.R. 2018, the "Safe Havens Support Act of 2001," introduced in the House of Representatives by Rep. Melissa A. Hart, and was offered as an amendment to the Subcommittee bill by Rep. Phil English.

who adopt children with special needs through private agencies. We have received support in that effort from Senators Rockefeller, DeWine, Landrieu and Chafee, and from Representatives Deborah Pryce, Dave Camp, and Ken Bentsen. We were pleased to learn last week that, after reviewing the matter, HHS Secretary Tommy Thompson has indeed decided to correct this inequity and restore eligibility for special needs children adopted through private agencies. We would be happy to work with member of the Finance Committee to determine if it is still necessary to include the language in S. 1503 designed to address this issue.

Economic Stimulus Package

Mr. Chairman, we know that Congress is currently debating an economic stimulus package, and that the Senate Finance Committee is heavily involved in those debates. On behalf of Catholic Charities USA, I urge you to ensure that the economic stimulus package include provisions to assist low-wage workers who are the first to feel the impact of an economic downturn, but are the least able to withstand its effects. In particular, it is critical that any such legislation contain long-needed reforms to the Unemployment Insurance (UI) program, and provide tax relief for those 35 million low-income Americans who saw no benefit from the tax legislation passed by Congress earlier this year. In addition, we hope that Congress will consider adding provisions to the economic stimulus package to expand health coverage for low-income workers, and to restore benefits to legal immigrants, many of whom work in the very industries that are being hardest hit by the economic slowdown.

Unemployment Insurance

While the Unemployment Insurance program is often described as the nation's first line of defense against a recession, only a minority of unemployed workers receive UI benefits, and benefit levels are well below the poverty level in many states. Congress should take immediate steps to ensure that more workers will be eligible for UI benefits and to increase benefit levels. These changes will further strengthen the ability of the UI program to counter the effects of the current economic slowdown.

First, Congress should enact a permanent change in the UI program to allow part-time workers who are laid off and meet all other eligibility criteria to receive benefits. Many individuals, including single mothers with young children or those caring for a disabled family member, are unable to work full-time. Yet their loss of income is no less devastating to their family than that of a full-time worker.

In addition, Congress should use federal funds to provide a temporary increase of at least 15 percent in the level of unemployment benefits and, for persons at the lowest benefit levels, Congress should guarantee a *minimum dollar increase* in benefits. In many states, UI benefit levels are simply inadequate, and typically replace one-half or less of a worker's earnings. A federal benefit supplement will provide unemployed workers with a more adequate benefit, and, in most cases, these funds will be immediately spent in our nation's economy.

Income Tax Rebates

The tax cut passed by Congress earlier this year provided a tax rebate of \$300 per household, and \$600 per married couple. Yet 35 million low-income households did not share in this rebate, or received only a partial rebate, despite the fact that they bear a heavy tax burden, including payroll taxes. These households have a much greater need for the rebate than high-income households, particularly in light of the current economic slowdown. Moreover, these households are more likely to promptly spend their rebates, providing an immediate boost to our economy.

Health Insurance

Catholic Charities USA has long advocated for the adoption of universal health coverage, which would allow all individuals to receive on-going, preventive care when they are healthy, and necessary corrective care when they are ill. Many people mistakenly believe that families living at or below the poverty level receive health care coverage through Medicaid. While that is true for low-income *children*, the same can not be said for low-income parents. Indeed, a study just released by Families USA found that 81 percent of low-income, uninsured adults do not qualify for Medicaid or other public health coverage in their states. The vast majority of the uninsured are in working families.⁹

Thanks to the efforts of the Senate, and Senators Smith, Wyden, Baucus, Snowe, and Santorum in particular, the FY 2002 budget resolution approved by both houses of Congress provided \$28 billion to spend on health care for the uninsured. I realize that legislation passed in the wake of the attacks of September 11th have placed further pressure on budget resources. But Congress and members of this Committee are still considering economic stimulus legislation, and it is our strong recommendation that legislation to expand access to health insurance, particularly legislation to expand Medicaid and SCHIP to cover working parents and children with disabilities, be included in that package.

This is particularly important in light of recent studies demonstrating that providing public health coverage to parents leads to increased enrollment in public health programs by their children. When parents are included in state health programs, their kids benefit – often dramatically. As a study by the Center on Budget and Policy Priorities showed, states that expanded their public health programs to parents saw children’s participation rates increase significantly, from 51 percent to 67 percent, compared to an increase of 51 percent to 54 percent in states without similar expansions.¹⁰

⁹ “The Health Care Safety Net: Millions of People Left Uninsured,” a report of Families USA, July 2001

¹⁰ “The Importance of Family-Based Insurance Expansions: New Research Findings about State Health Reforms,” Leighton Ku and Matthew Broaddus, Center on Budget and Policy Priorities, September 4, 2000.

We know that there is a clear correlation between lack of insurance and access to health care. The uninsured have more difficulty obtaining primary care and access to essential medication, and have a higher rate of hospitalization for treatable conditions such as hypertension, asthma or diabetes. It is simply unacceptable that so many hard working Americans, whose daily labors make life easier for all of us, must suffer the consequences that result from being uninsured.

B. Restoration of Benefits For Legal Immigrants: Congress should also act to ameliorate some of the harshest provisions of the 1996 welfare law: those provisions barring *legal* immigrants who entered the country after August 22, 1996, from receiving public benefits. At a minimum, Congress should restore eligibility for Medicaid, SCHIP and food stamp benefits to legal immigrant children and pregnant women. Again, these provisions could be included in an economic stimulus package.

