

ADMINISTRATION'S VIEWS ON WELFARE REFORM

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

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MARCH 10, 1995
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ADMINISTRATION'S VIEWS ON WELFARE REFORM

FRIDAY, MARCH 10, 1995

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

The hearing was convened, pursuant to notice, 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, Rockefeller, Breaux, Conrad, Graham, Chafee, Grassley, Hatch, Pressler, and Nickles.

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

The CHAIRMAN. The committee will come to order.

This is the third in a series of eight or nine hearings we are going to have on welfare and we are delighted to have the Secretary with us this morning. She is the only witness.

My only statement today would be, I can see the battle coming already. I do not mean between the Secretary and us, but I can just see the forces drawing up outside, that if there is any idea of any kind of block grant or anything, caring for people is not the same as taking care of people. They are two different things.

This argument that welfare is the last safety net is fine, but it is supposed to be a trampoline, not a hammock. At some stage it has got to work and people have got to bounce back off the trampoline. It has not worked so far. I do not know whose fault it is, I am not blaming anybody, but it has not worked.

I hope we all go at this with an open mind, trying to make it work and not saying, if the States do it they are malicious, malevolent, penny-grubbing legislators who will do in the poor, and if the Federal Government does it we are paragons of virtue with unlimited supplies of money. We are, unfortunately, neither.

Senator Moynihan?

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

Senator MOYNIHAN. Mr. Chairman, I just completely agree. Although there is an issue, and I am sure the Secretary wants to speak to it, in the Federal system, where you appropriately locate certain functions is always an issue.

This morning's Washington Post gave a description of the competition that seems to have broken out among the States to get

benefit levels lower than in competing States, and that is a pattern which we have been dealing with in social legislation for a century.

It is one of the grounds on which President Nixon proposed a uniform, national standard of welfare. He said welfare is a disaster, not because people are on it, but because the provision for children was so appallingly different from one State to another. He said, no child is worth less in one State than another; they are all American children. That effort to provide a national standard failed and liberal social policy has never recovered from the rejection. Never recovered. It is such a disgrace.

But what we have to watch for is what has been called a race to the bottom that may be going on. Beyond that, I just want to completely associate myself with what you have said, and thank you for the mode in which we have, on an open and shared basis, begun this conversation.

The CHAIRMAN. Madam Secretary.

**STATEMENT OF HON. DONNA E. SHALALA, PH.D., SECRETARY
OF HEALTH AND HUMAN SERVICES, WASHINGTON, DC**

Secretary SHALALA. Thank you very much, Mr. Chairman, Senator Moynihan, for the invitation to appear before you today. I am pleased to be with you today to have this dialogue about welfare reform.

This committee has a great tradition of bipartisan leadership on this issue. You were instrumental in designing the Family Support Act of 1988, the landmark measure that began to change the welfare system to one that encourages work, not dependency.

We are confident that this committee will once again lead the way towards a reform effort that is built on the basic values of work and responsibility that every American shares.

In the last two elections, the President election of 1992 and the Congressional elections of 1994, the American people sent a message to Washington that they want change, and they want us to end a system that they believe has failed. They want a welfare system that is tough on work but not tough on children.

I am here today to pledge the commitment of the Clinton Administration to this approach and I would like to talk today about our vision for welfare reform and our hope that we can work with you in a constructive and a bipartisan way to pass welfare legislation building on the Family Support Act.

After consultations with members of Congress, with people on welfare, with business leaders, with welfare experts, Governors, and with other State and local officials across this country, the President submitted the Work and Responsibility Act to the Congress last year.

Our proposal grew out of the President's longstanding commitment to welfare reform. As Governor of Arkansas, he worked closely with national and State officials from both parties, including members of this committee, to pass the Family Support Act of 1988.

Rooted in the bedrock American values of work and responsibility, our approach has a few simple goals. The first goal is work. Parents should move off welfare and into jobs as quickly as pos-

sible so that they can support themselves and their families. We should offer opportunity and expect work in return.

The second goal is responsibility. We must insist that those parents meet their responsibilities to their children and that non-custodial parents pay child support.

The third goal is preventing teen pregnancy. Within a framework of local and community decision making, we must do everything that we can to reduce teen pregnancy and out of wedlock childbearing.

The fourth goal is expanding State flexibility, with accountability. We must encourage the creativity and the responsiveness of States while recognizing national goals and the need for standards and national accountability.

Mr. Chairman, I believe we all share these goals, but today the welfare system is not advancing these goals. We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Let us talk about work, first. We strongly believe that welfare as we know it will not end until welfare is about earning a paycheck, not a welfare check. To reinforce and reward work, our approach is based on a simple compact.

Job training, child care, and child support enforcement would be provided to help people who are willing to work to make the move towards independence, but time limits on cash assistance will ensure that welfare, in fact, serves as a hand up, not a way of life.

That is what this great national debate on welfare reform must be about. The status quo is not the answer. Merely passing the problem back to the States with reduced resources is not the answer, work is the answer.

Most single parents on AFDC will welcome the opportunity to move rapidly to work and support their children, but for those who refuse to train for work, to look for work, or to accept work once it is offered, the consequences should be clear: cash assistance will first be reduced, then eliminated. If someone has not found a job within 2 years, then cash welfare should end and continuing aid should come through work.

We hope most people will find jobs quickly in the private sector, but for those who do not we should take the money that would have been spent on welfare checks and use it to find a subsidized job, preferably in the private sector.

The second key value to our approach is responsibility. We believe that both parents should be required to support their children. That is why we proposed last year the toughest child support enforcement measures ever. Child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year overall. The potential for child support collections is estimated at \$48 billion per year, yet currently only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion. That gap must be closed.

Our proposal includes a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment. We also would impose tough new penalties for those

who refuse to pay: wage withholding, suspension of drivers and professional licenses, and even property seizure.

I am pleased to say that there is bipartisan consensus on this issue. In the past few months, major legislation has been introduced by Senator Bill Bradley and by Senators Bob Dole and Olympia Snowe. Bipartisan measures have been filed in the House as well.

All of these bills are very similar to the child support enforcement measures the President introduced last year. There is nearly complete agreement here, proof that we really can work in a bipartisan way on values that we all share.

The third bedrock value in our approach to welfare reform is reducing teen pregnancy and out of wedlock childbearing by reaching the next generation. Senator Moynihan has again proven that he is one of the Nation's most visionary thinkers. Thirty years ago this month he authored a report that first called the country's attention to the breakdown of family and the alarming increase of births outside of marriage.

A central part of welfare reform must be a serious commitment to reducing teen pregnancy and out of wedlock childbearing. Every boy and girl in this country must hear and believe that until they are ready to nurture and support children they should not have sex, they should not have babies. That message needs to be delivered at every level of our society.

In addition, we believe that expanding State flexibility must be a part of any reform bill. As a former Governor, the President knows that the States are a source of great creativity in designing welfare reforms that meet the needs of their own citizens.

In the last 2 years, we have worked with Governors and elected officials to give 25 States the flexibility to design welfare reform strategies that meet their specific needs, half the States. That is more waiver demonstrations than all of the previous administrations combined.

But, while we are absolutely committed to State flexibility, we also must make sure that our National objectives for welfare reform are met. The welfare system must provide similar opportunities and demand similar responsibilities in every State. Children must be protected, wherever they live. Our approach would increase State flexibility in important ways, but it would also define and measure progress towards national goals.

I have described the President's approach and my hope for genuine bipartisanship on this issue. But I must add that we have grave concerns about the welfare reform measures that have emerged from committees in the House of Representatives over the past few weeks.

In our opinion, this legislation has the values all wrong; it is weak on work and tough on kids when it should be the other way around. Last year, we all agreed that serious welfare reform must contain real work requirements and provide resources for training, for child care, and for job creation; even the original bill contained in the Contract with America had serious work requirements and \$10 billion more than current law over the next 5 years for education, training and child care.

But something has happened on the other side of the Capitol. The talk of work remains but the substance has vanished. The measures reported by House committees eliminate any requirements that States provide education, training, job placement, or child care. These supports, we believe, are necessary if we are serious about moving women from welfare to work.

Child support is also crucial for working families, and we are happy to report that last week, at the urging of the President, the Ways and Means Committee finally inserted child support enforcement measures into the committee bill. That was a success, not just for the administration, but also for the members of both parties who said that parental responsibility is essential.

Most of the child support provisions are very close to those included in the President's bill and in the other child support bills, including those introduced by members of this committee.

Unfortunately, there still is one glaring omission: our recommendation for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results.

We estimate that this provision could increase collections by as much as \$2.5 billion over the next 10 years and the CBO estimates that we could save the Federal Government \$146 million in the first 5 years alone. I urge you to ensure that the provision is included when these issues are considered by your committee.

While we think the other bill is soft on work, it is very tough on kids. The legislation's proposed cuts in child care could mean that children might be left home alone or in unsafe situations. Benefit cuts pose even more dangers.

The children of mothers under 18 get no cash benefits, period. Instead of letting the States decide for themselves whether to deny benefits for additional children born to mothers on welfare, the House bill imposes a one-size fits all mandate, and nearly everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off, even if they are ill, caring for a disabled child, or willing to work but cannot find a job.

Some of these children could well be pushed into a child protection system that is already seriously over-burdened, but, rather than increasing funds for services to protect children, the legislation repeals the funding guaranteed for poor children in foster care and for the adoption of special needs children.

The House bill also would completely scrap the shared State and Federal partnership by cutting funding, eliminating the State match, and block granting most programs, not even the school lunch program or WIC is spared.

We strongly believe in State flexibility, but every time the House sponsors have put forward their block grant approach it just does not add up to welfare reform. The current bill is not welfare reform, it neither protects children, nor does it protect State taxpayers.

Real reform began in most States with the passage of the Family Support Act, when the Federal Government set some standards and provided funding to the States to move people to work.

If we are serious about bringing the values of work and responsibility into welfare offices across this country, we need national standards and States need the means to meet those standards.

We will not have real work requirements or State flexibility if all we do is shift problems from one bureaucracy to another. If a block grant repeals the JOBS Program, it will remove any real responsibility for States to provide training, to provide job placement and work, which are at the very heart of moving people off welfare.