Under current law, pregnant women and children who are legal residents and arrived in the United States after August 22, 1996, are barred for five years from receiving Medicaid and SCHIP benefits. Pregnant women and sick children cannot wait five years to get the medical attention they need. The important goals of Medicaid and SCHIP are undermined when states are not permitted to use federal funds to provide preventive and other basic health care services to lawfully present immigrants. Senators Bob Graham, Lincoln Chafee and John McCain, and Representatives Lincoln Diaz-Balart and Henry Waxman, and have introduced the “Legal Immigrant Children’s Health Improvement Act” (S. 582/H.R. 1143)¹¹, which gives states the option to extend Medicaid and SCHIP benefits to these women and children. Congress can lessen the chance that these children will develop long-term and chronic health problems, and instead help guarantee that they can become productive members of our society.

Similarly, a growing child’s need for adequate nutrition is not lessened merely because the child is a legal immigrant. The Food Stamp Program, by supplementing the limited purchasing power of low-income households, helps to alleviate hunger and malnutrition for poor individuals and their families. While our nation as a whole is enjoying great prosperity, too many working families, including legal immigrant working families, have not shared in that prosperity. Their daily labors make life easier for all of us, but their take-home pay is often insufficient to cover rent, child care, clothing and transportation costs, and still have enough left to pay for their food. Representative James T. Walsh, and Senators Edward M. Kennedy and James M. Jeffords have introduced the “Nutrition Assistance for Working Families and Seniors Act” (H.R. 2142/S. 583),¹² which would restore Food Stamp benefits for legal immigrants, among other provisions. Passage of the bill will ensure that these working families can provide their children with the nutrition they need for healthy development.

Efforts to restore Medicaid, SCHIP and Food Stamp benefits have broad bipartisan support and further basic notions of fairness and common sense. According to the National Academy of Sciences, the average immigrant contributes \$1,800 each year

¹¹ H.R. 1143 has 89 additional cosponsors, while S. 582 has 20 additional cosponsors.

¹² H.R. 2142 has 32 cosponsors, while S. 583 has 14 additional cosponsors.

more in taxes than he or she costs federal, state and local governments. Immigrants pay taxes to support services to others; they too should have access to assistance when they fall ill. In addition, the babies born to legal immigrant mothers are automatically U.S. citizens upon their birth and will immediately be eligible for federally supported health care. As has been repeatedly demonstrated, the costs of prenatal care and adequate nutrition for legal immigrant mothers will be offset by reduced Medicaid costs for their babies. Indeed, the U.S. saves \$3 for every \$1 it spends on prenatal care. Even more important, these newest little citizens should get a healthy start in life.

Call for Repeal of a Portion of the Tax Cut:

Mr. Chairman, I know that all of the initiatives I have raised here today – those in the Strengthening Working Families bill, as well as those to provide affordable housing, health care, and other critical supports to working families – will cost money. I am also aware that federal resources were being stretched thin even before the events of September 11th, as underscored by the budget estimates released by both the Bush Administration and the Congressional Budget Office (CBO) in August. The need to pass legislation to deal with the effects of the attacks on our country – from the \$40 billion in emergency appropriations, to the \$15 billion bailout of the airline industry, to the as yet undetermined economic stimulus package – has only further increased those fiscal pressures.

We are not experts in tax policy. We are, however, experts in human suffering. Every day, our agencies see working parents cannot afford to put food on the table after spending so much of their income on rent and child care. They see families who must live in our shelters far from their children's schools, because there is no affordable housing available. They see individuals who have worked for years at jobs with low wages and no health care benefits, leaving them unable to afford regular medical care, and are suffering the consequences of untreated diabetes, high blood pressure and heart disease. Our experience with these working families has led us to conclude that the federal government must do more to ensure that parents can provide for their children without having to come to Catholic Charities for a handout.

We believe that the time has come for Congress to rescind some of the most expensive provisions of the recent tax cut, whose benefits inure to the wealthiest among us. Economist Gene Sperling has recently advocated that the full repeal of the estate tax, and the second and third stages of the tax cut for those in the top two percent, should be delayed in order to save \$1.25 trillion. These funds could be used to produce safe and affordable housing for low-income families. They could be used to ensure that parents will not have to choose between holding down a job and caring for their children.

A recent article in the *Washington Post* showed that a majority of the American public – 57 percent – would support rolling back a portion of the recent tax cut to help deal with the shrinking budget surplus. I would like to underscore that repealing these tax cuts for the wealthiest in our society in order to aid working families who are struggling to make ends meet would leave untouched tax cuts impacting 98 percent of

American families – those who make less than \$180,000 per year. And no individual would see his or her existing taxes raised. But millions of working families would be able to live safer, healthier, and more productive lives.

In conclusion, I want to thank this Committee for focusing attention on the growing problem of working families who simply aren't able to make ends meet. It does not seem right that families who work hard and play by the rules remain unable to save money for their children's college education, to buy their own homes, or to otherwise pursue the American dream, because they are too busy trying to keep the wolf from the door. For these families, the daily dilemmas they face are ones that are foreign to most on this Committee: Will I pay the heating bill, or buy clothes for my children? Will I pay the rent, or fix the car I need to get to work? Do I go to see a doctor for my nagging illness, when I know I will need that money to buy food? But as workers at Catholic Charities agencies throughout the country can tell you, these dilemmas are all too real.

It is our hope that today's hearing will lead to enactment of proposals that will address the growing disparity between rich and poor, and give low-income workers the help they need to not only survive, but to thrive.