The experience with the Family Support Act is quite revealing. Even with a very large Federal match, many States did not draw down their entire allocation of JOBS money. We believe we can provide more State flexibility without dismantling the structure that was set up by the Social Security Act, a structure that ensures that Federal funds are there when families and States need them.

We need to continue the funding mechanism that ensures that children receive benefits, regardless of the time of the year their parents apply, regardless of the prevailing economic conditions in the State, or some artificial and inflexible cap on funds. Our approach does that. It reforms welfare, it provides State flexibility with accountability, it protects children, and it protects State taxpayers.

In closing, let me remind this committee that bringing about fundamental changes in the welfare system, helping long-term welfare recipients become self-sufficient, is not easy, but it can be done.

Mr. Chairman, we in the administration look forward to working closely with you and with your colleagues to put in place a system that moves people from welfare to work, that protects children, and that holds parents accountable. We are ready to sit down and work with this committee, with this Congress, with elected officials across the country, and with the American people to get the job done.

Thank you.

[The prepared statement of Secretary Shalala appears in the appendix.]

The CHAIRMAN. Thank you, Madam Secretary.

Let me ask you where the philosophy comes from that, if this is given to the States, children are going to suffer, or, generically, welfare is going to suffer. At the moment, we have varied State levels. They set the level of welfare, we match them on a Medicaid match formula, but they vary significantly from State to State.

Now, why this feeling that States would be any less sensitive than we are to the problems of their children and to the problems of their disabled if we were to give them, say, the same amount of money we give them now?

Secretary SHALALA. There are a couple of different answers to that question, Mr. Chairman. One is that there is variation among the States. Indeed, we believe in a State/Federal partnership. We do not believe that an issue like child hunger or opportunity should be determined by geography. There should be some national standards, but within that, there should be some discretion on the part of the States, a lot more flexibility than we currently have, to design the programs that move people to work.

But, if we really believe that the best thing for American children is to put their parents to work, then the national program fi-

nanced by national taxpayers ought to set some standards that, in fact, have expectations for the State to move parents into the work force.

We do not have a philosophy that, in fact, rejects a very strong State role, States designing their delivery systems. No administration has done more in terms of promoting State flexibility. Half the States now have waivers approved.

What we would like to do is to be brought out of the waiver process on the basis of what we have learned, to give States more flexibility, but, at the same time, to have some national standards so that what we have is welfare reform.

The CHAIRMAN. I understand that. But I want to come back to the theory again. The Medicaid match, as you know, varies from State to State, now based upon some economic bases some States are poorer than others. In Oregon, it is a 62/38. We put up at the Federal level 62, the State puts up 38. Welfare matches are pretty much tracking Medicaid.

Let us say the total amount of money that is going to be spent on welfare is \$100, the Federal Government puts up \$62, the State puts up \$38. If we give the State \$62 and say, go to it, why the presumption that they will be evil, or malicious, or less concerned than we are?

Secretary SHALALA. Well, the question is, in the process of giving the States a certain amount of money, we have an expectation that that money will be used to move families to work. That is the point that we are making. The standards should be set, national standards, with the expectation that the money will be used to move people from long-term dependency, or as quickly as possible when they get into the welfare system, into a work situation.

The CHAIRMAN. And the expectation, though, is that the States will not do that unless we make them do that.

Secretary SHALALA. Well, let us look at what our experience has been in the Family Support Act of 1988 and how fast the States have drawn down on the money. The answer to the question is, some States will and some States will not.

The CHAIRMAN. Let us take a look at Oregon.

Secretary SHALALA. If we really want a national program—and about 17 of the States have drawn down all of the money, but there is variation in terms of how quickly they have moved welfare recipients to work—the welfare reform that all of us are talking about is a welfare reform that will move higher percentages of people who are currently in the welfare system into work.

Our only point is that requires some national standards, not us substituting our judgment for the States in terms of how they get there, but, in fact, making sure that these are programs focused on work.

The CHAIRMAN. You are echoing very much what Dr. Mead said yesterday, whom I thought was one of the best witnesses we have ever had. Basically, I think he comes at this from what would be called a normal liberal viewpoint, but he just said, work, work, work is more important than almost everything else we do.

Secretary SHALALA. Well, that is why you will hear me repeat that as the centerpiece of both the President's own proposal, but,

more importantly, of what we would like very much to achieve in a bipartisan manner with this committee.

The CHAIRMAN. All right. Let me ask you this. You say on page 10, "The worst possible message we can send to our young people is that, if they get pregnant they can drop out of school, set up their own households, and receive welfare support.

That is the present entitlement and I do not sense any change in that. The Republicans would like to change that and say, teen-aged pregnancies do not get any money. But if that is the entitlement, is that not the message they get?

Secretary SHALALA. Well, that is exactly why we must reform the current welfare system. Our proposal, which we brought to you last year, insisted that a teenager that applied for help stayed at home or with an adult, finished school, and got into the work force as quickly as we could possibly get that new system in place, but the individual, that teenager, would get a very clear message in terms of what help the government was prepared to do: finish school and get into the work force.

More importantly, both people that were responsible for creating that child, will be held responsible until that child moved into adulthood. Child support enforcement had to be very much part of the effort so that it was both responsibility on what was expected from the teenager, as well as responsibility from both the young man and the young woman.

The CHAIRMAN. I am fascinated at how fast the word moves among the poor when there is a good deal. We are seeing this in New York and Medicaid where the state legislature is pretty much directing Medicaid to move in the direction of managed care. And in New York City, scores of thousands of Medicaid recipients are opting for managed care.

The managed care providers, by and large, are not using the municipal hospitals, so the municipal hospitals are complaining because it is a principal source of revenue for them. But the Medicaid recipients, who realize they are getting a better deal on managed care, simply proved the theory that the poor are not dumb, they are just poor. They have gotten the message and the word travels pretty fast.

Instead of saying to a teenager, if you get pregnant you have got to stay at home, and whatnot, if the message were, if you get pregnant there is no money at all, would that message move pretty fast and would it have a deterrent effect?

Secretary SHALALA. Well, we are not sure about that in terms of the deterrent effect. I think Dr. Mead and Becky Blank, in her own article in The Wall Street Journal, indicated that the research is mixed on what goes into a teenager's head when they are engaged in sex. One of the things we do know is, most of the pregnancies are unintended.

We also know that the messages do pass quickly, particularly among young people. The point here is to make it very clear to young people in our society what our expectations are and not to hurt their children. That is the point, to make sure that the parents take responsibility for their children and go to work to support their children.

What is the best way to do that with a teenager? Is it to cut them off for 18 years from cash assistance, to cut their children off, or is it to expect them to finish high school if they are going to get help, to live at home or with a caring adult, to make sure that mature adults mentor that young person into a job, and pass on the word about what our expectations are? It is a difference in philosophy, it is a different approach, and it is a fundamental issue of values and morals for this Congress and for this administration.

The CHAIRMAN. Thank you.

Senator Moynihan?

Senator MOYNIHAN. Thank you. Mr. Chairman, this is an unaccustomed role for me, but in the present political climate I have to protect the good repute of Professor Mead. He is not a liberal. [Laughter.]

Senator MOYNIHAN. He is a convinced and very convincing conservative. What he said yesterday in wonderful testimony—we had a wonderful panel; I am sure you heard of it—is that he would be very much against a block grant which abolished the entitlement of mothers and children to support under the AFDC program, Title 4A of the Social Security Act.

He knew why. He said, in effect, the main effect of block grants would be to disestablish the JOBS Program, which has been the major force pushing States with large case loads to reform. There is a lot of pushing in my own New York State, Mary Jo Bane, back there.

A question, Madam Secretary. If the Congress were to pass a bill approximately along the lines of the House Committee on Ways and Means bill which, in particular, abolished the entitlement to support for dependent children and their mothers that was established first in 1935 and then in 1939, would the President veto such a bill?

Secretary SHALALA. Senator, I cannot speak for the President on a veto. I can say that the President has said, on balance, that he is opposed to substituting block grants for entitlements.

Let me tell you why we would like to keep the current entitlement. It is a protection not only for children in our society, but also for the States. The block grant, which would have limited money over time, would not offer that protection.

For the States, in particular, the entitlement status has provided an economic stabilizer in times of economic downturn. That is a particular problem that I think that both the business community and the States ought to review in this rush to consider an alternative funding mechanism for the Nation's social welfare programs because at the point in time when workers get laid off and need money to support their families, they are exactly the people who need the system and the safety net for a short period of time.

It is those workers who would not have access and it is the States that would go deeper into the recession and probably wider into the recession if the entitlement status was not kept.

Senator MOYNIHAN. All right. But have we lost all capacity for a declarative sentence?

Secretary SHALALA. No, we have not sir. I hope I have—

Senator MOYNIHAN. On balance, considering all the other related factors, possibly we would not do what, up until 5 years ago, would

have been thought an outrageous thing, repeal Title 4A of the Social Security Act.

Secretary SHALALA. Senator, I am sorry if I was unclear. We do favor the entitlement over the block grant.

Senator MOYNIHAN. Madam Secretary, you are not unclear, the President is unclear. You very faithfully said what he said the other evening in a meeting with reporters in the Oval Office. On balance, was the phrase.

Secretary SHALALA. We favor the entitlement versus the block grant.

Senator MOYNIHAN. Do you insist on it? You can favor a lot of things.

Secretary SHALALA. Senator, I insist on it.

Senator MOYNIHAN. There you go. I thought you did, and I knew you would.

May I just ask one other question. Will the President and the administration be sending us a welfare bill?

Secretary SHALALA. Because we would like to work with this committee in a bipartisan manner, we obviously have legislative language that we sent up last year.

Senator MOYNIHAN. Yes, we do.

Secretary SHALALA. Our preference is to work with you on a bill and to lay out what the principles are as opposed to specifically submitting a new bill. I should say we are prepared to work with you both on the financing, as well as the language of a bill.

Senator MOYNIHAN. A fair point. So we should get to work. I see Dr. Ellwood there as well.

Secretary SHALALA. They are ready.

Senator MOYNIHAN. That is a perfectly good arrangement. I thank you very much.

Secretary SHALALA. Thank you.

Senator MOYNIHAN. On balance, I think.

Secretary SHALALA. Yes. [Laughter.]

The CHAIRMAN. Senator Hatch.

Senator HATCH. Thank you, Mr. Chairman. Welcome, Secretary Shalala.

Secretary SHALALA. Thank you, Senator.

Senator HATCH. I like much of your statement, some of it I do have some troubles with. But you mentioned in your statement that benefits should be limited to 2 years. Now, I agree that the welfare program should not be one that hands out benefits in perpetuity, but a strict time limit does cause me some concern, and I think a lot of others.

For example, the State of Utah has a successful demonstration project. It contains no set time limit on benefits. Instead, a participant works with their case worker to develop a self-sufficiency plan and to identify the activities that need to take place to implement that plan.

This then becomes their time limit. Rather than just cut a participant off after a certain time period, periodic progress evaluations are performed, and if reasonable progress is being made to fulfill that plan, then the benefits do continue.

Now, this shows the type of flexibility that I think we are all advocating during the debate. Has the administration looked at any

alternatives to setting a time limit, as you mentioned in your report?

Secretary SHALALA. We have, Senator. Again, this was part of our bill. The expectation was, during the 2-year period people would get education and training and then get into the work force.

In our bill, if a job was not available, we did not cut someone and their family off. In fact, we gave the States the flexibility to use that money to help create a job while the individual continued to look for a more permanent job. So, I think in reading our bill there was more flexibility.

I am well aware of the Utah proposal, as well as the Iowa proposal, that uses individual contracts. In fact, I visited Salt Lake and spent time in one of the new work offices. I must say, the kind of thing that Utah, Iowa, and some of the other States is doing is very important because they are changing the atmosphere of that office into a worker support office so that from the moment someone walks in they get the message that it is an individually-designed program, but that they are expected to get into the work force with the proper support. So, it is the kind of thing that we would be happy to work with this committee on.

Senator HATCH. I think I personally appreciated your coming to Salt Lake City and looking at it.

Secretary SHALALA. Well, it was very exciting, and there are very thoughtful people that are working on this issue in Utah.

Senator HATCH. They are doing a very good job out there and I think we can learn a lot from them.

One of the things I am really concerned about, having been one of the leaders up here on job training programs—

Secretary SHALALA. Right.

Senator HATCH. [continuing]. Is the fact that your proposal includes a public sector Jobs, or Work, I think it is called, program. I do have some reservations about the ability of the Federal Government to create enough jobs to absorb the high number of AFDC recipients who have exceeded their time limit scenarios with extended periods of recession or high unemployment, and I do have a problem, if this is just going to be another Federal Jobs Program, make Work-type program, which sometimes it becomes, then I think we would be doing almost as much harm as we are doing good.

Secretary SHALALA. Senator, we would agree with that. We would not propose that the Federal Government create a huge JOBS Program, that the States be given the flexibility, if there are not private sector jobs available, to use the resources that are provided to either subsidize a private sector job—which is always our preference—or to use a non-profit agency.

The important point is to get people into a work experience as quickly as possible. We would leave that to the States; we would leave the designation to the States of what State jobs the agency would take responsibility for for the program. The reference to public sector jobs was so the States had ultimate flexibility as to what the mix is. It may be different in Utah than in New York or in Oregon.

Senator HATCH. Sure. One of the things that we have heard over and over from the States is, we cannot change the culture of the

welfare system without changing the way performance is measured.

Senator MOYNIHAN. Change?

Senator HATCH. The way performance is measured. Almost universally the States have suggested that we shift from the process measurements to the outcome measuring system. As I read your statement and as I have listened to you this morning, it seems to me that is what you are saying.

Secretary SHALALA. That is exactly what I am saying. Senator Hatch, walking into the Salt Lake office, there is not a set of people there with their heads down determining the eligibility of people as opposed to a group of professionals working with an individual to help them get into the job market.

What we must move away from is the eligibility process orientation to a fundamentally different office culture that helps people move into the work force. It is very clear in what your State is doing.

Senator HATCH. Thank you. I liked your statement on State flexibility and so forth. I think, if you move in that direction, you know, a lot of these Governors would like us to block grant the monies to them.

They think they could save us about 20 percent of the cost of it, while at the same time doing a better job. I think in the case of Utah, that is probably true, and maybe in a wide variety of other States as well. But I hope you will keep some consideration for that. I know you are talking about flexibility, but it may be that we should lean more in favor of flexibility than against it.

Thank you. I appreciate hearing from you this morning.

Secretary SHALALA. Thank you, Senator.

The CHAIRMAN. Senator Breaux.

Senator BREAUX. Thank you, Mr. Chairman. I thank the Secretary, and welcome back to the committee. I am pleased that you have Mary Jo Bane and David Ellwood with you, and continue to look forward to working with them.

I sound like a broken record, I guess, because I keep repeating the fact that I think that we have lost the emphasis on welfare reform in the sense that we are talking about so many secondary issues that are all very important—illegitimacy, teen pregnancy, break-up of the family, crime.

But I really think that so many of those problems are related to the welfare problems that we have, and if we solve the welfare problem many of these other problems will be solved at the same time.

I think that we have lost the main focus of reform, and that should be work. How do we get people who are on welfare into a permanent job? I think that this should remain our foremost goal because the best social program we could ever write is a good job. That is going to go a long ways towards solving everyone's problem.

Have we ever thought about—I know Senator Moynihan may not like this suggestion—just really sort of starting over again? By that I mean doing away with the entire AFDC program and doing away with the JOBS Program, and taking those funds and doing a unified grant to the States based on their performance, with incentives

to increase the number of people that they get into the work program, and let them try to design the best way to do it?

I feel very strongly that one way to do it is through the privatization of the process of getting welfare recipients into the work force—America Works, Goodwill Industries, these type of programs—which would get people to sign contracts with welfare recipients and then help them find jobs, and they only get paid through a voucher system if they find the person a job that they stay in for a particular period of time. That's a pretty general question that I am asking, but I would just like to ask your thoughts on that.

Secretary SHALALA. Let me move back and start with our philosophy here. First, we do believe that whatever we do in welfare reform ought to be based on the latest research, what we know, and that we ought to come into this process with a lot more humility than I think some of the rhetoric indicates.

But one of the things that is very clear—and after doing 25 waivers I think it is clear—is that unless the States buy into this, unless they take ownership of the responsibility for the work as the centerpiece of this Nation's commitment, we will not get the kind of movement or enthusiasm.

The fact that Governors are moving into this area is very important. When I sit down with a Governor and talk to them over the phone they actually know a lot more about these programs than they did a generation ago. They are close to it. That is an important part of the solution.

What you are suggesting is the ability of a State to contract out for the job placement. The option to use considerably more private sector involvement in the job place ought to be possible under welfare reform. It is possible now. Some States have already started to use this.

But, to use it more broadly, it seems to me that how they organize the work component ought to be up to the State: flexibility on how much of the assets that they count, how they use the child care as part of this so that people have access to child care when they get into the work force, but in particular the relationship with the private sector.

The Governor of Ohio, in my conversation with him when we granted the 25th waiver, the Ohio waiver, said, tell the President and tell Congress that the solution to this is a public/private partnership, a partnership with the business community, that we have to understand their needs, they have to understand our needs, and we have to do it together.

I think that is the kind of thing that you are talking about. We ought to be able to design a program in the way in which States can contract out and then use performance measures to determine whether their contractors are, in fact, delivering.

Senator BREAU. Let me add something here, and maybe I can get two questions in here. The studies that have been done—by the Manpower Demonstration Research Company and by the General Accounting Office—have concluded that government education and training programs have really produced only marginal results. We have got education and training programs all over the place.

Let us face it. I think the bottom line is the reason why we are talking about reform, is that they really have not solved the problem. There are scholars who would argue that they produced only marginal results, at best only modestly increasing earnings and decreasing welfare costs.

The recent GAO office report on the JOBS Program—which I think is a great concept and am enthusiastic about in Louisiana—concludes that it is not well-focused on employment. Instead, it concentrates more on participation requirements than on getting recipients into jobs.

So, my main thesis is, get the welfare recipient into a permanent job. Education and training are not doing that and I am concerned that the JOBS Program is concentrating more on participation than actually finding the people a job.

Secretary SHALALA. In fact, from Professor Mead's testimony yesterday and in our read of the literature, we need to understand that the welfare population is different and that there are a large number of people that can be moved immediately into a job. For many people, immediate job placement makes a lot more sense than spending more time acquiring certificates.

We believe that the education and training component ought to be there, but not necessarily to be used by the States for every recipient, that it may not be appropriate for every recipient.

If we have learned anything from the literature, it is that for some recipients, going immediately into a job is what will make a difference, not starting with education and training.

But we ought not dictate from Washington that absolutely every recipient has to go through a 2-year education and training; that ought to be a State's decision and that is what I mean by flexibility. But we have to make sure that we have that component there when it makes sense.

We also have to make sure that we are as thoughtful about job retention as we are about moving the person immediately to the job. In many ways, we have spent so much time getting someone into the job and not being thoughtful on this rotating out of jobs and making sure that they have enough of a support system, whether it is child care that they need or a supervisor that pays attention, to stay in the job for a long period of time. There are a lot of welfare recipients going in and out of the job market. I think that what the studies tell us is that it is a support system that is needed to keep them employed over time.

If you were in Utah with me, what was interesting is they hung in there with the recipients for a period of time to make sure that they got the self-confidence to stay in the job. So, I think that we have learned a lot about the JOBS Program and that putting more attention on getting people into the jobs and letting the States do that and learning from our experience is important.

The CHAIRMAN. Senator Pressler.

Senator PRESSLER. In my State we have some of the poorest Indian reservations in the United States. These areas have unemployment and poverty problems which are very severe; I know other States have equally difficult problems with reservations. Clearly, this population has special needs which require creative and targeted solutions.

As I understand it, under the House block grant proposal, funds to tribes would go through the States. Do you have any general comment on how the Indian reservations would fare under the administration's plan versus the House's plan?

Secretary SHALALA. Well, our plan would put the JOBS Program in the reservation under the leadership of the tribes themselves, and I think that is important in terms of the targeting of the program.

I realize that there is some tension, but we have a Nation-to-Nation relation with the tribes and it seems to me that they are better able to target the jobs and to work with the program, so we would suggest devolution to the tribe itself as part of this strategy.

Senator PRESSLER. I know you have covered this to some extent, but would you address the House's recently passed proposal to extend welfare programs to the States in a block grant?

I would like you to quickly summarize the reasons you believe a block grant would not achieve administrative savings.

Secretary SHALALA. Well, it may indeed achieve administrative savings simply by giving considerably less money to the States for everything. Our concern is the impact it would have on children and families, that the States would not have sufficient money to do what they need to do, and that is to move people into work, and that the accountability, national standards to have work as the centerpiece, strengthening the 1988 Family Support Act would not be present. That bill essentially repeals the 1988 Family Support Act. So, we would have severe problems about people not being eligible to move into the program with the block grant concept.

Senator PRESSLER. Now, in your testimony you express support for a Federal requirement that States revoke the drivers and professional licenses of delinquent parents. South Dakota has been running a successful license restriction program since November of 1993. Since implementation, nearly 14,000 restriction notices have been issued.

South Dakota has been so successful in child support enforcement that last year it was named to the Hall of Fame as one of the country's most effective programs. My State agency tells me they would oppose a Federal mandate to implement a national revocation program. Such a program would be too complex and costly to administer for my small State.

Should States be able to continue a successful license restriction rather than revocation program, and do you think States should have to apply for a special waiver to do this? As I understand it, your legislation addresses this issue.

Secretary SHALALA. We simply proposed that there be a national program. We should not impose a national program in a way that would be difficult for any State to administer in any way. I would be happy to take a look at South Dakota's current program and see where it would be in conflict with our existing proposal.

Let me say that the idea comes out of the States, and looking at successful State programs is the reason, in our judgment, to use it as part of the enforcement mechanism for child support enforcement. So, what we would want to do is do it in a way in which we did not overwhelm the States with heavy administrative costs.

Senator PRESSLER. Now, everyone seems to agree that the best way to help a welfare recipient to become self-sufficient is to find them a job in the private sector. In your statement you talk about the importance of work, and we certainly agree on this point.

Under the administration's plan, how soon would an able-bodied person on welfare with no small children be required to be in work or a training program? Should such recipients be required to work or be in job training immediately?

Secretary SHALALA. We are talking about the AFDC program, which is basically a program for mothers with small children, not about single, able-bodied adults which are often covered under State programs, under general assistance programs. States have the power to make decisions about how fast they would move those individuals into the work force. Most States are now requiring single, able-bodied adults to move immediately into work situations.

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

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman. Madam Secretary, I appreciate your appearance and testimony today.

Secretary SHALALA. Thank you, Senator Graham.

Senator GRAHAM. I would like to ask questions of concern to me. I am concerned about the consequences of a full delegation of these programs to the States and what I believe would be the natural consequence of significant differentials in standards from State to State, and what that might mean in terms of populations being attracted to move to the State that had the highest standard.

I wonder if you could discuss what is happening today with the degree of differential that is available among the States and what might happen if that differential were further increased.

Secretary SHALALA. Well, Senator, I think there are two questions here. One, is the difficulty of block grants in a State like yours where you have a high-growth State and an increasing number of people that are poor, a block grant formula not responding to that differential would create serious problems for the people of your State and for State Government in particular.

The second, is the issue of what kind of evidence do we have that wide variations in benefits and in opportunities would move people from one State to another? There is not a lot of evidence about that.

That may say a lot about how low the payments are and what kind of mobility people have. There is a little evidence, but not much. Most States have tried to track that down in terms of the package of benefits.

If the States, though, did dramatically different things, I would not want to predict what the results would be. The point here is, there is considerable Federal investment and a national interest in fundamentally changing the welfare system in this country. That national interest, indeed, requires that there be some national standards, some centerpiece of work, some expectation of responsibility.

If a taxpayer in my State of Wisconsin has any expectation, it is that their taxpayer dollars, for a national program, have some central expectations, in our case, work and responsibility, and we would want to ensure that in every State so that we did not, in an

unintended way, produce any consequences that would shift people to one State versus another.

Senator GRAHAM. You indicated, in response to a question from Senator Pressler, that you believe that there should be a greater range of State flexibility. Could you give some examples of where you think the current strictures are too limiting in State initiatives and where greater flexibility would not impinge upon the core areas of national commonality?

Secretary SHALALA. Yes. If you look at the waivers we have granted, Senator, you get some sense of that. What the States have wanted to do is to be more flexible about how many assets an individual could keep and how they could combine the resources to support the individual in their jobs.

It very much is the States wanting more flexibility to help someone both move into the job and stay in the job. So, they may well want to keep some of the welfare payment continuing to go to the individual to help them stay in the job and to lift the family out of poverty.

Flexibility, from that point of view, has been very important in how the JOBS Program is run and in how it is designed. We can put the performance part near the end of the process so that we could say to a State that we expect a certain percentage of your population to be moved into permanent jobs within a period of time. How a State does that, whether they do outside contracting, as Senator Breaux has suggested, using private placement services, and what kind of a job mix they use, is their decision.

A rural State like Senator Pressler's will want a different approach than a more urban State would, and in different parts of the State, like your own, you would want a different approach.

It is quite possible to have national standards on work, national standards on responsibility, child support enforcement, holding both parents responsible for that child, and, at the same time, give the States a lot more flexibility than they currently have.

Senator GRAHAM. Would you believe that it would be desirable and feasible to move from Federal regulations which are largely couched in terms of process to Federal regulations that are based on performance? You suggested that, for instance, we might, instead of having a detailed set of training requirements, use a performance test.

Secretary SHALALA. Yes.

Senator GRAHAM. That a certain percentage have to be able to get a job in the area for which they have received training, maybe show some proficiency within the job, some ability to grow and take on greater responsibilities.

Would those be the types of performance standards that you think might substitute for the process standards of the past?

Secretary SHALALA. The answer is yes, Senator. More importantly, we believe that this government ought to move to performance standards in a whole range of Federal programs. We are in the middle of a very exciting experience with the State of Oregon that is based on the concept of performance measures in which the State, local, and Federal Government has set some standards and are organizing the resources to meet those performance measures as opposed to heavy regulation on the front end.

I should say that, with all the discussion about the heavy Federal bureaucracy, Dr. Bane tells me that we have less than 200 employees that run the AFDC program for the entire United States. But it is the regulations that are heavy on the States, and they will set up their own rules.

What we should be interested in is their performance and their meeting some degree of national standards and national expectations. Thank you, Senator.

Senator GRAHAM. Thank you.

The CHAIRMAN. Senator Chafee.

Senator CHAFEE. Thank you, Mr. Chairman.

Madam Secretary, first, I want to say everything in my being is tilted toward flexibility in the States, toward recognition of the abilities in the States. Your Governor was here a couple of days ago, Governor Thompson, and indicated that he sought maximum flexibility in these areas, but recognized there would be some standards.

But the thrust seems to be to get away from so-called entitlements. That worries me a little bit, particularly if you look at the State's records—I brought this up with Governor Thompson and Governor Dean—in foster care.

It is my understanding that not one, but several States, have done such a miserable job in foster care that they are operating under consent decrees of the courts. So, therefore, what do you recommend to us here? Should we do away with the entitlement and have flexibility, but have some standards? I must say, I am not sure of the difference between standards and entitlement requirements exactly.

Secretary SHALALA. We should not do away with entitlements, Senator. You are absolutely right on foster care, that there are a number of States that are under court order, and a number of others that have had some kind of litigation relationship to their child welfare systems and their child protection systems.

The debate here is about the national government's role. It is possible, we believe, to keep the entitlement, to give the States more of the flexibility, and to hold them to high standards when moving people to work and protecting children. We ought to be able to do both of these things. We will have to have some protections for children written into whatever the new bills are, but those protections should allow the States to use a variety of different kinds of approaches. We should have rules and expectations about foster care, too.

The foster care system is very fragile. Moving to a block grant, in our judgment, puts children who are already at risk even more at risk. There is a serious resource problem out there in terms of foster care. Moving to a block grant in welfare may increase the number of children that may have to go into Child Protection Services.

So, what we need to do is to work together to find a way to determine, what are the national standards that we want to put in place, what is it the States can do? Many of them want to be able to design their job training and placement services in a more flexible way, many of them want to take some of the programs and sup-

port people when they are in the job, but that ought not to have us moving away from protections for children.

Senator CHAFEE. But Madam Secretary, the words flexibility and entitlement or standard, is antithetical. In other words, can you have an entitlement program with flexibility?

Secretary SHALALA. We do now, Senator. If you look at the current welfare laws, we do, indeed, have flexibility in State determination. What the Governors are asking for is more flexibility. The new discussion which included the block grant discussion, in my judgment, is not about welfare but about budgets and about how much money we wish to spend. Therefore, it is possible, in our judgment.

The reason we think it is possible is because of our work with the States on waivers. If you look at what we have done on waivers within the existing framework, we have, in fact, found very imaginative and creative approaches that are individually based in many cases. We can fit the programs better to the individual.

Senator CHAFEE. Well, do you think, instead of this laborious business of Governors, as they described here, coming hat in hand to you seeking a waiver, that we ought to just write these waivers into the law?

Secretary SHALALA. I think there are aspects of the waivers that should be written into law. We should lay out some of the asset decisions about how much money people can keep as they go into the work force and for how long a period of time. There are a series of things that we have learned from the waivers that certainly can be written in.

Whether you want to write everything in the waivers into law ought to be part of the discussion, because there are some things that we have done in the waivers that I think this committee would want to think about. For example, should we cash out food stamps? We have allowed a couple of waivers that allow some of that. There are real questions within the Senate, within the Congress, about whether that ought to be possible. We would raise some severe questions about that kind of thing.

Senator CHAFEE. Let me ask you a quick question. What does the word "entitlement" mean? I take it to mean that a mother with income below such and such an amount with children is entitled to receive checks from the Federal Government. Is that what the word entitlement means?

Secretary SHALALA. Well, we have used the word in the 1988 Family Support Act with some expectations for able-bodied people with children to move into the work force. It is possible to keep an entitlement that protects children if their parents cannot work, protects them even when their parents go to work and do not make enough money, through food stamps and through other kinds of supports.

The point we have made as a Nation is that we have used a guarantee that a child will not go hungry in this country, they will not be destitute, as part of our definition of what it means to be an American.

Senator CHAFEE. Thank you, Mr. Chairman.

The CHAIRMAN. Well, I have got a broader definition of that. We have 410 entitlement programs in this government. The bottom

400 cost about \$50 billion, the big four, plus interest, cost \$900 billion.

An entitlement is a promise by the government to pay money for something, even if we never enact another law. We pay \$114,000 a year to the Pershing Memorial Room in Paris, France, which is in a building soon to be gutted and turned into a modern hotel. But the entitlement will continue.

We have got an entitlement for a little island down there in the lake in the Panama Canal, even though Panama is going to have control of this. These are entitlements. When Senator Graham was a Governor, we had revenue sharing. That was an entitlement. It was an entitlement to the State.

But I do not know why we insist upon saying, well, it is only an individual entitlement, and if we give it to the States and say, you decide who is eligible, that it is not an entitlement. We have simply shifted it to the States. But forget that for the moment. It is an entitlement if we promise to pay them money.

Senator CHAFEE. You are not responsible for that Pershing Room.

Secretary SHALALA. It may be the only thing.

The CHAIRMAN. I might say, when my staff was trying to find out about these entitlements, it was like pulling teeth to get anybody to admit that what they were getting was an entitlement. They would twist and turn, but it was not an entitlement. It was an entitlement, they just do not want anybody to know it is an entitlement.

Secretary SHALALA. Senator, I cannot emphasize enough that the entitlement that we are talking about, specifically the AFDC program, the food stamps programs, some child care programs, are also entitlements to the States to protect them from economic downturns.

The CHAIRMAN. All right.

Secretary SHALALA. It is not operated in a way just for individuals, but have been a national commitment in certain areas of the country when large numbers of people are laid off.

They are, in fact, I would argue, entitlements for working families, to protect them if they are laid off from their jobs when they need help, particularly for very low income families, to protect them if there is a recession in their State and they need short-term help.

So, we ought not to see them without requirements on them. In fact, we favor requirements on the so-called entitlements.

The CHAIRMAN. I know.

Secretary SHALALA. Expectations to work, expectation of the establishment of paternity.

The CHAIRMAN. I understand that.

Secretary SHALALA. Expectations of child support, expectations of responsibility.

The CHAIRMAN. That is right. Expectations, expectations. Here is Title 4 of the 1935 Act. It is two pages long. I would be happy to go back to this definition, and it took care of children.

"For the purpose of enabling each State to furnish financial assistance, as far as practical under the conditions in such State, to needy dependent children," and it goes through six requirements.

"1) Program must be in effect in all political subdivisions of the State, and if the subdivision is not going to carry it out, they have to carry it out; 2) the State must share in the program cost; 3) a single State agency must administer," and there are two or three others.

Then we define a dependent child. It means "a child under the age of 16 who has been deprived of parental support or care by reason of death, continued absence from the home, or physical or mental incapacity of a parent," and whatnot. That was the original act. I would be willing to go back to that.

I can see what has happened and I can see why people are frustrated. I do not know about you. I get more complaints from people about regulation than I do about taxes. It is one of the urges for the flat tax. People have come almost to feel that simplicity is fairness because complexity is beyond their comprehension.

Now you go through what we have done to Title 4. After you go through these six standards we set down a definition of a dependent child, then you come to Section 7 of the present act. This is a wonderful CRS comparison between the law as it is now and the law as it was.

Title 7 now has resource limits. The original act, no provision. Title 8, disregard income. Original, no provision. Title 9, privacy. Original, no provision. Title 10, application for aid. And it goes up through 40, in which the original act had no provision.

It is no wonder the Governors and the States are finally frustrated beyond belief when we keep adding to those things. How about going back to the wording of the 1935 Act, which its principal purpose was dependent children, as we defined them.

Are we all right on that? That is not, therefore, an entitlement. It is not a block grant. We set down the standards, we set down the 1935 Act, and say to the States, here they are. Can we agree on that?

Secretary SHALALA. Senator, I understand the frustration. The President is frustrated. That is why he ran on this issue, that is why he has been working on it for 15 years, that is why he sees it very much from the point of view, initially as a Governor, and now from the point of view as the President. He has laid out a handful of simple principles: work responsibility, protecting children.

There ought to be a way that we can write a simpler, more straightforward set of provisions. I am not sure our bill was so long in terms of the number of pages, but certainly a streamlined bill in which we make some fundamental decisions about what the States are going to do and what the Federal Government's expectations are.

The CHAIRMAN. But how about the 1935 provisions?

Secretary SHALALA. Well, I would want to go back and read them and consult with my experts.

The CHAIRMAN. Your experts will tear them apart.

Secretary SHALALA. The experts are right here. I would want to consult with Senator Moynihan.

The CHAIRMAN. You do not need to consult. I know where your experts will come out on it.

I do not know if you have ever seen the first appropriation bill this Congress ever passed for the first Congress. It was one page long. It says, "\$100,000 is allocated to the Treasury of the United States to pay the civil list." That is the employees. The President figures the salary, the President does the hiring, and in one page we financed the government. I am ready to go back to it. [Laughter.]

Secretary SHALALA. Senator, I share the frustration, but the point is to stick to what we want to get done, no matter how many pages it takes us. If what we want is a fundamental change in the way this country approaches support for families and children, then finding a way to use some resources, to help people to move from welfare to work or never get on welfare in the first place, is what we ought to be focused on.

We think we have learned a lot since the 1988 Family Support Act. We think the 1988 Family Support Act was a significant step forward, that it changed our fundamental ideas about the national and State government's commitment to families and how the programs ought to work, and that there is time for the next strong step and that we ought to be able to do that in a way that both satisfies the Governors, as well as protects our national interest and our National definition of our responsibilities.

But no one who has come the way I have, from the States and from institutions that were heavily regulated, is going to sit here and defend that level of heavy regulation. I come here hostile to heavy bureaucracy and to heavy regulation, willing to work with this committee on a new bill which moves us to the next stage and strengthens what has already been done.

The CHAIRMAN. My last question is, is the New York Times accurate? Did you actually send a confidential memo to the President saying that leaving welfare reform to the States and a grand bargain with the Governors is awful, and simply passing the buck to the States is not welfare reform?

Secretary SHALALA. I think that it would be inappropriate for me to comment on any kind of memo I sent to the President, but let me say what I have said publicly. That is, simply sending a check to the States without any expectations is not welfare reform, it is revenue sharing, sending a check to the States.

What we ought to do is find a way, as the President has proposed, to give more flexibility to the States and, at the same time, have a set of standards that move people from welfare to work in a much quicker and more effective way and hold both parents responsible as part of that effort.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. I thank the Chairman, and welcome the Secretary. It is always good to have you here.

Secretary SHALALA. Thank you, Senator.

Senator CONRAD. The frustration that I think you hear in the Chairman's voice is a frustration shared by many, and I think shared by you as well, shared by the President. What Senator Packwood is saying is what a lot of us are hearing. When we go home, people come to our meetings and they say, what in God's name are you doing down there in Washington?

The CHAIRMAN. And do you get more on regulations than you do on taxes?

Senator CONRAD. Absolutely.

The CHAIRMAN. Same here.

Senator CONRAD. Absolutely. In fact, there would be no comparison on the number of complaints I get with respect to regulation versus taxes.

People are just fed up. They are so upset with trying to wade through all this gobbledy-gook. I told a person the other day, I am not so sure that we should not pass legislation, and when the regulations are written, that we be required to pass it again.

There is something that is happening between the time we pass a bill and when the regulations go out. I tell you, I have been confronted time after time with regulations that come from legislation we passed, and I swear, it has absolutely no relationship to what we passed.

I think there are a lot of dedicated, able, well-intentioned people who are working for the Federal Government, but they are locked into an old way of thinking and somehow we are going to have to break through this.

A person brought me the other day regulations that related to just one part of Federal activity. It was a stack about yeah high, it must have been a foot of regulations.

I mean, that is incomprehensible. Nobody can know what is in there. It is contradictory, it is confusing. I am not so sure we would not be further ahead to take about 80 percent of it and just junk it. Maybe 90 percent of it. Unless we can find some way to really simplify and streamline, people are going to lose respect for government.

At the same time, the conflict I am feeling is this idea of block grants. Block grant sounds like blank check to me. As a principle, I just do not understand the notion of separating the responsibility for raising money and the responsibility for spending it, or the authority to spend it. To me, that is just a flawed principle.

In fact, I am strongly opposed to the notion of separating who is responsible for raising money and who has the authority to spend it because, in all of my life in public service, I have seen a great disconnect as soon as you disconnect responsibility for raising and the authority to spend.

For the life of me, I cannot understand why we go through the exercise of sending all the money down to Washington and having the Federal bureaucracy take a cut of it and then ship it back. Why would we do that? That is a nonsensical exercise, it seems to me.

I remember when I was driving down a street in Bismarck, my home town in North Dakota, and I saw a big, huge sign up that said the U.S. Transportation Department had paid for the stop light. I thought, well, God, what must this have cost? You know, you think about it.

They had a big stop light up in Bismarck, and somebody had to apply to the Federal Government to get the money to put up the stop light. You can imagine the steps of reviews that went through, the paperwork, and then the money went down to Washington, then it came back to put up a stop light in Bismarck. I mean, that is government run amok.

Still, I go to this question of block grants because it is all the rage today in Washington, we are going to block grant money. Is that some salvation? I mean, our experience with block grants is not a pretty history, the block grant history in Washington, because when people get money from the Federal Government and they had no responsibility for raising it, they tend to see it as free money.

I would just like you to give me your sense of the underlying principle with respect to block grants. Is this a wise thing to do?

Secretary SHALALA. Well, in this case—and that is the case of the safety net—we believe it is not a wise thing to do. But it is a fundamental issue of whether this country wants to move to the Federal Government raising the money and, with very little requirement, sending it back to the States so they can spend it.

What we have done, though, as Senator Packwood has pointed out, perhaps on too many things, is raise the money at the national level and perhaps had too many things that were automatically maintained as part of the government. But some things ought to be protected.

The entitlement decision ought to be a decision about, what are those things that we think the national government ought to do, protecting children, for example. But if we want children to be protected, should how well they will be protected be determined by where they are born and to whose family?

Should not the national government, if it believes this is a national function, both raise the money for the protection of children and set some standards so that, in North Dakota a child does not starve because they were born in North Dakota, versus a child born in another State in this union.

So, if the Federal taxpayers from my State of Wisconsin are sending money to North Dakota, then they ought to have the expectation that they ought to know why that money is being spent as opposed to just doing revenue sharing.

So, I think that disconnecting who raises the money from who spends the money is often not a very good idea because the people that pay the money in have the expectation that they know how that money is being spent.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman. I think I have a sense of the way the winds are blowing. I do not know that we can prevail against them. But I would like to say to all those who are so very confident about what is going on that James Q. Wilson, who is certainly no great liberal, said, "The debate that has begun about welfare reform is, in large measure, based on untested assumptions, ideological posturing, and perverse priorities," and them that are so confident today will find their day will come.

Peter Rossi, the great sociologist, in 1978 enunciated what is known as Rossi's Iron Law. He said, "If there is any empirical law that is emerging from the past decade of widespread evaluation research activities, it is that the expected value for any measured effect of a social program is zero." That was in 1984.

The CHAIRMAN. Read that again.

Senator MOYNIHAN. "If there is any empirical law that is emerging from the past decade of widespread evaluation research activi-

ties, it is that the expected value for any measured effect of a social program is zero.”

The CHAIRMAN. Meaning that there is no conceivable way we can know what we are doing.

Senator MOYNIHAN. Well, it means that when you measure it, it turns out you do not find much.

The CHAIRMAN. In that case, you have got to fall back on philosophy.

Senator MOYNIHAN. You do.

The CHAIRMAN. Because you cannot measure.

Senator MOYNIHAN. It is well to be warned. In 1984, if I may, in an article with James D. Wright, he expanded on this. He said, “One of the most important lessons to be taken from all the evaluations of the Golden Age is that it is extremely difficult to design programs that produce noticeable effects in the desired direction. In retrospect, a reasonable summary of findings is that the expected value for any fact of any program hovers around zero.”

This finding was devastating to the social reformers who had hoped that the great society would make appreciable, or at least detectable, gains in bettering the lot of the poor and redressing the ills of society.

Those social reformers never forgave those of us who came up with these findings, and drove many of them out of the liberal work. That is where the term neo-conservative came from. You are not a liberal anymore. If you are a liberal, why did you find that? [Laughter.]

Senator MOYNIHAN. The people who are so confident they know what they are doing today will end up, I think, in the same fix. The States rights movements—

The CHAIRMAN. Well, there is a book written by you.

Senator MOYNIHAN. Yes. Well, naturally. [Laughter.]

Senator MOYNIHAN. Come on. These are the Godkin lectures. If you want to hear more—[Laughter.]

Senator MOYNIHAN. When David Stockman came in with Mr. Reagan and began cutting all these evaluation programs.

The CHAIRMAN. Are these the ones that are given at Harvard, which has no Department of Political Science?

Senator MOYNIHAN. Yes. We do not believe in that. We have a Department of Government. We do believe in government. But Henry Aaron had a wonderful comment. He said that Stockman was making a huge mistake, “making a grave mistake in trying to put us all out of work. He does not realize that we are the instrumentality for inaction,” in evaluating research, “by diverting us to teaching rather than research, or even to still more reputable ways of earning a living, he will make easier the growth of ideas for activist social change understood by critical analysis when the mood of the country shifts.” The mood of the country has now shifted.

I just want to lay it down that we are dealing with principles that were put in place in the New Deal. The New Deal was, to an extraordinary degree, an effort by New Yorkers to put in place ideas that had begun in Wisconsin, and to pay for them, and to say, if we give you the money will you take the program. It was no bargain for us, and we can show it. We have lost a third of our Congressional delegation in the years since these programs began.

The formula for AFDC is the square of the difference between the median income of the State involved and the national median. One of the first things I proposed when I came here 19 years ago was that we make it square root. If we are going to have algebra, let us have my kind of algebra.

But, just to take that block grant using the Hill-Burton formula, which old Russell Long once described as the South's revenge for the Civil War, and give us that as a block grant, not a chance. We will just take it on a dollar-per-dollar basis. We will take our share of the Federal income tax payments.

But, sir, I will not say it again. We do not know what we are doing, and we will regret it, regret mostly not having been careful enough to say, well, we do not know what the effect will be, but let us find out.

The CHAIRMAN. But there is no way we can find out.

Senator MOYNIHAN. Well, you can find out, but it always turns out that nothing happens. We learned this in the great Coleman study on equality of educational opportunity, which was commissioned by a section of the Civil Rights Act in 1964. It was the second-largest social science research project in history. Coleman, to the dismay of people everywhere and to his great surprise—

The CHAIRMAN. Busing.

Senator MOYNIHAN. It was before busing. The differences in resources between schools were not that great to begin with and they had no appreciable effect. A family is everything. I remember Marty Lipsitt coming in to a meeting in the Harvard Faculty Club and saying, do you hear what Coleman is finding? Family is everything.

The Department of Health, Education, and Welfare, your predecessor, ma'am, released the Coleman study in the Saturday papers on a 4th of July weekend, and it took 50 pages before you found that out. The report was interpreted as saying, the schools do not make a difference.

Then a very wise man, Frederick Mosteller, with whom I wrote a big, thick book—once said to me one morning, going over these correlation coefficients, he said, schools do not make a difference. All right. Fair enough. But not many children think up algebra on their own. If you are going to learn algebra, you will have been taught it in school. End subject. [Laughter.]

The CHAIRMAN. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman.

Madam Secretary, one of the particular populations that will be affected by the proposals which are under consideration in the House are legal aliens who will be denied most of their current benefits.

What, in your opinion, is the rationale for distinguishing this group from other persons who reside in the United States, and what is likely to be the consequences to the communities in which these people live if they are denied benefits?

Secretary SHALALA. I do not know the rationale. In our own bill there is some feeling now that we ought to hold sponsors responsible, particularly when those sponsors are middle income people. In the President's own bill the enforcement of the sponsorship is part of his proposal.

To simply knock every legal alien, every legal immigrant off of the roles in the House's bill, looks to me like simply a way of saving some money. What it really is, is cost shifting to the States, who will then be responsible for any legal immigrant—and, in particular, their children—that need help.

What the President proposed is that we enforce the sponsorship provisions, at least for the first few years, for those families who could well afford to support the individuals that they have sponsored to come to this county. But what we are doing here is cost shifting.

My read of that bill is, in fact, a read that it is an attempt to save a lot of money, not an attempt to stick to the principles that we believe were the centerpiece of the original Republican bill in the House that has been part of the national discussion, and that is, to focus on work and on responsibility and to build on the 1988 Family Support Act.

Senator GRAHAM. Have you attempted any calculation of what the consequences might be to communities that have large numbers of legal aliens if the Federal entitlements are rescinded?

Secretary SHALALA. I believe it is a \$20 billion number, that that is what the bill says that we would save. I do not know whether I have my—

Senator GRAHAM. I wonder if you might, maybe in cooperation with the Immigration and Naturalization Service, attempt to do such an analysis.

Secretary SHALALA. It would be a cost of shift of about \$20 billion. We do not know how some States would handle it, whether they would put in their own money or whether some people would move more quickly to citizenship as a result of that requirement, but immediately the impact shows a savings of \$20 billion if legal immigrants were cut off.

Senator GRAHAM. The information that I have gathered from my State is that most of the legal aliens who are receiving these benefits are either disabled or elderly, that there are not large numbers of younger people.

Secretary SHALALA. It is true that concentrated in certain States—California, Florida—what we are talking about is the elderly relatives that have been brought over. It is also true that some of these people live in middle income households and there probably ought to be a contribution at the same time. So, working out something that is fair, both to the sponsors but also to a tradition of welcoming immigrants to this country, I think, is important.

Senator GRAHAM. Who is responsible for seeing that the sponsors meet their obligations?

Secretary SHALALA. The current sponsoring obligation, as I understand it, is not legally enforceable. What the President was proposing is that, at least for the first 5 years, we would have legislation that would, in fact, make that enforceable. I think it is basically something that people sign when they bring their elderly relatives into this country.

Senator GRAHAM. If it is not enforceable, what is the significance of being a sponsor?

Secretary SHALALA. You are asking me a question about immigration law which I do not think I can answer for you. I think what

probably was put in place was an expectation that one would not bring a relative into this country for the purposes of putting them on the public dole.

Senator GRAHAM. Who would the President make responsible for enforcing the sponsorship?

Secretary SHALALA. I assume it would be the Immigration Service if it is in immigration legislation. But, obviously, the legislation could designate an agency, for instance, under our welfare bill which would not take someone who is a new immigrant and automatically put them on without looking at family income, at the income of the sponsors. So, the agencies of government who the person was applying for would check that information. It is, in fact, an income test of the sponsor as a way of holding the sponsor accountable.

Senator GRAHAM. If I might make an editorial comment. To me, this is another example of a massive unfunded mandate. The Federal Government has control of our immigration policy. It has elected to, apparently, to my surprise, have a sponsorship program that is unenforceable, thus, there is the potential of persons becoming unnecessarily indigent.

Under this proposal, they would become a ward of the State or local governments, who have no ability to enforce or influence immigration policy. That, to me, is the classic example of a responsibility of the Federal Government that is being transferred without any financial support to pay for that transfer to local governments and States.

Secretary SHALALA. In fact, Senator, one way of looking at the block granting, all of which pull back from growth rates in States like yours, is that it is, in fact, shifting cost to the States as opposed to the current financial arrangements.

Senator GRAHAM. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Mr. Chairman. Madam Secretary. I always try to find a way to ask some kind of a health care question. The one today is, how important do you think it is for health care in the transition from welfare to work?

Secretary SHALALA. Very important.

Senator ROCKEFELLER. Unless that has been asked already.

Secretary SHALALA. No, it has not been asked. I think that your point is well taken. It is very important for young families to have health care in place. In fact, when we sat with welfare recipients and with people that worked with them and asked what was important to help people stay in the work force, the first two issues were child care and health care. That is, a lot of our discussion has been that the incentives ought to be placed in the work place as opposed to where the welfare recipient currently is.

Mothers talked about the difficulty of having a low-wage job and of getting a way, if a child was sick, and having no health insurance meant that they had to go to a public facility and sit and wait, how that interfered with their ability to do their job.

So, the transition to Medicaid is important, but just as important, as you well know because you have been a leader on this, is the broader discussion of covering low-income workers in this country who are often the people who do not have health insurance.

Senator ROCKEFELLER. Another question, Madam Secretary, the question of getting to work and the problems with transportation in rural States. West Virginia is, I think, maybe tied with Maine for the most rural State in the country. Four percent of our land is flat, 96 percent is mountain. It is very, very insular, isolated.

There was a survey recently of West Virginia welfare parents. They wanted to work, that was clear, but 34 percent of them could not find a job within a distance that they could get to, and 29 percent could not get child care, and 26 percent did not have any transportation, even if there were a job that they could get to. So, the whole question of rurality and transportation is just vast, and it reminds me where I worked my first 2 years, in West Virginia, a town called "Emmons."

I can remember taking some kids who wanted to work to places where they could get jobs, but they could not get back there because there was not any car available. In fact, if there was a car available it did not do them any good because they still had the dollar-an-hour program in those days and the father had it to get to his job on the State highway. So, what do we do about that?

Secretary SHALALA. One of the reasons why we have some enthusiasm for the kind of flexibility arguments the Governors have asked for is that, in the States where they have asked us for welfare waivers they have, in fact, used some of the welfare money to support workers.

For instance, they have allowed them to keep enough money—and not counted that in in terms of what kind of support they have gotten—to be able to own a car so they could get to the job, keep some of their assets in protection so that they could save money for a down payment on a house, so giving the States the flexibility so that they can design a program that works for rural areas, perhaps exempts some people that are in an impossible situation.

So, they have the flexibility to do that, though not as many exemptions as we probably have in the current law, because one of the things we have learned is we probably exempted too much of the population. But giving the States that kind of flexibility is very important if we are to have real national welfare reform.

Senator ROCKEFELLER. Thank you very much.

The CHAIRMAN. Senator Moynihan.

Senator MOYNIHAN. Thank you, Mr. Chairman. I think the Secretary has been wonderfully responsive, and it is past the hour of noon. I do want to thank her.

The CHAIRMAN. Senator Graham.

Senator GRAHAM. No questions, Mr. Chairman.

The CHAIRMAN. Madam Secretary, thank you very much for all the time you have given us.

Secretary SHALALA. You are welcome, Mr. Chairman.

[Whereupon, at 12:10 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED

PREPARED STATEMENT OF DONNA E. SHALALA

Thank you Mr. Chairman, Senator Moynihan, and members of the Committee for the invitation to appear before you today.

I'm pleased to be with you today to talk about welfare reform. This committee has a great tradition of bipartisan leadership on this issue. You were instrumental in designing the Family Support Act of 1988, the landmark measure that began to change the welfare system to one that encourages work, not dependency.

I am confident that you will once again lead the way toward a reform effort that is built on the basic values of work and responsibility that all Americans share.

In the last two elections—the presidential election of 1992 and the congressional elections of 1994—the American people sent Washington a crystal clear message: They want change.

They want us to stop the gridlock, stop the infighting, and make sure that everything we do makes a positive difference in people's lives.

They want us to end a welfare system that they know has failed. They want a welfare system that is tough on work, but not on children.

That is why we are here today.

To write a new chapter in bipartisan government.

One that begins with a conclusion—and that is to make sure that at the end of the day, we have taken action to improve the lives and prospects of every American.

I am here to pledge the commitment of the Clinton Administration to this approach.

I want to talk today about our vision for welfare reform, and our hope that we can work with you in a constructive and bipartisan way to pass bold welfare legislation.

A VISION FOR WELFARE REFORM

After consulting with members of Congress, people on welfare, business leaders, welfare experts, governors, and other state and local officials all across the country, President Clinton submitted the Work and Responsibility Act to the Congress last year.

Our proposal grew out of the President's long-standing commitment to welfare reform. As governor of Arkansas, he worked closely with national and state officials from both parties—including members of this committee—to pass the Family Support Act of 1988.

I know the President shares my hope that with the leadership of this committee, the same level of bipartisan cooperation will exist again on this critical issue.

The Administration's approach to welfare reform is based on both the successes and the failures of state welfare reform efforts over the last seven years.

Rooted in the bedrock American values of work and responsibility, it would fundamentally change this country's approach to helping young parents move from dependence to independence. Our approach has a few simple goals:

Work. Parents should move off welfare and into jobs as quickly as possible so that they can support themselves and their families. We should offer opportunity and expect work in return.

Responsibility. We must insist that both parents meet their responsibilities to their children, and that non-custodial parents pay child support.

Teen Pregnancy. Within a framework of local and community decision making, we must do everything we can to reduce teen pregnancy and out-of-wedlock childbearing.

State Flexibility With Accountability. We must encourage the creativity and responsiveness of states, while recognizing national goals and the need for standards and national accountability.

Mr. Chairman, I believe we all share these goals.

They are based on widely-shared values—American values—values that built this country in the past and are critical to our future.

Today, the welfare system is not advancing these values. We know this, we agree on this, and both Republicans and Democrats have sought to change this with welfare reform.

Let's talk about work first.

WORK

We strongly believe that welfare as we know it will not end until we fundamentally change the system: Welfare must be about earning a paycheck, not collecting a welfare check.

As the President has said, "Work is still the best social program ever invented, and it gives hope and structure and meaning to people's lives."

To reinforce and reward work, our approach is based on a simple compact. Job training, child care, and child support enforcement would be provided to help people who are willing to work to make the move to independence. We will support working people so they can stay independent. But time limits on cash assistance will ensure that welfare in fact serves as a hand up, not a way of life.

We are committed first and foremost to ensuring that everybody who can work does work. The American people want a government that honors their values and rewards people who play by the rules. They also want to assure that those who play by the rules do not suffer from factors over which they have no control. If we want to help welfare recipients become taxpayers, we must challenge individuals to take responsibility for their own lives—and help them get ahead when they do.

That is what this great national debate on welfare reform must be about. The status quo is not the answer. And merely passing the problem back to the states with reduced resources is not the answer. Work is the answer.

Our approach to welfare reform puts work first. It sends a critical message to people from the very first day they go on welfare: We expect you to work and we will help you prepare for work so you can stay off welfare for good.

To prepare people to work and support their families, those who are employable would move into work as quickly as possible. Those who would benefit from having more skills would engage in job search, education, and training—and we would expect states to hold up their end of the bargain by building on the current JOBS program. Indeed, we believe, as many states believe, that people on welfare ought to sign a personal responsibility agreement, and with a caseworker, develop a plan that commits them to the actions that will get them into work.

Most single parents on AFDC will welcome the opportunity to move rapidly to work and support their children. But for those who refuse to train for work, look for work, or accept work once it is offered, the consequences should be clear: Cash assistance will first be reduced, then eliminated.

If someone has not found a job within two years, then cash welfare should end. And continuing aid should come through work. We hope most people will find jobs quickly in the private sector. But for those who do not, we should take the money which would have been spent on welfare checks and use it to find a subsidized job, preferably in the private sector.

And we will support work. Under President Clinton's leadership, we have already expanded the Earned Income Tax Credit, which reduces taxes for 15 million working families and creates a powerful incentive to work and stay off welfare. We should provide more child care support for low income working families. With these supports, we can make sure that working families can stay off welfare.

RESPONSIBILITY

The second key value in our approach is responsibility.

We believe that both parents should be required to support their children.

That's why we proposed last year the toughest child support enforcement measures ever. Child support enforcement is an integral part of welfare reform.

Today, 63 percent of absent parents contribute no child support, and an average parent who receives child support receives a total of only \$2,995 a year.

That's just *\$8 dollars* a day for a parent who's lucky enough to get child support, and nothing at all for the majority of single parents and children who have been financially abandoned.

These are startling statistics.

Overall, the potential for child support collections is estimated at \$48 billion per year. Yet, currently, only \$14 billion is actually paid, leading to an estimated collection gap of about \$34 billion.

That gap must be closed.

We proposed a comprehensive child support strategy to help custodial parents escape welfare and stay in the workforce.

It included a tougher, more uniform child support enforcement system, as well as a stronger requirement for paternity establishment.

We also would have imposed tough new penalties for those who refuse to pay: Wage withholding, suspension of drivers' and professional licenses, and even property seizure.

I am pleased to say that there is bipartisan consensus on this issue. In the past few months, major legislation has been introduced by Senator Bill Bradley, and by Senators Bob Dole and Olympia Snowe. Bipartisan measures have been filed in the House as well. All of these bills are very similar to the child support enforcement measures the President introduced last year. There is nearly complete agreement here—proof that we really can work in a bipartisan way on values that we all share.

I hope we can continue to work together with members of this committee to make sure that tough child support is a central part of welfare reform.

TEEN PREGNANCY

The third bedrock value in our approach to welfare reform is reducing teen pregnancy and out-of-wedlock childbearing by reaching the next generation.

Senator Moynihan has again proven that he is one of the nation's most visionary thinkers. Thirty years ago this month, he authored a report that first called the country's attention to the breakdown of family and the alarming increase in births outside of marriage. A central part of welfare reform must be a serious commitment to reducing teen pregnancy and out-of-wedlock childbearing.

Every boy and girl in this country must hear and believe that until they are ready to nurture and support children, they should not have sex, they should not have babies.

That message needs to be delivered at every level of our society. By the President, by members of Congress, by the clergy, and by educators, parents, siblings, and peers. It must be reinforced by our social institutions, especially the welfare and child support enforcement systems.

We propose a national teen pregnancy initiative. It should include all levels of society, business and government, and the media. It should recognize that we don't know all the answers about how to deal with this critical problem, and should include both local flexibility and careful research, demonstrations and evaluations.

Fundamentally changing the welfare system also is critical to reducing teen pregnancy. The worst possible message to send to young people is that if they get pregnant, they can drop out of school, set up their own households, and receive welfare support.

The message to teen parents should be one of clear responsibility. The President's approach says: live at home, stay in school, identify the fathers, and, ultimately, go to work, or you get no benefits.

And we should not stop with the mothers. Fathers bear just as much responsibility and we must hold them accountable. Yet paternity gets established in only 1/3 of all out-of-wedlock births. That is the worst possible message.

Every boy and every girl must know that if they parent a child, they will bear a heavy responsibility. But if they do behave responsibly we are willing to offer a helping hand. Time limits, work requirements, and tougher child support enforcement would send a strong message to young people that welfare will never be the same. From now on, welfare must be a second chance, not a way of life.

STATE FLEXIBILITY WITH ACCOUNTABILITY

As a former governor, President Clinton knows that the states are a source of great creativity in designing welfare reforms that meet the needs of their own citizens. Reforms like those in Oregon can change the culture of the welfare system and involve the private sector in creating jobs for welfare recipients.

In the last two years, we have worked with governors and elected officials to give twenty-five states the flexibility to design welfare reform strategies that meet their specific needs.

Half the states. That is more waiver demonstrations than all previous Administrations combined.

And we believe that states should have more flexibility to design their own welfare reforms and get them operating quickly. Our approach eliminated the need for

waivers in almost all cases. It would give the states more flexibility in operating work programs, in setting rules about assets, in deciding how much of their earnings welfare recipients can keep, and in designing other aspects of their programs.

But we also must make sure that our national objectives for welfare reform are met. All states must focus on work, parental responsibility and reducing teen pregnancy. The welfare system must provide the same opportunities and demand the same responsibilities in every state. Children must be protected, wherever they live. Our approach would increase state flexibility in important ways, but would also define and measure progress toward national goals.

And we must have national accountability, so that taxpayers will know their money is being well spent in every state. That's why our approach required states to work with the federal government in implementing new, state-of-the-art anti-fraud measures.

These new systems were designed to detect and prevent many types of fraud and abuse, such as unreported employment and earnings, misrepresentation of the numbers of children in a family, and duplicate receipt of welfare, food stamps, unemployment compensation, and other government benefits. These new systems also would help to locate absent parents who are not paying their child support.

Working together, states and the federal government can make sure we have a welfare system that meets local needs and achieves national goals.

THE HOUSE REPUBLICAN APPROACH

I have described the President's approach and my hope for genuine bipartisanship on this issue. But I must add that I have grave concerns about the welfare reform measures that emerged from committees in the House of Representatives over the past few weeks. In our opinion, this legislation has the values all wrong. It is weak on work and tough on kids, when it should be the other way around.

WEAK ON WORK

Last year, there seemed to be bipartisan recognition in the House of the simple realities of welfare reform. Serious welfare reform has real work requirements, but also provides new resources for training, child care, and job creation. Serious welfare reform recognizes that someone with young children and an eighth grade education can't be expected to leave welfare without some temporary help. Even the original bill contained in the Contract With America had serious work requirements and \$10 billion more than current law over the next five years for work, training, and child care.

But something has happened on the House side this year. The talk of work remains but the substance has vanished. The measures reported by House committees repeal the amendments made by the Family Support Act, and much of the original Social Security Act. They eliminate any requirements that states provide education, training, job placement or child care. Indeed, a state does not have to do anything to help people move from welfare to work.

Though there are "work requirements" in the bill, they are more figurative than real. In the first year, 4 percent of the caseload is required to work. But even now, before reform, 7 percent of the single parents on welfare are already working.

In the year 2000, the participation requirements rise to 17 percent. But even then there is a peculiar twist: if someone is off welfare for any reason at all, they count as meeting the "work requirement." This is not only misleading and wrong, it also makes no sense: cutting someone off welfare is not the same as ensuring that they get a job and can support their families.

And the House proposal does cut people off. The children of mothers under 18 are denied cash assistance in the first place. Additional children born to welfare mothers are as well. Nearly everyone, adult or child, who gets more than 60 months of aid in a lifetime is cut off—even if they are ill, caring for a disabled child, or willing to work but cannot find a job. And the states could cut off even more people. But ironically, every person removed from the rolls counts as meeting the work requirements.

Indeed, the best evidence that work is not what the House Republican plan is all about can be seen from its funding. There is less for training, less for child care, less for job placement. The \$10 billion fund for work in the original Contract with America has vanished, replaced by cuts in the funds for income support, cuts in funds for education and training, and cuts in the funds for child care.

The cuts in child care funding are particularly counterproductive. I don't know anyone who claims we can get more single parents working by spending less on child care. Forty percent of mothers on welfare have a child under three. Time after time, mothers on and off welfare told us stories about how the lack of child care

kept them on welfare, or drove them back onto the rolls after they had managed to get a job.

Federal child care help now goes to three groups: middle and upper income families through the dependent care tax credit, low income working families, and welfare recipients who are moving from welfare to work. The House bill eliminates the child care guarantee for welfare recipients moving to work. And the cap on funds means that if the states try to move more people off welfare by providing them with child care, the states will in all likelihood have to provide less child care for low income working families. So working families may lose their child care and risk being forced onto welfare. This is the opposite of the kind of seamless system we should have, one that provides child care to help working families at all income levels. And it is not welfare reform.

Child support also is crucial for working families. Initially, the Contract with America did virtually nothing about child support. That was a terrible mistake. But I am happy to report that last week, at the urging of the President, the Ways and Means Committee finally inserted child support enforcement measures into the Committee bill. That was a success not just for the Administration, but also for the members of both parties in the House who said parental responsibility is essential.

Most of the child support provisions are very close to those included in the President's bill and in the other child support bills, including those introduced by members of this Committee.

Unfortunately, there is one glaring omission—a provision for suspending drivers and professional licenses when non-custodial parents refuse to pay. This is a proven measure that gets results. We estimate that this provision could increase collections by as much as \$2.5 billion over ten years, and CBO estimates that we could save the federal government \$146 million in the first five years alone. I urge you to ensure that the provision is included when these issues are considered by your Committee.

TOUGH ON KIDS

While the House bill is soft on work, it is very tough on kids. The cuts in child care could mean that children might be left home alone or in unsafe situations.

Benefit cuts pose even more dangers. The children of mothers under 18 get no cash benefits, period. Instead of letting states decide for themselves whether to deny benefits for additional children born to a mother on welfare, the House bill imposes a one-size-fits-all mandate. No benefits can be paid to children whose parent has received welfare for more than five years, whether or not a job is available or the parent is unable to work.

Some of these children could well be pushed into a child protection system that is already seriously overburdened and that is failing to provide the most essential services. But rather than increasing funds for services to protect children, the legislation repeals the funding guaranteed for poor children in foster care and for the adoption of special needs children. It also eliminates federal oversight of state child protection systems—many of which are generally acknowledged to be functioning very badly—and caps spending at levels considerably lower than projected needs.

Even benefits to disabled children on SSI are cut way back. Most of the children who enter SSI now would no longer be able to do so. Many seriously disabled children would no longer be eligible for cash benefits and would only receive services provided under a capped block grant.

UNFAIR TO STATES

The House bill relies on the states to solve the problems of requiring work and protecting children. It would completely scrap the shared state and federal partnership, cut funding, eliminate the state match, and block grant most programs. Not even school lunch or WIC is spared.

The House bill would create a system in which opportunities and responsibilities vary dramatically from one state to another. Where children are protected in some states but not in others. Where accountability for the money that taxpayers pay into the federal Treasury rests almost entirely with the states.

We strongly believe in state flexibility. But every time the Republicans have put forward their block grant approach, it just doesn't add up to welfare reform. The current House bill is not welfare reform; it neither protects children nor does it protect state taxpayers.

Real reform began in most states with the passage of the Family Support Act, when the federal government set some standards and provided funding to the states to move people to work. If we are serious about bringing the values of work and responsibility into welfare offices across this nation, we need national standards and

states need the means to meet those standards. We won't have real work requirements OR state flexibility if all we do is shift problems from one bureaucracy to another.

As the President said earlier this week, budget cutting shouldn't be wrapped in a cloak of welfare reform. Let's reform welfare. Let's cut the deficit. But let's not mix up the two and pretend that one is the other.

If a block grant repeals the JOBS program, it will remove any real responsibility for states to provide training, job placement, and work—which are at the very heart of moving people off welfare. The experience with the Family Support Act is quite revealing. Even with a very large federal match, many states did not draw down their entire allocation of JOBS money.

In contrast to the automatic stabilizer function provided by the shared federal system now in place, block grants that do not make adjustments for recession or population growth also would create real problems for states in times of economic or demographic change. Under the House proposal, a state facing a recession could encounter a double problem: reduced revenues and increased caseloads. And while demand for assistance would inevitably rise, federal funds would not.

In these cases, the people most likely to be hurt will be the working poor. It is the working poor who need temporary welfare when the economy goes into recession.

It is the working poor who will lose their child care when the child care block grant money runs out.

It is the working poor who may not be able to even get subsidized school lunches in times of financial stress.

We recognize the need for more state flexibility within the welfare system. But we can provide that flexibility without dismantling the structure that was set up by the Social Security Act, a structure that ensures that federal funds are there when families and states need them. We need to continue the funding mechanism that ensures that children receive benefits regardless of the time of year their parents apply, the prevailing economic condition in the state, or some artificial and inflexible cap on funds.

Our approach does that. It reforms welfare. It provides state flexibility with accountability. It protects children. And it protects state taxpayers.

CONCLUSION

In closing, I want to raise with this Committee a fact that we all must face with great candor. Bringing about fundamental changes in the welfare system—helping long-term welfare recipients become self-sufficient—is not an easy task. Nobody knows that better than the members of this Committee, many of whom have worked for years developing policies to improve the system.

There are no magic bullets, or simple answers. The causes of dependency are complex, and so are the solutions.

We must make major changes. But we also must make sure that we do not take unnecessary risks with the lives of our most vulnerable citizens. As the President has said, we must reform the broken welfare system in a way that lifts people up from dependence to independence—not in a way that merely punishes them for being poor.

Mr. Chairman, we in the Administration look forward to working closely with you and your colleagues to put in place a system that moves people from welfare to work, that protects children, and that holds parents accountable.

The American people deserve a government that honors their values, spends their money wisely, and rewards people who work hard and play by the rules.

We stand ready to work with this Committee and this Congress to make these values the centerpiece of welfare reform.

I believe that we have a rare opportunity to move this country forward, to help all Americans, to renew our people's faith in government.

Just as it is time to end welfare as we know it, we also must end the use of this issue to divide America.

We are ready to sit down and work with this Committee, this Congress, elected officials across the country, and the American people to get the job done. Thank you.

